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BRIGADE
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Ref: BEL/NSE/BSE/05092018

5th September, 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 Q1 FY-19 Earnings - 16th August, 2018

We are enclosing herewith the transcript of the Conference Call on the Company's Q1 financial results for the financial year 2018-19 held on Thursday, 16th August, 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

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“Brigade Enterprises Limited Q1 FY19 Earnings Conference Call”

August 16, 2018

MANAGEMENT: **MR. M. R. JAISHANKAR – CHAIRMAN AND MANAGING DIRECTOR, BRIGADE ENTERPRISES LIMITED**
MR. ATUL GOYAL – CFO, BRIGADE ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY19 Earnings Conference Call of Brigade Enterprises Limited. We have with us on the call today, Mr. M. R. Jaishankar – Chairman and Managing Director and Mr. Atul Goyal –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 this conference call, please signal an 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. Thank you and over to you, sir.

M. R Jaishankar: Good evening. On behalf of Brigade Group, it is my pleasure to welcome you all to this conference call Post the First Quarter Results of FY19. I am happy to say the performance is fairly good and the total revenue is as per AS 115 accounting standard. The consolidated Q1 performance, the total revenues stood at 708 crores and the EBITDA stood at 188 crores and the EBITDA margin stood at 27% and the PBT stood at 94 crores and the PAT after minority interest stood at 63 crores. Now, this is the substantially better than the Q4 and Q1 of FY18 and if you even consider the POC method as per AS 18 even then this is substantially better than Q4 FY18 and marginally better than Q1 of FY18.

What is the importance and significance is the Q2 also has started off well. In the 6 week in Q2, we have done sales of about 0.6 million. In other words, in the first 4.5 months of FY19, we have reached about a million square feet of sales as compared to just about 1.5 million square feet of sales in the whole of FY18. And in addition to this million square feet of sales in the 4.5 months we have concluded about half a million of square feet of office lease in various projects of us.

In addition, in this FY19 we are confident of commencing 218 key Four Points by Sheraton Hotel in Kochi. In fact, it may happen in Q3 itself which is a positive thing and our Holiday Inn Chennai has stabilized fairly well and it is already in the first year it is clocked average occupancy of 62%. So, which is above expectation and hotel already in Race Course in Bangalore it is still in the process of stabilization.

As regards the office portfolio the number of ongoing projects whether it is Brigade Tech Gardens or World Trade Center, Chennai they are all progressing well. And in residential we are in the process of launching close to 8 million square feet in this year.

So, this is just the beginning I am saying and let our new CFO – Atul Goyal who has joined us quite recently just about 2 weeks back, just to give you a brief introduction of him. He has 13 years of experience and formerly with DLF, New Delhi, Gurgaon. He was heading one of the subsidiaries companies as the CFO. So, over to Atul, we are here to answer any of your questions after his initial remarks. Thank you.

Atul Goyal: Thank you and good afternoon, everybody. On behalf of the company we would like to welcome you all on the Earning Call for Q1 FY2019. At the outside let me start by saying that this year's

financial have been prepared taking into consideration, the recent notification by MCA whereby AS 18 method has been replaced by AS 115 that is the completion method. To give effect the new standard, we have reversed the revenue of 2,346 crores and consequently there is a reduction of group retain earnings to the extent of 407 crores as on 1st April 2018.

We start the business update:

As MD said we had booked a new sales of 0. 43 million square feet this quarter that is 37% increase over corresponding quarter last year. We have also launched 2 real estate projects during the quarter having saleable area of 0.7 million square feet of which 0.6 million square feet is our economic interest.

On the lease rental side, we have signed 0.5 million square feet of new leases in Q1 FY19. The same is expected to generate additional revenue of around 24 crores, the lease rent.

On the hospitality side of business, our performance remain range bound is one of our newly operated hotels Holiday Inn Chennai clocking 62% of occupancy during the quarter versus 36% during FY18.

Coming to the consolidated performance:

Before I start, there is a disclaimer that since there is change in accounting method, the current quarter numbers are as per AS 115 cannot be compared with previous years since we have adopted the modified retrospective approach.

The consolidated revenue for the 3 months ended 30th June 2019 stood at 707.90 crores whereas the real estate segment clocked the turnover of 566.6 crores and an EBITDA of 22%. The hospitality segment clocked a turnover of 64.6 crores and an EBITDA of 19% and leasing segment clocked a turnover of 76.8 crores and EBITDA of 66%.

The consolidated EBITDA including other income for Q1 2019 stood at 188.3 crores, EBITDA margin including other incomes stood at 27% for the company. The interest and finance charges for the quarter was 62.8 crores consolidated profit before tax for the quarter was 93.8 crores. The consolidated tax provision for the quarter is at 31.3 crores, the consolidated profit after tax after minority interest is 63.1 crores for the quarter.

Coming to the debt position:

The gross debt as on June 30th, 2018 stood at 2,903 crores that is 597 crores being in real estate segment, 470 crores in hospitality and 1,836 crores in the leasing business. The corresponding gross debt at June 30, 2017 stood at 2,289 crores in which 906 was in real estate segment, 342 crores in hospitality and 1,040 in the leasing segment.

The cash and cash equivalent stand at 338 crores as on June 30th, so consequently our net debt outstanding as on June 30th was 2,565 crores. The company's effective cost of debt as on 30th June is 9.18% per annum as against 9.84% per annum in the corresponding period. So, company's debt percentage has been reducing consistently. We have been rated A with stable outlook which has been assigned by both CRISIL and ICRA and I also want to, share some leverage ratio, the interest coverage ratio is around 2.99x net equity ratio as per AS 115 is 0.97x and as per AS 18 is 0.83x. The net-to-EBITDA stood at 3.4 as per Q1 2019.

I handed it back to the moderator for any questions. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, firstly just wanted to know about the rental business, what is the progress in construction on Tech Gardens and the WTC Chennai and in Tech Gardens when do we see the buildings getting completed?

M. R. Jaishankar: I will first talk about to Tech Gardens and the World Trade Center Chennai both are as you know they are SEZ projects. So, we are quite aware that the sunset clauses is in March 2020. As far as Tech Gardens is concern the original schedule for completion even for the first phase of the September 2019. So, now we are fairly confident of advancing the first phase of about 1-1.2 million square feet to March 2019. That means we are advancing by about 2 quarters and as far as the remaining leasable area of about 1.85 million square feet in Brigade Tech Garden that should get completed by September 2019 as scheduled give or take a month or two. So, that way we are fairly certain it should get completed. There is a small portion of above 300,000 square feet of non-SEZ area which has some I would supporting retail and may be business center and also hospitality segment of about 120 keys. So, that will take little bit longer time and that because that work has started very recently. As regards our World Trade Center Chennai, the construction is progressing fairly okay though we had little bit of hiccups for unforeseen reason. And as planned the team is working hard to complete it in by end Q2 to Q3, I would say 2020 financial year.

Adhidev Chattopadhyay: And what is progress on leasing now in Tech Gardens?

M. R. Jaishankar: So, in Tech Garden in the first phase, we have signed lease of modest area of about 150,000 square feet. The remaining area is under active discussion, so is the case with we are not signed anything so for in World Trade Center Chennai. But it is in active discussions with the few clients. So, we are not overly concerned on that leasing front at this early stage of the project.

Adhidev Chattopadhyay: Sir secondly, whatever leasing you have done the 0.4 to 0.5 during the quarter could you just break that up and which project that has happened and any indication over the tenants over there?

M. R. Jaishankar: So, we have down about you can say 150,000 square feet in World Trade Center, Kochi, UST Global we have that done about 150,000 there and this is in Q1. And we have done about 170,000 in Brigade which is ABB and one other company. And we have done some smaller areas in GIFT City that is BIFS, Brigade International Financial Center, comprised of National Stock Exchange and ICICI Bank and HDFC Bank. Couple more smaller things in Signature Towers and others.

Moderator: Thank you. The next question is from the line of Rajesh Ranganathan from Doric Capital. Please go ahead.

Rajesh Ranganathan: Could you please repeat what you mention about GIFT City? What is the status of the 2 projects we have in GIFT City both the hospitality and the office in terms of stage of construction and stage of leasing?

M. R. Jaishankar: Yes, in GIFT City we are doing about 0.31Mn square feet of office. It is not a very large portfolio. It is called Brigade International Financial Center, unlike IT space this financial SEZ**,** the requirement of spaces does not run into lakhs and millions of square feet. We have the project is substantially complete and clients have just started doing interiors. The first lease we have signed is with the National Stock Exchange. They have taken close to about 20,000 square feet and some smaller areas initially more like incubation areas we have signed with HDFC and ICICI Bank of about 7,000-8,000 square feet. And as far the remaining areas are under discussion but it may take couple of months. I cannot give you a very clear indication when it will happen and as far as the hotel is concerned the structure of the building is complete and the interiors of the project will be begin very soon probably in this quarter itself. I think, it should happen in Q1 of FY20.

Rajesh Ranganathan: So, if let us say whatever reason the GIFT City take off is delayed can these assets be used to serve the Gandhinagar or Ahmedabad market or it is just too far?

M. R. Jaishankar: In terms of distance or is it time?

Rajesh Ranganathan: Distance.

M. R. Jaishankar: When you say too far what does it mean?

Rajesh Ranganathan: In the sense can people visiting Gandhinagar, Ahmedabad can they consider this location?

M. R. Jaishankar: Yes, certainly it is about, see it is equal distant from Gandhinagar and Ahmedabad. It is in terms of our drive time it is under 30 minutes from each of this places including to the Airport. So, it is more like a head this center of a triangle and see there are only 2 projects in SEZ by private developers, one is Hiranandani and one is Brigade. So, Hiranandani had probably advantage of starting 1.5 years before us and whereas our project is for all practical purposes you can say it is getting completed in Q2 of FY19. So, we are not overly worried.

Rajesh Ranganathan: And coming back to our development business the collections in this quarter actually declined both compared to last year and preceding quarter. What was the reason for that?

Atul Goyal: See, maximum we have completed 12 projects in March. So, all those demands have been raised and now the collections is going to come to in subsequent quarter. Collections are going to be far much better than before, last year. It is mainly the handover process which is going on for 10 projects which we have completed in February-March. So, the dues are there which has been raised to the customers and now the payments are coming in this quarter when the handover is happening.

Rajesh Ranganathan: And the other question on that is, one of the task we set ourselves was to improve the cash flow by improving the sales of our completed inventory and if we look at the presentation, total number of square feet in completed inventory has fairly gone up not come down. And can you give us an update on what is the status because that was not part of your presentation. Normally you have that in terms of which projects how much you been managed to sell and how much is left to sell? Could you give us an update on that and where our efforts are with respect to reducing the completed inventory?

M. R. Jaishankar: So, what I can say is generally we see an uptick in the market sentiment and I would say the business has generally improving and improved. That is why I said we have done about million square feet in the first 4.5 months as compared to less than half of that in the previous financial year. So, all projects the movement has improved whether say our, so substantial stock since you are aware, substantial stock is available in our block B of Exotica that also we have seen movement and primarily that is the single one and we have some villa projects in Brigade Orchards and Mysore. Mysore we have done reasonably okay business in the last 4 months. So, generally I think it is improving the overall stock has gone up because what was in advance stages of completion we have received occupancy certificate, as Atul said for about 10 projects. So, that should also help because once the projects are completed the incidence of GST will comes down substantially the customer will start getting benefitted.

Rajesh Ranganathan: So, you are saying that in the first, in the June quarter you sold 400,000 square feet but in the subsequent 45 days you have sold 600,000 square feet?

M. R. Jaishankar: Yes, correct.

Rajesh Ranganathan: And these are sales meaning people have paid or this is because had this cancellation problem in the March quarter?

M. R. Jaishankar: No, the sales meaning sales only. There is no other issue but it also includes this 600,000 square feet also includes about nearly 200,000 of office sales. That is strata of sales.

Rajesh Ranganathan: And so, essentially and could you please give us also give us an update on the hotel strategic investor?

M. R. Jaishankar: Hotel strategic investor, I did mention both this morning in CNBC in interview also. Currently, we have appointed investment banker and the process is on. I do not expect anything to happen in the next quarter or so but we are working towards finding a strategic investor in this financial year. If it happens earlier than financial year closure we will certainly be pleased and will be the first one to announce it to the market.

Rajesh Ranganathan: Final question on the hospitality sector, if you look at this quarter performance it was relatively muted compared to what we have seen from other hotel companies for the same quarter. What is the reason for that?

Nirupa Shankar: Generally the market has been slightly muted for this quarter. Last year also we had a little more robust. But some of the operating hotels that have stabilized that shown slightly lower profitability because probably more effort has gone into food and beverage where the profitability has slightly decreased. But otherwise, generally we have tried to at least show similar performances last year or slight increase.

Rajesh Ranganathan: Because other hotel companies have shown improvements in both occupancy and in the ARR we have seen actually muted performance on both fronts but existing hotels, I mean in Bangalore not the new ones.

Nirupa Shankar: I mean, so generally I think the competition has also increased the kind of supply that has come into the market for instance a lot of the newer hotels has been quite aggressive on their pricing. So, requiring us to slightly reduce our prices as well and also for instant Grand Mercure, lot of our new supplies come into outer ring road which is why we used to get most of our clients. So, some of the business has slightly move but we are working on alternatives strategies to try and compensate for the business that has move to outer ring road. But for instance like even for Sheraton, there has been some increase in supply close by. So, for instance in a few of the catchment areas new supply has come in and that could be that is partly some of the reasons for the lower ARR and occupancy. But anyway we have to do what we have to do to at least maintain our existing rate no matter what the rates by the newer hotels are. However, like for instance hotels like Chennai has seen a significant increase and it is the comparative data their compared to last year as well. So, we have seen, so that is ramping up. Holiday Inn Express, Grand Mercure they all perform significantly better than last year.

Moderator: Thank you. The next question is from the line of Kunal Lakhani from Axis Capital. Please go ahead.

Kunal Lakhani: Sir, so just wanted to understand, so we have got a great response for the Brigade Day and looking at what we have done in say in the first 4 months of this year. How should we look at the full year FY19 in terms of pre sales?

M. R. Jaishankar: I can only indicate what we are working towards that. Like last year we were in the around this 1.45 million thing, so we are working towards doubling that number in this financial year. And

also doing the substantial more leasing since we have leasable product and also projects under construction which will can be occupied in FY20.

Kunal Lakhani: But in terms of value also you expect to double the sales run rate that we have done last year versus this year?

M. R Jaishankar: New bookings, yes. But at this stage I may not be able to say the average rate realization. Last year our average rate was about 5,700 was the rate realization last year. This year it may drop a bit, average rate may drop a bit.

Kunal Lakhani: So, was that in terms of value it could be slightly lesser than double versus last year?

M. R. Jaishankar: Yes, probably slightly lesser than double it may be but we will definitely where since there is, we also expect a bit of strata sales of office at least half a million square feet of office strata sales we are planning to do as part of this 3 million. But that will have a higher sale value that, so the average I am not able to say at this stage. It can even be same as last year.

Kunal Lakhani: And just a follow up on that is basically how are we looking at in terms of strategy of new launches going ahead? Say for example 10 million square feet of new launches this year is also a function of lot of pent up launches which were not dome in the earlier years. But in terms of an ongoing, in terms of an ongoing business, would we be able to bring that kind of a supply to market on an annual basis going ahead also or maybe like FY20 onwards we can look at 6 to 7 million square feet kind of new launches? And secondly whether the market has the potential to absorb that kind of a demand considering like everybody is going to launch, everybody has the sizeable launches going ahead plan?

M. R. Jaishankar: So, at least in the next 2 years with some certainty we can say we are going to launch in those numbers and we do have Land Bank which we should be in a position to launch even in subsequently. But you are also right quite a few developers may also come to the market but it is also a possible and the volumes should go up because the sentiments have improved and we expected to improve further. And in addition, there is some kind of a pent-up demand for the last 2-3 years. So, Bangalore had seen sales of 60,000 units average couple of years back which had dropped maybe 20% to 25% or so in the last 2 years. So, not only it will make up that kind of numbers and it can, I will not be surprised if it goes up much above that because the quite a few developers including us are aiming are working towards launching affordable housing under 60 laks-65 lakhs range products. So, all these things are likely to receive better response than earlier.

Kunal Lakhani: Another question is on the SABMiller, sir what is the plan over there and where we are in terms of approvals and when can we expect the constriction to commence?

M. R. Jaishankar: We were at you can say 75%-80% approvals are received and the final the balance approval where it should happen in about 4 weeks if there are no surprises or if not earlier also. Then we

are planning to commence by October and finalize the contract and commence there was sometime in October.

Kunal Lakhani: And what is the revenue potential of this project, if I may ask?

M. R. Jaishankar: Revenue potential of this project is, I will tell you. It could be somewhere in the range of 200 crores will be the revenue potential.

Kunal Lakhani: And what is the cost we plan to incur including the pending land cost if there is any?

M. R. Jaishankar: No, there is no pending land cost. Overall it could be somewhere in the range of 1,000 crores construction, land and everything.

Kunal Lakhani: So, that is like 20% yield on cost.

Moderator: Thank you. The next question is from the line of Nimit Gala from Edelweiss. Please go ahead.

Nimit Gala: I had 2 questions. One related to residential section, if I remember it correct in the last quarter we mentioned that we were aiming for presales run rate of around 1,800 crores for FY19 and in first quarter we have done around 220 crores. So, we are at least 1,600 crores away from the annual target. So, think we would have to tone it down or is it possible in the next 3 quarters?

M. R. Jaishankar: Sorry, as I said in the 4.5 months we have done about one million square feet, which is equivalent of about 550 crores and we still have long way to go for the year end another 7.5 months. God willing it should happen.

Nimit Gala: Sir, another question was on the CAPEX related to Brigade Tech Gardens and World Trade Center, the estimated cost for World Trade Center, Chennai, as we surprisingly have come down from around 900 crores to 800 crores that is good 100 crores difference and then Brigade Tech Gardens also some 1,200 crores to 1,130 crores. So, anything we need to know on that?

M. R. Jaishankar: It is only what you have seen is in the positive side. It is basically when the construction causes are indicated at an early stage of the project there will be sum will be estimate. And as the project progresses there will be bit more clarity on the contract finalized numbers it is based on that. And also there will be certain amount of value engineering which happens as the project progresses and I think this is a positive sign that we are able to build at lesser cost than what we originally anticipated.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. M. R. Jaishankar for his closing comments.

M. R. Jaishankar: Thank you. The fact that, there are no further questions means I think the investor community may be reasonably satisfied with whatever we said in our performance which is, I think I take it

as a good sign and on the positive side I say, I generally feel the market is beginning to improve and the good time should hopefully be back. And the negatives of whether it is a demonetization or other impact of RERA, the impact of GST has all been taken in stride and absorbed by the system and by the sector. And only by bit of a disruption that we are the sector seeing is due to the accounting standards AS 115 even that should be behind us after this financial year. And now the stock market is breached to 38,000 Sensex it is, we hope, we are hoping there will be certain amount of profit booking and some money by the investors and high net worth individual will get diverted into real estate market and the investor interest in the real estate market should improve. What is the positive is that the office market is continuing to do well and what is also positive is that the developer community have responded well and shifted their focus into the affordable segment where government is also giving substantial incentives and encouragement. And other thing can be seen as positive to the IT sector is that the Rupee has depreciated and breached Rs. 70 that means Indian sector outsourcing or insourcing by shifting their operations to India will become much more attractive to the IT sector. So, there is a general correlation for every square foot of office space their maybe demand for 5 to 6 square feet of residential space that is one rule, thumb rule you can say. So, that will also help in improving the demand. And the impact of RERA, there are maybe 1,000 plus developers in city like Bangalore post RERA they are not serious developers who generally take up one project, 2 projects. So, that number, that kind of, that category of developers may come down. There could be bit more business opportunity and market opportunity for organized and established developers only time will tell. I think, these are all the positive signals for the real estate sector. So, we hope the investor segment at the buying level and the investor segment at the funds level will show greater love and importance to real estate. Thank you.

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