

Brigade Enterprises Limited

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BRIGADE

Building Positive Experiences

Ref: BEL/NSE/BSE/07062017

7th June, 2017

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 Earnings Conference Call on the Company's Q4 FY16-17 / FY 16-17 - 23rd May, 2017

We are enclosing herewith the transcript of the earnings conference call on the Company's Q4 and the financial year ended 31st March, 2017 performance held on Tuesday, 23rd May, 2017.

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 **Ranked #1** in the Real Estate Industry.



“Brigade Enterprises Limited Q4 FY16-17 Earnings
Conference Call”

May 23, 2017



**MANAGEMENT: MR. M. R. JAISHANKAR – CHAIRMAN AND MANAGING
DIRECTOR, BRIGADE ENTERPRISES LIMITED
MR. SURESH KRIS – EXECUTIVE DIRECTOR & CHIEF
FINANCIAL OFFICER, BRIGADE ENTERPRISES LIMITED
MR. OM AHUJA – CHIEF EXECUTIVE OFFICER-
RESIDENTIAL, BRIGADE ENTERPRISES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY16-17 Earnings Conference Call of Brigade Enterprises Limited. We have with us today Mr. M. R. Jaishankar – Chairman and Managing Director; Mr. Suresh Kris – Executive Director and CFO and Mr. Om Ahuja – CEO-Residential. As a reminder, all participants’ 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 ‘*’ then ‘0’ on your Touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. M. R. Jaishankar. Thank you and over to you, sir.

M. R. Jaishankar: Thank you. Good afternoon, ladies and gentlemen. Thank you for coming for this conference call investor call and I am happy to say that Brigade Enterprises Limited has announced fairly good consolidated results for the financial year 2016-17. As you would have noticed, our revenues stood at Rs. 2,058 crores. Just a drop of 1% as compared to the last year whereas our EBITDA has gone up and has a healthy increase of about 16% to Rs. 608 crores as against Rs. 523 crores. Even the EBITDA margin also has improved about 30% which is I am sure you will ask why, it is due to a better product mix.

And profit before tax is also improved to Rs. 240 crores as against Rs. 218 crores, an increase of 10% and whereas the profit after tax has gone up Rs. 166 crores as against Rs. 138 crores, an increase of 20%. In generally perceived as a tough market conditions due to the impact of demonetization and the negative sentiment it cost on the entire real estate market though the other sectors in the country has recovered substantially from the effects of demonetization. Real estate is yet to show full recovery particularly in the residential sector. So we are hoping that with onset of good monsoon and introduction of GST and particularly GST the things should look up.

Yes, RERA also will be effective in full scale from 31 July / 1 August. The impact of RERA is to be seen how it will be felt. There could be some period of adjustments, settling down etc. In 2017-18 there is likely to be bit of unsettling period particularly in Q1-Q2 with all these new laws and which none of us can easily predict the impact though the long-term effect is definitely going to be positive.

But Brigade is fairly geared up to face these challenges and we also have quite a few commercial projects which we have been saying we are going to start may be in the previous conference call, now we can happily and confidently say our 3 million square foot IT SEZ Brigade Tech Gardens in the Brookefields of Bangalore which is a joint venture with GIC of Singapore has come in and in the next fortnight we are also commencing 19 million square feet of IT SEZ in Old Mahabalipuram Road of Chennai before the toll area.

And in addition, the number of projects that Brigade has completed with occupancy certificate. So if one were to ask the negative impact during this transition period because of RERA is quite minimal in the case of the Brigade.

And overall, we are looking forward to an exciting period in the real estate in the country with the BJP government becoming stronger and stronger more so after the Uttar Pradesh elections and held with a very, visionary leader we have in the country that should augur well for the Indian economy and to the real estate sector.

The government has given substantial thrust to the affordable housing segment by way of tax exemptions for approved affordable housing projects which intern will have a positive impact on this core sector of the economy. be it steel, cement and various other industries which will also strengthen the government's Make In India program will help job creations by industry's expanding in a big way in the next two to three years or more.

So with all these I think there is optimism and reason to look forward to a brighter future for the country and for the real estate sector and for Brigade. Thank you. We will be happy to take any questions. Our team is here, Suresh Kris – CFO is here and Om Ahuja, the CEO-Residential is here.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, I wanted to know with regards to GST how will the things change for Brigade from 1st of July? So in terms of any savings in the value of the flats and if at all anything is there, do you intend to pass it on to customers for the existing projects and for the new projects?

M. R. Jaishankar: See as per our initial calculations we expect the savings of anywhere between 3% to 3.5% in our opinion. Of course, there is no expert on this and everybody is calculating and recalculating. But this is how our initial expectation is. Definitely the intention is to pass on the benefit to the customer. Having said that the issue and the challenge will be every associate of us, be it the contractor, be it the supplier, everybody has to adopt this policy of passing on the benefits that they derive.

Only if our associates and if our suppliers also fall in line then the entire impact or the intent of the government will be fruitful and will be helpful to the ultimate customer. Of course government also has come out with the anti-profiteering rule or act and that should also make people not to take things lightly. But I feel overall it is good and it should help in reduction of cost one way or the other.

Parikshit Kandpal: So this includes the savings from the value chain and savings on account of input credit so you have combined both the things together or this is just?

M. R. Jaishankar: It is substantially see when you say value chain and savings and input credit it is more or less one and the same and I think once the value chain it happens as far as we are concerned we have every desire to pass it on to the customer, at least in a challenging market like this.

Parikshit Kandpal: It will be easy for you to do so for the new launches but what about the existing launches?

M. R. Jaishankar: See there is still certain lack of clarity on the existing or ongoing projects. That is the reason I said we are successful in getting completion certificates to many of our projects which are in completion stage thankfully and those few projects which are still under construction. I am sure there will be some kind of a cut off period as on 1st July or any other date which the government in case they change the date, or the date government may fix. At that point of time I think we may have to adopt a dual approach.

Such things have happened earlier also a few years back when the tax rates changed from work contract tax or the rates changed from x to y. This kind of approach was there or even for that matter when service tax, there was no service tax or in real estate, when service tax was introduced for ongoing projects, there were issues like that. Beyond a certain period only it was coming into effect.

Parikshit Kandpal: And sir, just last question if I can. Will the Bangalore developer shift from the two agreement model to single agreement model after the GST implementation?

M. R. Jaishankar: Very unlikely if you ask me, because the GST does not include stamp duty and the State Government is unlikely to forego the stamp duty. So that way currently there are two rates for GST, one is 12% inclusive of land, another is 18% if it is not including land. The purpose why these two rates are given is based on the methodology adopted in different parts of the country. There are developers and there are certain states where land and building is done together whereas in most of the Southern States it is agreement to sell the land and an agreement to construct the super structure. So that being the case if we were to take the 12% route government is bound to charge additional stamp duty which in Karnataka is about 6.76% or so.

Parikshit Kandpal: Okay so in case if it is 18% is there any abetment on the 18%?

M. R. Jaishankar: Abetment in the sense land value is not considered whereas all the input credit that one will get on the inputs in the value chain whether it is a material or the sub contractor's charges can be set off to the full extent. And also government has made it clear the input credit is restricted to the maximum of the tax one collects from the customer.

Moderator: Thank you. Next question is from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.

Adhidev Chattopadhyay: First is to clarify on the rental business. So what is the impact of GST means the current service tax which is paid by your tenants so does it go up or is there some or it will be just a pass through?

M. R. Jaishankar: No, the current service tax will stop and only GST will be applicable.

Adhidev Chattopadhyay: Okay so will their outgo go up under this or will it remain more or less the same, means are there any benefits or any set offs given under the new regime?

M. R. Jaishankar: The additional set up is maybe in the case of rentals it is likely to go up a bit. Currently the service tax is 15% whereas in this case it is likely to be 18%. So there is some jump in outgo to the lessee.

Adhidev Chattopadhyay: Okay fine. Sir, second question on Karnataka RERA. So when do we see the implementation happen among the larger states just to do it so in the meantime how are you going about your business right now?

M. R. Jaishankar: It is expected that Karnataka rules should be out this week based on whatever information I have and but the state is yet to announce the rules and finalize it, the state has to set up an authority and also have a website and also have all the supporting staff which I think is in the month of June and July they will do it because the ultimate deadline is 31st July. Till then also somehow the government authorities also can give some leeway to the developers and customers alike. And is it okay?

Adhidev Chattopadhyay: Yes sure. Sir, and next question is on an overall CAPEX spend for the company and you have done the QIP fund raise of Rs. 500 crores. So if I look at your CAPEX commitment right now it is over Rs. 600 crores, Rs. 300 crores in commercial and hotel 300 crores plus based on the launch plans for Bangalore and Chennai the two GIC land parcels. So our share of 3 million will entail another Rs. 900 crores of CAPEX so totally you are talking about Rs. 1,500 crores of CAPEX over the next three four years. So what is the broad funding plan and where do we see the balance sheet over next two to three years for the company?

Suresh Kris: The total CAPEX as per our investor presentation is Rs. 625 crores and that is only on the projects which have been launched. But when you go on add for the projects like Chennai projects as well as for the Brookefield then it may go up. But again, to that extent we will be able to fund through the bank borrowings.

Adhidev Chattopadhyay: Okay so sir earlier there was a plan to invite a PE partner in the hotel business so that incremental Rs. 320 crores of CAPEX are you looking to fund through the PE partner or will we do it on our own, like means what is our plan that I just wanted to understand?

Suresh Kris: As of now we have the bank loan sanctions for this amount plus the operating hotel will be now able to generate some more cash flows, based on the discounting of receivables and then of course the PE funding is also will be another route to supplement the funding.

Adhidev Chattopadhyay: Okay sir, next now in Brookefield and both in Chennai now it is almost like 5 million square feet of commercial will be building and in two projects. So what is going to be our leasing strategy like are we like already in talks with many tenants like before we actually go ahead and come out of the ground you want to lock in tenants or do you want to hold on and wait. what is our strategy because it is for large space and we are hearing whatever slowdown in demand for office space in terms of from the peak it was there last year. So what is the overall thought process over there?

M. R. Jaishankar: See it is not a built to **suit** project it is we are starting construction or started construction based on the expectation of better leasing opportunities in the years ahead in the next two years and we are under preliminary talks with couple of large client and since there is a sunset clause as per SEZ is March 2020 and since both our projects are SEZ projects we are of the view there will be substantial demand in year 2019 for the leasing of SEZ space and we are gearing up to meet that kind of an anticipated demand. As far as the negative media reports that one has seen in the last fortnight or so about certain layoffs in few companies I think much more is media has given a big color to that than the fact. I think the NASCOM has clarified recently on the Economic Times report and saying according to Economic Times report of NASCOM the current IT exports and the IT business contributes about \$153 billion of business for the country and by 2025 it is expected to go anywhere between \$300 billion to \$350 billion. And the current employment in the IT sector is about 3.5 million people and which is likely to go up to 6 to 6.5 million people in the next seven to eight years which means it is quite a healthy growth of 8% plus compounded on a large base. So which means the future for IT is definitely good, but within the IT sector from whatever I have heard and read, there will be certain amount of adjustment and the kind of business maybe IT enabled services may have some impact. But there will be scaling up and the quality of work and the quality of business Indian IT sector is able to offer in the years to come. So that way there is I do not think any reason for concern. When I met investors individually I have expressed from what I understand so far, the quality office space in India is just about 450 million square feet among all seven, eight, nine cities, whereas one city like Tokyo is supposed to be having as much as 1,000 million square feet of quality space. So that way it is for a country as large as India I think the opportunities are great and right now we are still maybe scratching the surface.

Adhidev Chattopadhyay: Sure sir. And just lastly the TCS dealer what rate has it been closed in the recent transaction?

M. R. Jaishankar: It is **around** Rs. 43.

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

Kunal Lakhan: One question on the pre-sales front like FY17 was 30% lower than FY16 clearly on account of demonetization H2 was a washout. For H1 you said a while back that we will have some teething issues because of RERA. What is the internal target for FY17 in terms of pre-sales that we are having?

Om Ahuja: So at this point of time, primarily we are talking about the current environment what Mr. Jaishankar said earlier with regard to RERA being cautious at this point of time a prudent, I think that is the strategy we are following in terms of till the RERA notification comes out in Karnataka or Telengana or Tamil Nadu all the three states we operate we are basically being a little cautious. Yes, in H1 we may have a little bit of what you say in terms of traction being slower on the demand front, but what we see is there are a lot of walk-ins and enquiries have actually gone up.

Customers are there we are basically at this point of time only accepting bookings where we have OC and wherever there is RERA registration is pending we are little cautious. We are waiting for we are asking customer to wait till the RERA notification comes out. So keeping that in mind, Q1 may look a little subdued with regard to bookings but I think what happens is there is a pile up of demand which is happening and we may see the once the RERA clarification comes out that will result into Q2 being better.

Kunal Lakhan: Okay. So the launch pipeline that you have stated out in your presentation there are quite a few launches in Q1 and Q2 as well. So they are all contingent upon how RERA plays out and something like that or we will go ahead and still launch those projects irrespective of?

Om Ahuja: No absolutely, I think you are right. How RERA plays out it will be very important to see rather than basically rushing into them. There will be as in the past we never used to never launch a project without approvals we will continue to follow the policy. But whether with RERA registration becoming a new norm I think we will have to see whether what kind of rush happens when the notification starts or the website starts. So at this point of time we are all geared up to register all our projects and we will have to see how the market turns out to be and what load the government agency can manage.

Kunal Lakhan: Sure. Secondly, on our strategy towards affordable housing, how are we planning the space are we going to change our specifications in projects going ahead especially if you look at the launch pipeline that you are talking about any projects in the pipeline that we would be basically where specifications would be aligned towards affordable housing, any color on that would help?

M.R. Jaishankar: Yes, we have total land area where we can launch affordable housing of almost 10 million square feet in the next 12 to 15 months or so, the kind of land banks we have which is ideally suitable for affordable housing. Basically, as things stand now a lot is to do with the size of the apartments going by the definition of the Central Government and also on the pricing, and pricing in the sense the total investment value.

The investment value has to be I think say about below Rs. 65 lakhs, and the size of the carpet area is below 60 square meters in the cities we operate. And I cannot say we are going to cut corners or anything, we do not have any plans to cut corners because every person who buys a property will have his aspiration and his quality expectations will be there. In fact, normally the cost of construction of a smaller unit, a 500 square feet unit cost of construction is generally higher than the cost of construction of a 1500 square feet unit because of the a smaller area one has to provide toilets, one has to have the painting, one has to have the walls etc things like that.

So that way a lot of I would say cost reduction has to come by way of good design and by way of intelligent use of materials. When I say intelligent use of materials it does not mean using the cheaper material.

Kunal Lakhan:

Okay got it. And lastly Sureshji, on margins. In FY17 we saw quarterly margins wavering like all over the place but how do we look at margins going forward should we expect in the same range as the FY17 or margins should improve from here on?

Suresh Kris:

Okay in fact I have also spoke about the margin especially of the real estate industry we have to compare on a yearly basis in the sense 12 months' basis at least rather than on a quarterly basis. Because some projects may actually come in for revenue recognition, some may not come and hence the total profit or the gross margin which we were posting during a particular quarter compared to the previous quarter or the same quarter last year may have some kind of anomaly.

But when you see the gross margin on EBITDA basis now more and more lease rental is also coming so the EBITDA margin for the company as a whole will increase. And even on resi project we will be having the same kind of margin at least for another one year.

Kunal Lakhan:

Okay. But again, even if you strip out the rental margins, the residential margins have been quite volatile for example I think we booked some ready inventory in this quarter because of the way the margins saw a bit of a bump up. We have significant amount of completed inventory so should we expect even residential margins to inch up from here on and plus then you add your annuity mix increasing so should margins see a significant improvement in FY18 over FY17?

Suresh Kris:

No, what I am saying is reportable margins definitely may fluctuate based on the sales because once your project is coming to the completion stage and you go on putting in to the inventory then again without corresponding fixed overheads there could be a gross margin only based on sales and registration. That is how we used to go and account.

So on the same basis some more inventory may come during Q1 of this year and then so that even for the financial year 2017-18 you must be having some kind of finished inventory piled

up during the year and then sales. So the gross margin or these PBT margin for this FY17 as a percentage could be same or it is more or less same for the next year 2017-18.

Moderator: Thank you. Next question is a follow up from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Suresh, there was a new project which where the revenue recognition during this quarter?

Suresh Kris: New projects maybe one or two will come during this quarter.

Parikshit Kandpal: Okay so Q4 there was nothing no new project with the revenue recognition?

Suresh Kris: You are talking about Q4 of this year?

Parikshit Kandpal: Yes Q4, which has gone by.

Suresh Kris: No, it is not.

Parikshit Kandpal: Just on the affordable housing so I mean some of your competitors like have given very detailed notes about the affordable housing in the presentation. So as a strategy going forward so are we laying a big emphasis on this segment I mean are we going to launch anything this year in the affordable housing or we have any plans like for next two, three years? What is our readiness with regards to the affordable segment or the affordable product for the company?

M.R. Jaishankar: As I mentioned earlier we have totally about 10 million square feet of space which is ideally suited for affordable housing of which I cannot say clearly because the number of them are under approval stage how much we will be able to launch. It would not happen in Q1, Q2.t. But maybe in Q3, Q4 at least I would say about 2 million square feet of affordable housing should happen.

Parikshit Kandpal: And when you say affordable housing it will be 30 and 60 carpet or largely 60 square meter?

M.R. Jaishankar: It will be up to 60 carpet and based on the recent clarification given by government to the best of my knowledge some up to 50% can be above 60 square meters also.

Parikshit Kandpal: Okay up to 50% can be plus 60, and geographically these will be largely in Bangalore or mix of Bangalore and Chennai?

M.R. Jaishankar: This is substantially in Bangalore.

Moderator: Thank you. Next question is from the line of Rohan Shah from Alpha Enterprises. Please go ahead.

- Rohan Shah:** Hi, could you indicate the tenant mix in your commercial space, do you have any data on or around Indian IT or MNCs or non-IT?
- M.R. Jaishankar:** It is substantially MNCs and also few other companies t maybe non-IT. Just for example say clients like ABB or a Coca Cola or some I am just giving few names or Canadian consulate like that.
- Rohan Shah:** So substantially would be over about 70%, sir or?
- M.R. Jaishankar:** Yes.
- Rohan Shah:** And when do you see the bulk of these leases coming up for escalation how many years down the line?
- M.R. Jaishankar:** Some of them are today I do not have a clear data but some of them already started and we are already in the escalated trends. In Bangalore, it is either once in three years and in some cases, it is once in every year. I have some information here. In our World Trade Center Bangalore lease area renewed in financial year 2017 is 279,000 square feet and to be renewed in FY18 is 258,000 square feet which is just in this building itself it is we have renewed almost 25% this year and in the coming year another 25%.
- Rohan Shah:** Okay so would we see a 15% kind of escalation or would it be the normal 5% ?
- M.R. Jaishankar:** 15% once in three years.
- Rohan Shah:** Okay so at least for this 25% of area that is the likely to be renewing, we would see a 15% Jump up?
- M.R. Jaishankar:** Yes.
- Rohan Shah:** And would you be tracking any metric like you know the weighted average lease period outstanding across your old commercial portfolio by square feet?
- M.R. Jaishankar:** I do not have the data here but we can send it to you.
- Rohan Shah:** Okay and I just had an accounting question what would the net debt be as of March 2017, net of cash?
- Suresh Kris:** Net of cash it is around Rs. 2,000 crores.
- Rohan Shah:** Okay but are you netting off the Rs. 500 crores of QIP money because then it would be lower than that, right?
- Suresh Kris:** No, this is the end of March whereas QIP will happen only during April.

- Moderator:** Thank you. Next question is from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.
- Adhidev Chattopadhyay:** Yes sir, just a follow up question. This is more on the hospitality business. If you could just give us an indication how the Mysore Hotel performed in FY17 how things looked forward and also on the hotel opened in Chennai what sort of ARR and occupancies you are expecting in FY18?
- M.R. Jaishankar:** Mysore Hotel had the initial soft opening now about 11, 12 months back and official opening about seven months back. So now it is averaging about 35% of the occupancy in the last two months. Month-on-month it is showing improvement so which is a very good sign and as far as the Chennai Holiday Inn is concerned it opened on April 21st and currently it is doing about 35% or so.
- Adhidev Chattopadhyay:** Okay so if you strip out the Mysore Hotel so what would be the EBITDA done by the other two, the Sheraton and Grand Mercure for the year?
- M.R. Jaishankar:** Yes Suresh will give that information right away.
- Suresh Kris:** We have the EBITDA for Sheraton Grand about Rs. 40 crores for this year and then Grand Mercure Bangalore it is about Rs. 14.5 crores.
- Adhidev Chattopadhyay:** Okay so around Rs. 55 crores, Rs. 56 crores for the two hotels combined as compared to Rs. 60 crores in the previous year, is that the right way of looking at it?
- Suresh Kris:** Yes.
- Adhidev Chattopadhyay:** Sir and Holiday Inn Express Bangalore when is the opening scheduled for that?
- M.R. Jaishankar:** It is in about four months' time it should open.
- Adhidev Chattopadhyay:** Four months' time and any other hotel opening scheduled in FY18 or everything is in FY19 the other ones which are?
- M.R. Jaishankar:** Holiday Inn Express is in FY18 and FY19 it will be Four Point Sheraton in Kochi and Holiday Inn Express in Old Madras Road Bangalore which is a part of an integrated project called Brigade Golden Triangle where there are 672 residential apartments which are complete and we have about 600,000 square feet of office which is nearing completion and there are totally about 400,000 square feet of shopping mall with multiplex and this 150 keys of Holiday Inn Express that should also happen in FY19. In addition, the Ibis Styles in Gift City, Gujarat should also get completed.

Adhidev Chattopadhyay: Okay so then based on whatever we started CAPEX how many more rooms are we going to add to the overall portfolio?

M.R. Jaishankar: Overall portfolio in this year we will be reaching in FY18 close to 1,000 and in the next year we will be doing totally about 550 keys in FY19.

Adhidev Chattopadhyay: Over 1500 keys.

M.R. Jaishankar: 1500 keys we will reach in FY19.

Adhidev Chattopadhyay: Okay sir, last a question on the land banking strategy because now we have a lot of land reserve all readily tied up through JDs and also the GIC tie up. So are you looking to add any more land parcels now in the next couple of years or are we done for the moment?

M.R. Jaishankar: We will look to add good parcels of land selectively as and when opportunities come with attractive feasibility.

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

Prem Khurana: Just a couple so first was on our maiden residential launch in Chennai so how has the response been in basically I wanted to understand the strategy because I mean if I were to look at our Bangalore market, we have not done any residential launches in last one year and at least for the last quarter or so we have been saying I mean we want to have some more clarity on RERA before launching any new projects. So what encourages us to launch this project in Chennai because even in Chennai we do not have clarity on RERA as such as of now?

Om Ahuja: So early April we had launched our Chennai project on Tamil New Year's Day and we are happy to share that response was extremely positive and almost 14% of bookings were received in the launch period of 3 days and that is considering that Chennai market condition this is a very sound and positive news.

I think what we are looking at is Chennai market where we have 14% stock already sold on their launch date, the momentum continues to be strong. Considering Bangalore again two projects which were launched in April before the RERA kicked in from 1st May that is basically Buena Vista where we have almost completed 25% of our sales in the launch period on the launch day and there is another project called Brigade 7 Gardens in Bangalore again launched just before the RERA kicked in where 10% of the stock has been sold till the launch day.

Prem Khurana: Okay. But I mean given the fact that there is no still clarity on RERA and we are seeing at least the first half we would not get any incremental launches so what made us kind of have these launches now? So essentially you would have to comply with RERA I mean even if RERA

was to come in the month of June, July right so is that because I mean we will have some volume and there was a set of clients who were looking for projects wherein I mean these are available at initial stages rather than going in for a project wherein I mean they would have to shell out money upfront, I mean significant amount of money upfront?

Om Ahuja: Not really, see the launch practically means that we have all approvals in place, a launch is not that not that we were avoiding RERA because the moment the RERA comes into play there will be lot of procedural aspects because what happens is the website will crash, we do not know, how the website is going to function, people will upload, it will create unnecessary procedural delays. The objective was to launch it before RERA kicks in is to basically avoid whatever bookings were people were waiting to book those people can be entertained.

Prem Khurana: Sure okay. And as far as the launch pipeline is concerned wherein we are talking about 5 million square feet of residential launches wherein our share is 3.3. So how many projects we would have all the approvals in place with us in terms of area how much area would you be able to kind of offer to the market once RERA was to come in wherein we have all the approvals in place and we would not be required to wait?

Om Ahuja: As I mentioned wherever we have approvals we have launched and wherever the approvals process will take its time and we are hoping that by Q2 we will have a significant amount of projects which we will have approvals and we will be geared up for the festival season which is before Diwali or Dussehra.

Prem Khurana: Okay sure. And Suresh sir, one question for you. If I were to look at our CAPEX sheet at least for a couple of hotel projects we have seen some increase in our costs especially Holiday Inn Express wherein our cost has gone up even for Four Points Sheraton the number seems to have gone up by some Rs. 20 crores, Rs. 30 odd crores. So are there any design changes or these are because of some other reasons, even in the case of Holiday Inn Chennai received some increase in our cost estimate over the last quarter I mean on a QoQ basis?

Suresh Kris: There were revision on the overall cost whereas the spending cost is only about Rs. 10 crores for Holiday Inn Chennai and about Rs. 34 crores for Holiday Inn express. There is no major revision in other hotels, it is only in Holiday Inn Chennai and Four Points Sheraton in Kochi.

Prem Khurana: Sure, and just on this thing I mean I was looking at our cash flows sheet for the quarter and it seems there is a significant jump in our CAPEX spend. So on an average I mean for the first nine months our average used to be Rs. 60 crores, Rs. 65 odd crores rupees. This quarter it is around Rs. 120 odd crores. Given the fact that we have done these many launches, is it fair to assume the number would remain at this kind of level only going forward?

Suresh Kris: Yes, because of the launch of the CAPEX project in say Brookefield and in Chennai what we are seeing is the CAPEX will be more in 2017-18 onwards.

- Prem Khurana:** Sure, so what kind of run rate should we build in our model is now on a quarterly basis I mean once we have to considered that you would get to launch this Chennai SEZ as well as this Brook Bond SEZ?
- Suresh Kris:** That is in the group number about Rs. 1,500 crores for about three years.
- Prem Khurana:** So on an average Rs. 500 crores a year?
- Suresh Kris:** Yes.
- Moderator:** Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just on the collections. So we have been averaging around Rs. 500 crores plus on a quarterly basis so now with not much clarity with regards to RERA on new launches so how do we expect the collections to pan out during FY18?
- M. R. Jaishankar:** I think it remains to be seen as I said next Q1, Q2 there is quite a bit of confusion. But we have ongoing projects and completed projects so we will also increase our focus on some of the completed projects where we have some stock and that should help us in improving the collections.
- Suresh Kris:** Actually the collection figure may not undergo substantial change because of RERA. It is only the utilization may undergo some kind of changes because of 70:30 ratios whereas the collection is as per the escrow account which has been maintained already by Brigade Group. So I do not think there will be a substantial change in the collection figure at all.
- Parikshit Kandpal:** But in terms of the utilization like how much can it change?
- Suresh Kris:** Utilization only because of the withdrawal this one obviously we may have to fund the project either by equity or by the debt..
- Parikshit Kandpal:** So are we going to come with any deferral schemes where we will charge a premium pricing say give a deferral to because anyway the escrow account will be the current account so we will not be earning anything there. So probably if we give a deferral scheme to customer at a higher price point probably at least we will benefit on the margins.
- Suresh Kris:** But the construction has to grow.
- Parikshit Kandpal:** But that will go but you will not be able to withdraw, so construction part at least you can take out, but balance surplus which is there so you cannot utilize it. So I was commenting?
- Suresh Kris:** No, what I was telling is that the same Rs. 500 crores per quarter may not undergo a major change that is what I would like to communicate because of RERA.

- Parikshit Kandpal:** But right now the utilization will be high in this but going forward?
- Suresh Kris:** Utilization will be 100% from the collections whereas in the future it could be funded by equity or by bank borrowings also.
- Moderator:** Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Yes, just one small data point. I mean you gave us a number for WTC in terms of the area renewed last year and the area that has to be renewed in FY18. Could you please share the same number for Orion Mall? The area renewed last year and the area which is to come up for renewal this year in FY18?
- Suresh Kris:** Orion Mall it is about 11,381 square feet for last year that is FY17 and about 9,793 square feet for FY18.
- M. R. Jaishankar:** In addition to that, we churned nearly 200,000 square feet of other spaces like where Star Bazaar vacated a large area which was at a low rate and that got occupied also by Hyper City and Shoppers Stop and also that substantially increased the revenues from the new clients.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor to Mr. Om Ahuja for his closing comments. Over to you, sir.
- Om Ahuja:** Thank you. Thanks for participating on the conference call and sharing your questions with us and hope we answered all your questions. And just to share the closing comments from our side. With RERA and GST we think we will be getting into a new phase, industry seems to be getting into a phase where lot of new things which will improve investor confidence, buyers' confidence and with regard to being ready for RERA.
- I would like to share with you that Brigade is fully ready for getting up with RERA on terms of every aspect of it and this will actually bring in a new environment where GST and RERA benefits will basically be passed on to customers and we hope to see that the market will actually see lot more consolidation and lot more confidence in the coming weeks. And hope to have you in our next conference call. And please keep sharing your questions with us, we can answer them if in case you have any, on the e-mail. Thank you very much.
- 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 lines.