

Brigade Enterprises Limited

Corporate Identity Number (CIN) : L85110KA1995PLC019126
Registered Office : 29th & 30th Floor, World Trade Center
Brigade Gateway Campus, 26/1, Dr. Rajkumar Road
Malleswaram - Rajajinagar, Bengaluru - 560 055, India
T : +91 80 4137 9200
E : enquiry@brigadegroup.com W : www.brigadegroup.com



BRIGADE

Building Positive Experiences

Ref: BEL/NSE/BSE/11022020

11th February, 2020

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 the Conference Call on the Company's Q3 FY-20 Earnings - 6th February, 2020

We are enclosing herewith the transcript of the Conference Call on the Company's operational and financial performance for Q3 FY-20 held on Thursday, 6th February, 2020.

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 is recognised as being among
the best work places in the Real Estate Industry.





“Brigade Enterprises Limited
Q3 FY2020 Earnings Conference Call”

February 06, 2020



MANAGEMENT:

**MS. PAVITRA SHANKAR – EXECUTIVE DIRECTOR
– BRIGADE ENTERPRISES LIMITED
MS. NIRUPA SHANKAR – EXECUTIVE DIRECTOR
– BRIGADE ENTERPRISES LIMITED
MR. AMAR MYSORE – EXECUTIVE DIRECTOR
– BRIGADE ENTERPRISES LIMITED
MR. ATUL GOYAL – CHIEF FINANCIAL OFFICER
- BRIGADE ENTERPRISES LIMITED
MR. RAJENDRA JOSHI – CEO, RESIDENTIAL
BUSINESS - BRIGADE ENTERPRISES LIMITED
MR. SUBRATA K C SHARMA – COO,
COMMERCIAL BUSINESS - BRIGADE ENTERPRISES
LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Brigade Enterprises Limited Q3 FY2020 earnings conference call. We have with us today Ms. Pavitra Shankar, Ms. Nirupa Shankar and Mr. Amar Mysore, Executive Directors and Mr. Atul Goyal, Chief Financial Officer. 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 an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Pavitra Shankar, our Executive Director. Thank you and over to you Madam!

Pavitra Shankar:

Thank you Neerav. Good afternoon everyone. On behalf of the company, we would like to welcome you to the earnings call of Brigade for the nine months ended December 31, 2019. I am Pavitra Shankar, Executive Director, Brigade Enterprises Limited. I am standing in today for our Chairman and Managing Director, Mr. M.R. Jaishankar who is travelling on business. I am joined by Ms. Nirupa Shankar, Executive Director, Mr. Amar Mysore, Executive Director and Mr. Atul Goyal, CFO along with business heads. The third quarter has been a robust one for the company. We performed well across all segments. We have recorded strong residential sales in substantial area to high quality tenants and have witnessed continued growth in all hotel assets and our third mall Orion Uptown and an eighth Hotel Holiday Inn Express in OMR will both open shortly as a part of our brigade golden triangle mixed-use development on Old Madras Road in Bangalore. Our 159 key Hotel Grand Mercure GIFT city in Gujarat has also become operational in January 2020.

In the real estate segment, we continue to maintain the momentum of selling one million square feet per quarter over the last four quarters, we have achieved sale the 3.2 million square feet in nine months FY2020 which is 60% more than 2 million square feet sold during the same period FY2019. The sale value of area sold during the year stood at Rs.1726 Crores an increase of 54% compared to sales value of Rs.1124 Crores for the corresponding period ending last financial year. The average price was Rs.5375 per square feet for the area sold during the nine months FY2020.

In the commercial segment, we have preleased 0.9 million square feet in Q3 FY2020 which will yield rental income of Rs.102 Crores. For nine months FY2020 we have preleased 2.24 million square feet which is estimated to yield annual rental income of Rs.212 Crores and including 0.7 million square feet of hard options available and expecting to be exercised, the total area lease year to date is 3 million square feet. In the hospitality segment, occupancy across the portfolio of 1200 keys has increased to 70% from 60% year-on-year and GOP increased by Rs.8 Crores year-on-year excluding Four Points Sheraton Kochi

which started operation Q4 FY2019. The revenue in hospitality segment has increased by Rs.38 Crores or 17% year-on-year and EBITDA by Rs.22 Crores or 44% year-on-year.

We have launched eight projects aggregating to 2.82 million square feet during the nine months FY2020 of which 1.82 million square feet is residential including three projects in the affordable housing segment of 1.28 million square feet. We launched commercial projects of 1 million square feet. The collections in Q3 FY2020 has been the highest ever totaling Rs.736 Crores and underlining that operationally we have had a very strong fiscal year thus far. Further we have plan launches over the next four to five quarters to the extent of 7.24 million square feet in which residential will be 5.1 million square feet, commercial space of 1.84 million and 261 keys in across two hotels near Bangalore International Airport and Brigade Tech Gardens. Mr. Atul Goyal, our CFO will now present the financial results in detail.

Atul Goyal:

Good afternoon everybody. Thanks Pavitra for the update on the operations which have been very robust this quarter also as we have been seeing in our call and as well as in our one-to-one meetings. As far as the financial performance is concerned, the consolidated revenues for nine months FY2020 stood at Rs.2037 Crores versus Rs.2249 Crores in nine months FY2019, the real state segment clocked a turnover of Rs.1512 Crores and EBITDA of 22% in nine months versus turnover of Rs.1791 Crores and an EBITDA of 23% in nine months FY2019. The decrease in revenues is mainly due to change in revenue recognition as per Ind-AS 115 where you know we have been recognizing revenue only based on the registration of the properties. If it would have been POCM it would have been definitely much higher. The hospitality segment clocked a turnover of Rs.257 Crores an EBITDA of 28% in nine months FY2020 as a turnover of Rs.218 Crores and an EBITDA of 23% in nine months FY2019, so there has been significant increase in EBITDA of hospitality which is apparent and the leasing segment clocked around turnover of Rs.269 Crores and an EBITDA of 63% in nine months FY2020 versus turnover of Rs.240 Crores as an EBITDA of 66% in nine months FY2019. The decrease in EBITDA margin is only account of recent capitalization of capex projects, Brigade Tech Gardens phase one, Opus, WTC Kochi 2. Once these projects achieves full rental potential, the EBITDA margin will actually increase what it is there even from the previous quarters. The consolidated EBDITA including other income for nine months FY2020 stood at Rs.569 Crores versus Rs.611 Crores in nine months FY2019. EBITDA margin including other income stood at 28% which is marginally increased by 1% year-on-year, so we have been maintaining our EBITDA margins quarter-on-quarter. The interest and finance charges for nine months FY2020 stood at Rs.260 Crores consolidated profit before tax in nine months FY2020 is Rs.174 Crores compared to Rs.311 Crores nine months FY2019.

Coming to the debt position, we have around Rs.698 Crores in real estate segment which has actually reduced marginally from last quarter, Rs.539 Crores in hospitality segment debt in which Rs.417 Crores is the GOP securitized loan and Rs.122 Crores in capex loans and Rs.2580 Crores in leasing segment that in which Rs.1242 Crores is securitized rental and Rs.1338 Crores is the capex loan. The cash and cash equivalent stand at Rs.398 Crores as on December 31, 2019 consequently the company's net debt outstanding as on December 31, 2019 is Rs.3418 Crores out of which BEL share is Rs.2785 Crores. The company's effective cost of debt remains steady at December 31, 2019 at 9.62% per annum as compared to 9.73% at the end of Q2 FY2020, so there is definitely a reduction in effective cost of that. We have a credit rating of A with the stable outlook which has been assigned by both CRISIL and ICRA.

I would also like to share some leverages. We have interest coverage ratio of 2.19x, the net debt to equity stood at 1.13x as on December 31, 2019, the net debt to EBITDA is around 4.5x as per nine months FY2020. Now I will hand over back to the moderator for questions to the panel.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Good afternoon. Thanks for the opportunity. I had a few questions on the rental business. So if I refer to slide 20 of the presentation where you have given the whatever leasing has been done across the assets, you have mentioned in Tech Gardens we have done certain leasing with hard option, so the balance phases which are not shown in this two odd million what is the status of leasing in that and when will that get capitalized and when you will say the rental flowing in from there similar for Chennai as well?

Nirupa Shankar: We have two million to be leased out for Brigade Tech Gardens, so that we have almost 400000 to 500000 in the pipeline that should get closed out in the coming quarter that we have visibility as on today, I am sure this pipeline will increase as we go ahead. In WTC Chennai, we have completely leased out the project, so there is no more leasing to be done there. So in Brigade Tech Gardens we expect the next two, three quarters we hope to complete our leasing for project.

Adhidev Chattopadhyay: I hear that correctly you are saying Chennai, the two million square feet is fully leased out is it?

Nirupa Shankar: Yes, it is fully leased out.

Adhidev Chattopadhyay: Is that part of the 2.24 we have said in the presentation in nine months you have done 2.24 million square feet of leasing, so that includes Chennai?

Atul Goyal: 1.5 million square feet has been leased out in Chennai, rest are all hard options which will get exercised during the next few quarters, but it has been inked today.

Nirupa Shankar: Basically the entire project is leased out, there is some hard option aspect to it, but we have completed our leasing for that project.

Adhidev Chattopadhyay: Okay, out of 2.24 we have done in nine months which you have mentioned in the beginning of the presentation that includes 1.5 of Chennai is it the correct understanding there or this is subsequently after the December quarter?

Atul Goyal: In December quarter we have done around 0.9 may be 0.8 million in WTC Chennai.

Adhidev Chattopadhyay: Okay, this quarter leasing only the numbers are coming from Chennai is it?

Nirupa Shankar: Yes.

Adhidev Chattopadhyay: That is the correct understanding and Sir in the current quarters rental income has Tech Gardens contributed anything in the phase 1 yet in Q3 to the rental income?

Atul Goyal: Yes, there is a rental income from Tech Gardens, we will be doing around Rs.5.5 Crores per month from or coming month because Mercedes has also started operations and rental income will be coming in next quarter, in this quarter it will be around Rs.3 Crores, Rs.3.5 Crores of rental.

Adhidev Chattopadhyay: Okay, there was some article in the press saying that Mercedes has released Rs.3.5 Lakhs and they have hard option to take it up to 1 million, so this is what we are referring to or this is over and above what you said 0.4, 0.5 pipeline we have in Tech Gardens?

Subrata K C Sharma: Basically the article was only marginally correct in terms of the number of the rent and the overall requirement, so the take up on entirety is 0.7 million out of which 3.8 Lakh Square Feet has been taken immediately and the balance is hard option and we are actually being informed that the hard option take up will also be preponed.

Adhidev Chattopadhyay: Okay, coming back to Chennai, so when do rental start flowing in all these leasing we have done 1.5 plus the hard option, so when do we see the first rental flowing in?

Subrata K C Sharma: The hand over will happen from March end and post which we need to factor approximately four to five months of fit out period and that is necessarily the rent free period post which the rentals will start, so probably Q2 FY2021.

Adhidev Chattopadhyay: Q2 FY2021 is when you will see that, okay fine and the rentals that you have achieved is broadly in line what you have indicated in the presentation right, the exit rentals what we hope to achieve or has it been higher than what you expecting?

Atul Goyal: Yes, it has been actually a bit higher once we update our exit rentals, it is a bit higher average.

Subrata K C Sharma: It would be higher because the new rentals are quite a bit higher.

Adhidev Chattopadhyay: Fine Sir. I will come back in the queue with more questions. Thank you.

Moderator: Thank you. The next question is from the line of Chintan Modi from Haitong Securities. Please go ahead.

Chintan Modi: Thanks for the opportunity. Just to get the math right, you mentioned out of 2.24 million square feet 1.5 is Chennai, so it leaves just 0.7 million square feet for Tech Gardens, is that right?

Subrata K C Sharma: Yes, in fact 0.7 million for Tech Gardens is right, but apart from that you also have 0.3 million of hard option in Tech Gardens.

Chintan Modi: Okay that is hard option okay.

Subrata K C Sharma: That is hard option, but it is like confirmed hard option because that is how the whole design has progressed for the company and most of this will be preponed.

Chintan Modi: Coming to the residential part of it. In the initial remarks you mentioned that 5.1 million square feet will be launched in next three to four quarters, out of this how much is expected to come from Bangalore.

Pavitra Shankar: Yes, of this about 50% will be coming from Bangalore, we are planning to launch a project in Hyderabad we are still waiting on approvals for that one, we are also launching a project in Chennai, it is a new project Brigade Residences at World Trade Center and subsequent phases of our Brigade Xanadu project in Chennai as well. So all this results in a larger percentage of our launches coming outside of Bangalore.

Chintan Modi: And, do you think we need to start seeding some other larger markets like MMR, Pune, NCR?

Pavitra Shankar: So we have had these discussions before internally on the call and with other analysts and so on. At this movement we are not looking to expand to Mumbai and NCR markets, we feel our strength is here in the southern market, so we are looking to consolidate our presence in Bangalore and also to increase our presence in Hyderabad and Chennai on the residential side.

Chintan Modi: Any specific targets that you would have set for next year in terms volume that you are looking forward to, because clearly this year, we would be exceeding 4 million square feet then what is the target for next year?

Pavitra Shankar: We would like to maintain the same momentum, we have been seeing strong momentum that part and we would like to continue in that same.

Chintan Modi: But, in terms of growth or you will, I mean...

Atul Goyal: See, we are expecting a growth of around 20% but it depends upon the market, how the market behaves right now, some growth has been looked at the market. So let us see, but we are hoping that at least 20% growth we can take in subsequent years, if possible.

Chintan Modi: Any sense on the Bangalore residential market, if you can just share some insights what is happening right now?

Pavitra Shankar: Sure, Bangalore residential market has actually been doing well on a nationwide basis, especially considering that the base itself is quite large, in some reports you can see Hyderabad also doing pretty well, but that is generally because of the smaller residential market, unsold inventory position is around 7 quarters to sell in Bangalore and fortunately for Brigade we are below that in terms of our own portfolio, as you know we have been selling about million square feet per quarter and this past quarter we have already done 1.1 million square feet. So we are actually on track for Q4 as well to hit that momentum.

Chintan Modi: And just one last question. On the cash flow, if I look at your operating cash flow for nine months, it is not commensurate with the growth that we have seen, if you could share some insights on that.

Atul Goyal: Yes see, major sales have happened in four quarter and as you know collections are all related to the construction linked plan. So definitely this cash flow, you will see in coming quarters this will be increasing quarter-on-quarter.

- Pavitra Shankar:** We have already seen a pickup in the cash flows over the last quarter we have seen a substantial increase in just Q3 itself and we expect our trend to continue because as some of the really good sales that we did previous quarters this year as they have started getting into the later stages of the collection schedule we should be think that cash flow coming in.
- Chintan Modi:** I will come back in queue. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Viplav Deplana from Antique Stock Broking. Please go ahead.
- Viplav Deplana:** Congratulations on the stupendous performance. I just want to point out a small issue, it seems leasable area for the same asset have changed for quarter-on-quarter. I just want to know what is the exactly leasable area, it was gone down for 4.53 to 4.51 that is one thing, and second is what would be your debt repayment for the next one year in FY2021 and FY2022 total debt repayment and we see a growth in rental income, so is the increase in the rental income because of increasing occupancy or there is some escalations in the rental revenue?
- Atul Goyal:** Yes, thanks. See I do not know there has not been any rental area leasable area is we have been maintaining the same.
- Viplav Deplana:** Sir, I do not know, I see last quarter it is 4.53 this quarter it is showing 4.51, like in the Tech Garden it has changed from 1.27 to 1.24, WTC Kochi small, small change and I am sure there would be some reason, technical reason or something. Anyway Sir, that is fine, but about the debt repayment on the rental income increase, is it because you have more, you have leased out more in this quarter and your increase in occupancy or is it because the built in escalation has kicked in.
- Atul Goyal:** So, see this is only because of the shifting in Tech Gardens is mainly it is shifting of phase to some areas, so that is why that has retained, but they are very nominal numbers. As far as the debt repayments are concerned next year it should be around Rs. 450 Crores for the full year and increase in rental, this is a normal rental which has been coming in as and when Tech Gardens and every where it is getting lease the rental is coming that is why we have seen the higher rental revenue in the financials.
- Subrata K C Sharma:** Now basically rental increase is because of one increase in occupancy and some escalations also hit in the interim period.
- Viplav Deplana:** One more question Sir you have a land bank, not that significant, but in terms of book value, high book value land bank in Chennai, and can you throw some light on the Chennai

market because it seems like there were lot of oversupply in that market and you have a significant in terms of value, book value land bank in Chennai?

Pavitra Shankar: Yes, so as I had mentioned earlier on the residential front we are looking to increase our portfolio in both Chennai and Hyderabad and of course in addition to Bangalore where we continue to have a strong hold there. In Chennai we actually have a 33 acre township called Brigade Xanadu, so one phase of that is already part of our ongoing project and as I mentioned earlier the subsequent phases will also be launched in the upcoming quarters. Also a small portion of that is come out Brigade Residences at World Trade Center and we have one or two other parcels that we are looking at further development.

Viplav Deplana: Madam how is your traction in Xanadu, sales traction so far?

Pavitra Shankar: The traction is good in fact we have sold out the first phase and we are launching the second phase shortly and looking at bringing up some of the future phases as well.

Viplav Deplana: Okay thank you Madam I will come back in the queue.

Moderator: Thank you very much. The next question is from the line of Amit Agarwal from Nirmal Bang Securities. Please go ahead.

Amit Agarwal: I had two questions. Firstly you definitely have got a good collection in terms of cash flow for the quarter, what I want to know is, if I can get some kind of a breakup in different verticals and secondly is this collection amount sustainable as we go ahead because quarter-on-quarter, year-on-year it was pretty strong and secondly what I wanted to know was your debt has been increasing. So do you have any cap in terms of absolute debt or in terms of net debt equity as we move ahead, given the fact that you have got a lot of commercial Capex and retail Capex also lined up?

Atul Goyal: So, if you want a cash breakup for Q3, for residential it is Rs.555 Crores, for leasing it is Rs.137 Crores and hospitality is around Rs. 44 Crores, which add up to Rs. 736 Crores. For FY2020 nine month is residential is Rs. 1294 Crores, leasing is Rs.382 Crores, and hospitality is Rs.143 Crores total we are adding to Rs. 1819 Crores. As far as debt is concerned see we are into a heavy Capex mode and that is the necessity but, if you see looking our Capex plan I think we should be in the range of Rs.4000 to Rs. 4200 Crores of debt in two years time with a debt equity ratio of around 1.3% we would like to cap around 1.3%, 1.35% for us and we will also see and most of this loans which are a Capex loan will gets converted into LRD actually we are already in talk for converting some LRD in Tech Garden I in phase I so this will all be converted into LRD, where loan will sustain itself from the rental A, B it will also decrease the cost of debt for the company.

- Amit Agarwal:** The collections in Q3 do you think it is sustainable or because comparatively Q-on-Q and year-on-year you are pretty strong I presume it is healthy collections coming in, so are these sustainable as we move ahead?
- Atul Goyal:** Yes, definitely it is sustainable because we have been doing good sales and we have been good collections coming on and lot of registrations are also happening and we are handing over the project so this collection is totally sustainable.
- Amit Agarwal:** Sure, thanks, that is all from my side Sir.
- Moderator:** Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Hi Sir you mentioned about this Rs. 4000 to Rs.4200 Crores of debt so this is Brigade's economic interest or this includes the partner share as well?
- Atul Goyal:** No, this includes partner share, so it is a total debt.
- Parikshit Kandpal:** Okay total, group level there.
- Atul Goyal:** Yes, group level.
- Parikshit Kandpal:** So on the leasing part we have least 2.24 million square feet to, can you break it up in Chennai and Bangalore how much will be that between the two?
- Atul Goyal:** You want for Q3 or totality you, see totality in WTC we have done 1.5 million and Tech Garden we have done 0.9 million besides that in both the places we have around 0.7 million of hard options.
- Parikshit Kandpal:** So this 2.2 is what between the split which you gave between the two and 0.7 is not included which is the hard option/
- Atul Goyal:** Right.
- Parikshit Kandpal:** Because earlier last quarter we have spoken about doing 3.5 million square feet of total leasing between the two SEZ by March. So are we on track to do that?
- Subrata K C Sharma:** See if you consider the hard option means most of it we are actually expecting to get preponed. So, if we consider even 70%, 80% of hard option getting preponed so it will be near 3 and the pipeline that we have visibility is approximately 0.5 and some of more

pipeline will get developed over the next one month or so. So we are on track, may be slightly here and there, but we are on track as on date.

Parikshit Kandpal: So if I look at your construction progress between the two properties the Bengaluru is at like 30% of the work is pending and Chennai is around 42% is pending, but in terms of leasing Chennai property is far ahead. So if you can just highlight the dynamics between the two markets?

Subrata K C Sharma: No, no, it depends upon what kind of pipeline what kind of requirement comes up in any place. So as far as Chennai is concerned we would be handing over somewhere in March and the requirement that came from few of the companies who are significantly high so it helped us to actually lease out almost 96.5% including the hard option. Now in Bangalore again it depends upon the character of the pipeline. So again the dynamics of the companies and the companies which are coming to us to take up the spaces.

Atul Goyal: See as far the construction cost, see these are also construction cost based on many common areas which we have to finish it. So we are finishing the buildings and are applying for OC. So it will take three, four months after that to complete the building, so that construction cost will incur.

Subrata K C Sharma: Apart from that the construction versus is the completion on ground will have certain lag. So on ground if you see both of the projects are on time, those will be delivered before March.

Nirupa Shankar: Just for your information we have applied for OC for both the projects and we are expecting and even for WTC Chennai we are expecting it within the next four to six weeks.

Parikshit Kandpal: My question was more from the perspective the demand in these two markets. So Chennai seems to be far ahead in terms of leasing and Bengaluru I think has been lagging behind?

Subrata K C Sharma: No, no, again as I said in the last call I actually mentioned sometimes it depends upon what kind of sudden demand comes your way, we were lucky enough and we were proactive enough to actually grab that demand into our path. So Chennai has got populated faster than Bangalore whereas if you see both the markets Bangalore is a much, much more vibrant market than Chennai it is almost like three, to four times than Chennai. So it depends upon what kind of opportunity we could grab at that point of time.

Parikshit Kandpal: But as you highlighted earlier in the call that maybe next two three quarters, maybe three quarters down the line you will have the entire Bangalore property getting leased out?

- Subrata K C Sharma:** Yes, that is sure, like in Bangalore also what actually Nirupa told about around 0.5 million of pipeline that is the immediate visibility apart from that the 0.5 millions that we are experiencing out of those two are major consolidation options of 0.5 to 0.6. So again it would not be a challenge to lease out Bangalore and if you see the property and the kind of market tenants that we are actually attracting within the park it actually indicates the class of the property.
- Parikshit Kandpal:** Sir in the presentation you have highlighted only 0.7 is leased out and 0.3 hard option but you said that we have leased 0.9 million so has there been a change like 0.2 million as we go forward?
- Atul Goyal:** No, no, in presentation it is only 9 months leasing we are talking about total, you are asking about the total leasing on Tech Garden and the WTC Chennai till date there is the difference.
- Parikshit Kandpal:** Okay the 0.9 plus 0.3 is the hard option, so 1.2 is kind of logged in right?
- Subrata K C Sharma:** Yes.
- Parikshit Kandpal:** Okay thank you I will join the queue for more questions. Thank you.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi Share & Stock Brokers. Please go ahead.
- Prem Khurana:** Two questions. So one was with respect to this WTC Chennai the transaction that we have done during the quarter, would you be able to make us understand while there was a single transaction or there are multiple tenants in this transaction at once and also if you could comment on the rate that we have manage because when I do my calculation the number works out to almost around Rs.98-odd kind of square feet kind of number wherein when I look at our exit rental sheet, it is still say as Rs.80-odd a square feet.
- Subrata K C Sharma:** As of now like we are bound by confidentiality agreement so it would be very difficult to say whether it is a single or a multiple tenants and as far as the rents we can only say that it is significantly higher than the current weighted average rent, but what we can say is including the hard option Chennai is almost 96.5% full whatever the balance portion that we have, we are actually creating a incubation space for helping the clients to the transition in to the warm shell permanent spaces.

- Atul Goyal:** So as far as the exit rental sheet we will be updating once this agreement is signed for the rentals then maybe will update a sheet and definitely the rental increase will be there which I said at the beginning of the call.
- Prem Khurana:** Sir just to understand this better, I mean given the fact that we have some space to go at Brigade Tech Garden yet we had so how does it work, is it fair to assume a large part of this would come and then there will be a non IT SEZ because I mean if the tenants wanted to have this as an IT SEZ they would have to come in by March 2020 and you are saying it will take you at least two to three quarters to be able to lease out the remaining areas so which essentially pushes me to FY2021 I mean in terms of actually occupying the space so is it fair to assume I mean a part of your property would go ahead as a non IT SEZ space and then what could be the impact on the rentals because, I mean, if a part of my SEZ was to go as now an IT SEZ?
- Subrata K C Sharma:** See as far as the properties are concerned, see there are many, see many characteristics that drive companies to have properties one if I see Chennai and if I were to tell you like 60% plus of the tenants are actually they are not looking to avail SEZ benefits, okay. Similarly in BTG also we are experiencing tenants coming in who may not actually want to avail the SEZ benefits. So having said that the kind of property that we have built and post the sunset clause I do not see any challenge in renting it out and we will come on the same kind of premium rentals based on the overall quality of the product or the offering.
- Atul Goyal:** I would also add that even if SEZ expires your GST benefit is still there, only income tax benefit will go off, it is still very attractive for the companies to come into SEZ space.
- Nirupa Shankar:** Just one more point to add to that, basically if the company starts operating out of BTG as even part of the incubation space as long as they start operating even with few seats out of the Tech Garden space they are able to avail the SEZ benefits as well so that is where we are offering large incubation spaces because we find a lot of companies taking up our incubation space and perhaps then figuring out what their leasing requirements are.
- Prem Khurana:** Sure, would you be able to share I mean how many of such companies do we have as of now wherein these have moved in our incubation center but then not committed to take a space on the SEZ side?
- Subrata K C Sharma:** Yes, so basically we can say see as far as the incubation is concerned out of almost 9 and 10 odd seats we are almost 60% done and out of the 60% almost 4 companies they have already started operating. Now one more thing that I would like to add is we are seeing lot of companies wanting to consolidate from various other places and they are getting the rental advantage like if somebody operating out of ORR at say Rs.90 and when they are

expanding they do not have any space because of the reduced vacancy and plus the rentals are very high. Now such companies which are operating out of SEZ they can actually show the expansion in another SEZ and claim the balance period benefit. So those things are also possibilities.

Prem Khurana: Just one last if I may, I mean, that on this WTC residences I mean I have been made to understand we have already started soft marketing and we have already activated our marketing channel, so would you be able to share, I mean, the kind of EOI that we have been able to manage on for this property, expression of interest I am sure I mean you would have received some?

Rajendra Joshi: So, this is Rajendra Joshi, CEO for residential business. We launched the WTC residences, the second week of January we have seen a good interest in the market this is the high end luxury project with about 300 apartments we have already got EOIs for about 10%, 12% of the total inventory.

Prem Khurana: Thank you.

Moderator: Thank you very much. Next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir firstly on our hotel divestment any update there what is happening on that front?

Nirupa Shankar: So we updated last time when we spoke I had said that we were talking to two potential parties and what has happened since then is that we have finalized on the valuation, the only issue right now is there are couple of legal clauses that we are kind of going back and forth on and our stance is that even while we are okay on the valuation we need to ensure that whatever agreement we get into protect the company in the long-term interest, so there are couple of legal issues that we are still going back and forth on so that is still under discussion.

Adhidev Chattopadhyay: So like is it something like it is just a done deal and just waiting these are just smaller minor things to iron out or is it still some time away like how are we to understand this?

Nirupa Shankar: So, I mean, honestly just it is not a done deal yet for sure, we need to still iron out a few issues.

Adhidev Chattopadhyay: Now that we are going to have like over 700 Crores of rental income now by next year and so on Sab Miller also are we planning to start work now on that land parcel?

Nirupa Shankar: So we have already started work the contract is in place and we have already started work Shapoorji Pallonji is the contractor and we have applied for a loan which we received so we have already began work on that. Again we have been looking at a PE partner to come onboard there were some back and forth but it is still under discussion but we have gone ahead and begun the work.

Adhidev Chattopadhyay: So the understanding is there would definitely be some partner coming onboard in future or like because as another Rs. 800 to Rs.900 crores because of Capex now what we understand on that project?

Nirupa Shankar: Mostly there will be a partner, but if there is not like I said we still have the bandwidth to carry on the work.

Adhidev Chattopadhyay: Okay that is it from my side, thank you.

Moderator: Thank you. Next question is from the line of Kunal Lakhan from Axis Capital Limited. Please go ahead.

Kunal Lakhan: Just a follow-up on the previous question, you said you have finalized on the valuation for the hospitality. So can you just give us some indication of what could be the quantum of the divestment amount?

Nirupa Shankar: I am unable to disclose anything on the valuation at the movement. The movement something is finalized and signed and sealed I will be sure to inform you all.

Kunal Lakhan: My second question was on our slide which talks about capital allocation segment wise, if you look at it like over the past three, four quarters since last year almost we have seen a steady decline in our returns segment wise and which has also impacted our overall return for example like your real estate EBITDA on your operating capital employed has come down to 20% from 27% last year similarly for lease rental I can understand lease rental probably because of there could be some assets which have not yet occupied fully, but so I was just trying to understand like what is happening there and in which quarter we can expect this to revert back to say upwards of 25% for real estate and maybe like 15% plus for lease rental.

Atul Goyal: See, if you see the formula is EBITDA over OCE so EBITDA is again being monitored by AS 115 so there will be variation in this but I can tell you that we have been reporting 23%, 25% return on real estate and we are still maintaining that it is only because of the AS 115 that there will be variation in the revenue and the EBITDA numbers and that is why this variation is there.

Kunal Lakhan: Actually I am trying to compare like-to-like because I believe last year also for say Q4 2019 also I think Ind-AS 115 was applicable.

Atul Goyal: Yes, so this time you see last time the revenue was more it was around I think in Q4 it was around 700 Crores and the installment is at 550-odd Crores so EBITDA it just impact the EBITDA also because the absolute number of EBITDA changes because of the revenue so that is why the changes are there so this will vary as per the AS 115 and if some years if you do not have a property to register then it will vary.

Kunal Lakhan: And on the lease rental side, 15%...

Atul Goyal: See lease rental side we have been showing around 16%, 17% and reduction is only because of the recent capitalization of leased assets and the rentals are not yielding at fully occupancy level, which made return on EBDITA come down but as soon as the rental starts coming for the vacant space which we have and for the leasing which we are doing this return will definitely go higher to around 16% to 17%, so it is a development phase that is why you are looking at that. Rental income which has to flow into the business so if you see operating capital employed like Tech Garden has been put into operating capital employed but it has not been fully leased similarly we have vacancy of around 25% of space Opus and WTC Kochi so all those are capital has been employed but leasing till not have been done in full so we have a in vacant space we can have a leasing of around 100 Crores of rental per annum so if you take that we will lease to around 16% of return on capital employed.

Kunal Lakhan: So one can safely say in the next one year once you have done with leasing as well as there is some of the tenants become operational at WTC and as well as Tech Gardens this should revert back to 16%, 17%.

Atul Goyal: Yes, yes, definitely.

Kunal Lakhan: My last question was on plan for REITs per se like we are ramping upon our commercial portfolio and in couple of years time I think it will reach a sizable marks per se we have already talking about divestment on the hospitality front, but on the commercial portfolio front what are the plans for divestment?

Atul Goyal: Yes so REIT is there on lines but after this budget I do not think so the REIT will be possible in India because the way taxation has been changed so I think if finance ministry is considering to change the taxation then it is there but as our plan if this anomaly is corrected then definitely around 2021, 2022 we plan to go into REIT once we have at least 1000 Crores of rental revenue.

Kunal Lakhan: Thanks so much.

Moderator: Thank you. Next question is from the line of Alpesh Thacker from Motilal Oswal. Please go ahead.

Alpesh Thacker: Congratulations for a good set of numbers. I have two questions, one is related to the industry. So given the budget announcement which was favorable for affordable housing, but not good for overall real estate sector like because there are if we have consumers move to the new tech regime then there are like any exemptions which has to hover. So do you see any consumer impact of demand consumer demand post budget announcements?

Pavitra Shankar: Yes, so I think the new budget we were all hopeful that there would be some more in terms of stimulating customer demand or consumer demand especially on the residential market definitely things are good and some good news on the affordable housing side because we have an additional year now to get sanction for affordable housing I do not think that the new regime the new personal tax regime will affect us as much because people can still opt to stay under the old tax regime where one can get the deduction for housing interest so I do not see this affecting. Overall though in the country overall there has been some improvement in the real estate sector specifically in the markets that we are operating in Bangalore, Hyderabad, Chennai so we are continuing to focus on these markets there seems to be a lot more pain to go in markets like NCR and Mumbai and we are choosing to stay out of there at the movement. In terms of affordable housing we will continue to look at new land parcels whether we can do affordable housing there, but that said we find that there is a very good size market and in the mid income housing as well, in fact 60% of our portfolios in the mid income housing bracket which is anywhere from Rs. 50 lakhs to Rs. 1.2 or Rs. 1.5 Crores and we see a lot of traction in there. So some of our best performing projects have been in this segment. So we still feel very positive about the residential sector and we continue to focus on the mid income housing and the affordable housing sector.

Alpesh Thacker: My second question is like so we have a plan to launch around 5.1 million square feet over next five, six quarters in the residential side. So what would be the portion of affordable housing in this?

Pavitra Shankar: So we are looking at about 30% of affordable housing that is as of today are more like as of right before the budget announcement after that announcement where we have extended that one year we are going to relook at a couple of the parcels in our land bank and see whether we can tailor that towards affordable housing as well, subject to many other feasibility conditions of course, but we will look at whether that 30% can increase.

Alpesh Thacker: And just one last question on the Gift City so Brigade Finance Center. So how is the occupancy like panning out there, so I guess the last call we were targeting to achieve around 50% occupancy level by the end of FY2020, so are we still on track on that?

Subrata K C Sharma: See as far as Gift City is concerned it is still a challenge to be very frank but the good thing is one of our existing tenants they are looking at 25000 additional floor and they are also committing for another 25000 so if those two happens I think we will be somewhere around 45% plus percent s t, We are having very small requirements like 2000, 3000, to maximum 7000 square feet. So Gift City is a challenge but only plus is we have a existing tenant who are looking to actually multiply three times from their existing take up of one floor.

Nirupa Shankar: And with regards the hotel see we launched it only mid December 2019 so basically we have just had one month of full operation obviously if you look at one full year of operations you could expect for a good hotel it will take 4 quarters for occupancy to pick up after this stabilization period, but the first month has been fairly encouraging we have had almost 15%, 20% occupancy and the rates have been on average around 3500 the good news is that we have fast tracked our classification and we are expecting to hear back from the Ministry of Tourism and we will mostly be getting 5 star classification we also need to see how that will definitely have an impact on the business so we have applied for it and we have awaiting the approval.

Alpesh Thacker: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss Broking Limited. Please go ahead.

Parvez Akhtar: Congratulations for a great set of numbers. Couple of questions from my side, would it be possible to get a rough breakup of the share of affordable housing in the 2.8 million square feet that we have launched this year and also in the upcoming launch pipeline?

Pavitra Shankar: Sure, in the 2.8 million square feet approximately a 25% of that is affordable housing. So that would be affordable housing for the new regime which is 45 lakhs and below where it also attracts the 1% GST and also under the old affordable housing regime so all of it is under the 60 square meters carpet area as well. So 25% of our launch product so far is affordable housing we are looking to increase that percentage slightly in the new launches as well.

Parvez Akhtar: And as far as our upcoming launch pipeline is concerned we are looking at starting work on two new hotels if I got that correctly?



Brigade Enterprises Limited
February 06, 2020

Nirupa Shankar: Yes, so we are looking to open Holiday Inn Express on Old Madras Road part of our mixed use development, Brigade Golden Triangle and we have hotel products in both Brigade Tech Gardens and WTC Chennai so we are working on constructing those as well and we have a hotel coming up near the Airport as well, Bangalore Airport.

Parvez Akhtar: And lastly would it be possible to get a rough breakup of this quarter ready sales between what came from existing projects and how much the new launches contributed?

Pavitra Shankar: Sure, in terms of ongoing projects it was around 62%, new project that means anything launched this quarter or the previous quarter 25% and completed projects 13%.

Parvez Akhtar: Thanks, that is it from my side and all the best for future.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today I will now hand the conference over to Ms. Nirupa Shankar for closing comments.

Nirupa Shankar: Thank you everybody for participating on this call we have had an exciting nine months and we are looking forward to an exciting quarter ahead as well. In residential we expect a good trend to continue and on office we are hoping to achieve our target of 3 million square feet without the hard option and perhaps another million with the hard option. The good news is that our Brigade Tech Gardens received a platinum rating by the US GBC Council and what we did not talk about is perhaps retail where our Orion Uptown Mall will open in March 2020 of this year. Our hospitality segment in current quarter we are opening our Holiday Inn Express on Old Madras Road which will take our room count to about 1500 rooms once we open in March and to give some update on the real estate prop tech side one of our REAP startups our real estate accelerator program startups Clairco which works in creating better air quality received the CNN News 18 young achiever award of the year in real estate excellence and eco STP which is actually a sewage treatment plant that does not use electricity or does not use any chemicals selected for an Innovation Fellowship by the Queen's Newton Fund and Royal Academy of Engineering of the UK so that was quite exciting for us to hear and that is it from our side and if you have any specific questions we will be happy to answer on a one-on-one basis at a later time and thank you and speak to you again next quarter.

Moderator: Thank you very much. On behalf of Brigade Enterprises Limited that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.
