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BRIGADE
Building Positive Experiences

Ref: BEL/NSE/BSE/13022018

13th February, 2018

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Department of Corporate Services - Listing
BSE Limited
P. J. Towers
Dalal Street,
Mumbai - 400 001

Re.: Scrip Symbol: BRIGADE/Scrip Code: 532929

Dear Sir,

Sub.: Transcript of Conference Call on the Company's Q3 FY-18 Earnings - 9th February, 2018

We are enclosing herewith the transcript of the Conference Call on the Company's Q3 ended financial results for the financial year 2017-18 held on Friday, 9th February, 2018.

Kindly take the same on your records.

Thanking You,

Yours faithfully,

For **Brigade Enterprises Limited**

P. Om Prakash
Company Secretary & Compliance Officer

Encl.: a/a.

"Brigade Enterprises Limited Q3 FY18 Earnings Conference Call"

February 09, 2018

MANAGEMENT: **MR. M. R. JAISHANKAR - CHAIRMAN & MANAGING DIRECTOR, BRIGADE ENTERPRISES LIMITED**
MR. K. P. PRADEEP - CFO, BRIGADE ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY18 Earnings Conference Call of Brigade Enterprises Limited. We have with us today on the call Mr. M. R. Jaishankar – Chairman & Managing Director and Mr. K. P. Pradeep – CFO. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. M. R. Jaishankar from Brigade Enterprises Limited. Thank you and over to you, sir.

M. R. Jaishankar: Thank you. Good evening. Firstly, thank you all for joining for this conference call. And as you would have read, we are happy to report improved performance in Q3, both in terms of profitability and new sales bookings. Although the revenue booked is slightly less, the exact figures of course will be given by our CFO, Mr. Pradeep.

Basically, what I want to say is, I think the industry as such is getting stabilized after the efforts of demonetization and RERA and GST, not that it is fully out of the woods, but there are green shoots in the offing based on which I think the confidence is generally building up amongst the developers and also since in 2017, the new project launches across the industry was subdued, I would say quite a bit of existing stock was absorbed. Now also not that there is no existing stock, there is good amount of existing stock, but the mood is becoming from diffident and negative to optimistic and towards becoming confident and based on which Brigade also has geared up to launch number of new projects. To be precise, we have 25 projects in the offering in 2018-2019, some of which may happen, in the month of March itself. It is only the RERA registrations we are hoping to get and getting ready for that. Now in some cases, all the approvals have been received and in other cases we are at substantial level. Overall, about 24 million square feet of new projects are there, of course of which Brigade's economic interest will be approximately 18 million and the balance 6 million being land owners interest. It is a combination of owned lands and joint development lands; combination of residential, commercial and bit of hospitality. Of the 24 million, you can say approximately 4 million square feet is commercial which will also include nearly 1.5 million square feet of strata sale and another one million of land owner and about 1.5 million of building for lease other than what is in progress.

And of the residential of about 20 million, about 12 million will come in the affordable housing segment and about 8 million will come in the luxury segment, it is not that they are overly expensive product, but above the of affordable housing by the government. And it is not that all the 24 million will be launched at the same time. Some of the larger projects called Brigade Cornerstone Utopia which is a 6 million square feet project will be launched in more like 3 phases for a period of next 3 years and we also have another project called Brigade El Dorado which is an affordable housing segment of 5.5 million square feet, which will also be launched in phases. So this is what is giving us the general confidence that the future should be bright and considering the kind of money earmarked by the central government in the recent budget for various infrastructure projects. We do expect some amount of cost push by way of increasing prices in steel cement and few other inputs. That is something people need to be concerned about. But I don't think, as developers we have much control . And I think let this be the initial remark and our CFO will give more details sand then we will be happy to take the questions. Thank you.

K. P. Pradeep: Thank you and good afternoon. Coming to the consolidated performance for Q3 FY2018, the consolidated revenues for the 3 months ended to date is 433.64 crores versus 572.16 crores in the corresponding quarter of the previous year. The reduction in revenue is on account of fewer launches of new projects over the last 3 sequential quarters. Real estate segment clocked a turnover of Rs. 299.70 crores as against Rs. 454.60 crores in the corresponding quarter of the previous year. The EBITDA, however, is at 35.40% versus 19.34% in the corresponding quarter of the previous year. The increase in the margins are primarily on account of completion of ongoing projects during the quarter, as a result of which cost estimates made earlier fructify to actuals and therefore the uptick in margins are coming on account of cost savings post projects closure . The hospitality segment clocked a turnover of Rs. 59.10 crores versus Rs. 51.10 crores in the corresponding quarter of the previous year. An EBITDA of 13.37% versus 26.08% in the corresponding quarter of the previous year. The reduction in EBITDA on account of 2 new properties coming into the hospitality segment are Holiday Inn Race Course Road and Holiday Inn Chennai which currently are suboptimal at the operating margin level. But are expected to optimize over the next 1-1.5 years.

The leasing segment clocked a turnover of Rs. 74.80 crores versus Rs. 66.60 crores in the corresponding quarter of the previous year and an EBITDA of 73.40% versus 60.66% in the corresponding quarter of the previous year. The consolidated EBITDA including other income increased by 19.51% to Rs. 169 crores versus Rs. 141.40 crores in the corresponding quarter of the previous year. EBITDA margin (including other income) stood at 38.95% this quarter versus 24.75% in the corresponding quarter of the previous year. The interest and finance charges for the quarter were range bound and stood at Rs. 63.60 crores versus Rs. 64.60 crores in the corresponding quarter of the previous year. Consolidated profit before tax for the quarter is Rs. 68.80 crores compared to Rs. 46.30 crores in the corresponding quarter of the previous year, a growth of 48.59%. The consolidated tax provision for the quarter is at Rs. 23.67 crores against an amount of Rs. 14.74 crores for the corresponding quarter in the corresponding period in the previous year. The consolidated profit after tax after minority interest is Rs. 48.90 crores for the quarter compared to Rs. 30.40 crores during the previous year, a growth of 61%.

Coming to the consolidated performance of the 9 months, FY2018 the consolidated revenues for the 9 months stood at Rs. 1,497.80 crores versus Rs. 1,497.70 crores for the corresponding period of the previous year. The consolidated EBITDA including other income for the 9 months increased by 12.43% to Rs. 453.80 crores versus Rs. 403.60 crores in the corresponding period of the previous year. Real estate segment clocked a turnover of Rs. 1,117.10 crores versus Rs. 1,116.49 crores in the corresponding period in the previous and an EBITDA of 24.43% versus 22.23% in the corresponding period of the previous year.

The hospitality segment clocked a turnover of Rs. 166.6 crores versus Rs. 141.40 crores in the corresponding period of the previous year and an EBITDA of 18.37% versus 19.02% in the corresponding period of the previous year. The leasing segment clocked a turnover of Rs. 214.10 crores versus Rs. 191.40 crores in the corresponding period of the previous year and an EBITDA of 70.15% versus 61.60% in the corresponding period of the previous year. The EBITDA margin including other income stood at 30.29% for the 9 months versus 36.95% in the corresponding period of the previous year.

The interest and finance charges for the 9 months is again range bound, stood at 184.80 crores versus 187.20 crores in the corresponding period of the previous year. The consolidated profit before tax for the 9 months is Rs. 168.60 crores compared to Rs. 126.58 crores in the corresponding period of the previous year, a growth of 33.2%. The tax provision for the 9 month is at Rs. 52.61 crores as against an amount of Rs. 42.68 crores being the tax provision for the corresponding period of the previous year. The consolidated PAT after Minority Interest for the 9 months is Rs. 121.11 crores compared to Rs. 78.98 crores during the corresponding period of the previous year, a growth of 53%.

Coming to the debt position, the gross debt as of December 31, 2017 stood at Rs. 2,858.30 crores. Rs. 859.8 crores of this being the real estate segment debt, Rs. 398.1 crores being the hospitality segment debt and Rs. 1,600.4 crores being the leasing segment debt. The corresponding gross debt as of December 31, 2016 correspondingly stood at 2,084.9 crores; Rs. 931.2 crores being the real estate debt, Rs. 263.4 crores being the hospitality segment debt and Rs. 890.4 crores being the leasing segment debt. The cash and cash equivalent stand at Rs. 546.3 crores as on December 31, 2017 as against Rs. 182.4 crores as of December 31, 2016. Consequently, the Company's net debt outstanding as of December 31, 2017, is Rs. 2,312 crores, as against Rs. 1,902.6 crores as of 30th of September 2017. The company's effective cost of debt as on 31st of December 2017 is at 9.28% per annum as against 10.57% per annum for the corresponding period as on December 31, 2016.

We continue to have a credit rating of A with stable outlook which has been assigned by both CRISIL and ICRA. Some leverage ratios that I also wanted to share with you which we track on a trailing 12 months basis. The interest coverage ratio stood at 2.55 in Q3 FY2018 as against 2.59 in Q2 FY2018. The net debt to equity stood at 0.81 for Q3 FY2018 as against 0.71 for Q2 FY2018. The net debt to EBITDA including other income stood at 3.51 for Q3 FY2018 as against 3.06 in Q2 FY2018. The return on core operating capital employed stood at 20.8% in Q3 FY2018 versus 18.4% for Q2 FY2018. The return on equity stood at 8.6% for Q3 FY2018 versus 8% for Q2 FY2018.

A brief business update for the quarter. The real estate space that we have booked aggregating to 0.46 million square foot with a total value of Rs. 262 crores, this was the booking during the third quarter ending December 31, 2017. The average price realization was Rs. 5,667 per square foot. And Brigade is currently developing about 21 million square feet across residential office, retail and hospitality segment. And launches over the next few quarters include to the extent of about 11 million square foot, of this 5.5 million square foot in the affordable housing segment for the immediate quarters out of the overall 12 million square foot in affordable housing as mentioned by The Chairman in his opening remarks . I will now hand it back to the moderator for questions. Back to you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just wanted to understand, we have already launched some large commercial projects like Tech Gardens and we started even construction of WTC Chennai this quarter and also we have a strong pipeline of 4 million square feet. If you can throw some light on the preleasing strategy that we are thinking on because there is a lot of leasing to be done over the next 3-5 years. So any color on the preleasing strategy will be helpful?

M. R. Jaishankar: Yes, they are all at preliminary level. But we are in discussion with number of prospective clients. So far nothing is preleased, but the fact is that the vacancy levels in Bangalore is low particularly the SEZ area and we are trying our best to come up with about a million square feet of space ready by end of the calendar year 2018 or financial year FY19. We should be able to lease the Brigade Tech Garden ahead of the World Trade Center Chennai which is also coming up well and there are quite a few serious enquiries are there and generally the leases happen during the latter part of Q1-Q2. Q2-Q3 are the busy time for leasing. So it should happen. We are generally confident.

Kunal Lakhan: Sure. But just put together Tech Gardens and WTC, you have 5 million square feet, so especially for Tech Garden because it is still in advanced stages, can we expect preleases to start from June quarter or September quarter.

M. R. Jaishankar: We are definitely expecting the June quarter.

Kunal Lakhan: Okay, great. Secondly any clarity on the development potential at the Yashwantpur land parcel? Also like you know where we are on the approvals front and when we can expect the construction to start?

M. R. Jaishankar: The development potential is anywhere between 1.25 to 1.5 million square feet, and there are two stage approvals. You can say the first stage approval is more or less assured and considering the approval we need to receive from environmental department and all. I would expect it to happen in Q3, the project commencement to happen in Q3 between October to December.

Kunal Lakhan: Sure, that is another 1.5 million square feet, right?

M. R. Jaishankar: It is, yes. But this is in North West zone whereas the Brigade Tech Garden is in South East area, more like East.

Kunal Lakhan: Okay. And secondly in terms of debt, the debt went up in this quarter by almost like 200 crores-300 crores, just wanted to understand that because I was looking at your cash flows and there was some payment towards land JDAs which was done in this quarter. Can you give some color on what was this related to?

K. P. Pradeep: This is just ongoing JDA land owner (LO) payments for the past, actually nothing new currently. The increase in debt is in line with the project commencement on both the projects at Brigade Tech Garden in Whitefield and the World Trade Centre at Chennai.

Kunal Lakhan: Okay. But this is more like, payment towards land and the Tech Gardens and WTC Chennai would get factored into the CWIP, right?

K. P. Pradeep: That is right. You are talking from the cash flow, right?

Kunal Lakhan: Cash flow perspective, yes.

K. P. Pradeep: So from the cash flow perspective, some of the LO payments, land owner payments were from the past. The two projects that I was talking to you about was reason for the increase in the overall debt.

M. R. Jaishankar: And the smaller payment towards the joint development a number of almost 11 projects of mid sized nature may be the second installment and third installment payment but nothing of major value.

Kunal Lakhan: Just one clarification, the SAB Miller payment was supposed to be funded from the internal accruals, right?

K. P. Pradeep: Yes to clarify the SAB Miller payment was from internal accruals. The increase in the debt is on account of the two projects Brigade Tech Garden and the WTC at Chennai. So the increase in debt is in line with the progress in construction in those projects. Having said that, the specific query on the Land owner payments are on account of commitments that are being made in the past - which are appearing in the cash flow as commitments that are being paid now.

Kunal Lakhan: That is helpful. Thanks a lot. Just one last question from my side is we have a fair bit of new launches planned in Q4, like 8 projects lined up in Q4. Have we received the RERA approval or RERA registration for all of these and how confident are we of launching all these 8 projects in this quarter?

M. R. Jaishankar: RERA approvals will be filed in many of the cases by end of February or so. Today in some cases, construction work has already started. So that means they have not officially launched the project, but work has started. We will officially launch the project once the RERA approval comes. Just to clarify, RERA does not say you should not start the project construction work. Construction work is in progress in case of Brigade Commercial projects, Brigade Senate I, Brigade Senate II, or Brigade Southfields, and then on the Brigade Woods, these are four projects where construction has already commenced and we are in the process of commencing another 3 projects, called Oak Tree Place, Brigade Parkside and one other project. So that is why in the opening remarks I did say launch we will do either in Q4 or Q1 based on the RERA registration.

Kunal Lakhan: Okay. One last question from my side was basically the utilization of QIP proceeds till date if you can share?

K. P. Pradeep: So the utilization is in line with what was discussed during the time of the QIP which is typically for ongoing projects.

Kunal Lakhan: So any color on how much has been spent so far and what is the balance to be spent?

K. P. Pradeep: So currently, we have spent around 200 crores out of the total 500 cr QIP amount. This is the December 31, 2017 position. It is expected to decrease as we go through the remaining part of project construction cycle of the existing projects.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Sir, just I was wondering and if you could share your thoughts on current demand dynamics on how is the market behaving in terms of residential sales because I mean if I have to look at the numbers, it seems as if we have done better than what we were doing a couple of quarters back, but if I were to look at some of our recent launches like Xanadu, Seven Gardens and Buena Vista There we are not seeing any significant traction, so it seems as if at least on the number it appears that people still prefer either ready-to-move in or projects nearing incompletion and given the fact that we have this bigger launch pipeline and if the demand is more for nearing completion or completed development, then how do you see traction to be for these new launches that you planned?

M. R. Jaishankar: See, in case of Brigade Buena Vista, the total is about approximately a million square feet, out of which half a million square feet was launched in the first phase and that has received good response and so we are opening up the second phase also sometime this month or end of this month, because of RERA registration for the second phase, we will open it by April for sure. And Xanadu, yes, there is a product mix thing. You will be surprised to know there is more demand for larger sized units than mid-sized units. But I think Chennai market is still in the process of stabilization and as far as Brigade 7 Gardens, yes, it is in progress and I think it can certainly do better than what is happening, no doubt about it and many of the new projects that we are in the process of launching is at the sweet spot of mostly under 50 lakhs category affordable housing. So that I think it should receive better than expected response.

Prem Khurana: Sir, any ballpark number in terms of how much of this 11 million square feet would be within this Rs. 50 lakh of ticket size?

M. R. Jaishankar: At least 50%.

Prem Khurana: And also we could kind of share your thoughts on the CAPEX that we need to incur over our CAPEX properties, I mean it seems 2,300 crores is what we need to spend. So how do we intend from this exactly as in yes we have Rs. 500 crores of cash balance available with us, then does it mean, I mean we would have to borrow more to be able to kind of construct these projects?

K. P. Pradeep: I think the capex is a combination of a few things. One is that the speed and the way in which we execute the projects will to a large extent determine the velocity at which the costs impact the cash flow. Having said that, we will address the requirement through a combination of of debt and equity. You may have also heard about a potential investors in our Hospitality vertical of course a strategic partner at the right valuation to address the needs of this segment for ongoing capex and growth opportunities. So there are various thoughts around it. I mean this will be a combination of several initiatives overall.

Prem Khurana: Sir on hospitality side, you just spoke about the transaction, so basically, the idea is to do a transaction wherein we would cash out or you were planning to raise some incremental funding so that you could meet CAPEX requirement that is there for your hospitality vertical?

K. P. Pradeep: You are aware that we have an NCLT process and that we are subsidiarizing all our hotel assets into a company BHVL which is, Brigade Hotel Ventures Limited and we are likely to see this through by the end of fourth quarter of FY18. Having said that, the possibility is for us to see an investor sometime over the next FY19 financial.

Prem Khurana: Sure. Basically what I want to understand is it will be a cash out transaction or that money would come in the hotel SPV?

K. P. Pradeep: So the hotel ventures itself has got a plan to move 1000 keys to 2000 keys and so it will be to address that and any other growth opportunities too.

Prem Khurana: Sure. And sir I think in your opening remarks, you spoke about some affordable housing of around 5 odd million square feet. How many projects would these be, I mean the area would be spread of how many projects and any timeline that you could specify in terms of when do we intend to launch because I mean if I look at the launch pipeline that you share in your presentation, so it talks about only 4 million square feet of overall launches, doesn't talk about any affordable or 5 odd million square feet there.

M. R. Jaishankar: It is totally about the 8 projects and of that, we have included only the first phase of Brigade El Dorado and all that. So as I said, the overall we have 12 million square feet of affordable housing planned. Out of that in this year, it will be about 5 million. And when I said this year, it is FY19.

Prem Khurana: Sir, just on this GIC platform, so how much of this is already spent now?

M. R. Jaishankar: We totally have 3 projects with GIC, of which Brigade Cosmopolis was the first one where we have completed 1.2 million square feet of area. The project is you can say practically complete and another 300,000 square feet area has to be taken after there is more clarity after we receive the approval with Transferable Development Right (TDR). So that approval is in progress. In fact for the last two years or so, there is no clarity in the TDR policy in Karnataka, I would more say Bangalore city and other than that, we have done the Brigade Tech Garden which is a Brookefields property from Hindustan Unilver and the third property is the Nerolac property in Chennai which is the world trade center in Chennai. So these are the three projects. Whenever we have a platform deal it does not mean the money will just come in, it is based on the requirement. It shows the intent of the party.

Prem Khurana: No, basically I mean, I was thinking, I mean did we have any option to kind of have this Yeshwantpur land parcel as a part of this platform because it again is a commercial development. We bought it on an outright basis, the idea to flow this platform was to kind of keep a check on capital intensity?

M. R. Jaishankar: So currently it is not part of, but maybe we can roll it out at a later point of time.

Prem Khurana: :Sure and sir last, a small clarification. On Tech Garden, it seems that we have increased our budged cost estimate by Rs. 200 odd crores or any change in the design or any increase in area there or is it purely because of the fact that I mean the cost would have changed.

M. R. Jaishankar: I think it is based on estimates. Till all the contracts are finalized, there will be certain amount of variation. It will go up and down. After 3 months to 4 months, there will be much more clarity in the budget basis the right product at the right price.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. K. P. Pradeep for his closing remarks.

K. P. Pradeep: Thank you very much for taking the time to be part of the quarter conference call today. As the Chairman has explained it has been a very interesting quarter for all of us and we have started seeing first signs of a positive shift in terms of our overall sales booking relative to the previous sequential 3 or 4 quarters. We look forward to a more positive FY19 . We hope we have answered a lot of your questions today and if you have any further queries or clarification, please feel free to write to us. We look forward to meeting you all in the next quarter call. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Brigade Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.