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BRIGADE
Building Positive Experiences

Ref: BEL/NSE/BSE/16112017

16th November, 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 Conference Call on the Company's Q2 FY-18 Earnings - 14th November, 2017

We are enclosing herewith the transcript of the Conference Call on the Company's Q2 ended financial results for the financial year 2017-18 held on Tuesday, 14th November, 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 Enterprises Limited Q2 FY-18 Earnings Conference Call”

November 14, 2017

MANAGEMENT: MR. M. R. JAISHANKAR – CHAIRMAN & MANAGING DIRECTOR, BRIGADE ENTERPRISES LIMITED
MR. K. P. PRADEEP – CHIEF FINANCIAL OFFICER, BRIGADE ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Brigade Enterprises Limited Q2 FY18 Earnings Conference Call.

We have with us on the call today, Mr. M. R. Jaishankar – Chairman & Managing Director, Mr. K. P. Pradeep – CFO.

As a reminder, all participant lines will be in the listen-only mode. 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 phone.

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

M. R. Jaishankar: Good afternoon, ladies and gentlemen. I welcome you all this FY18 Q2 conference call. And I am happy to say our CFO K. P. Pradeep has made a detailed write up which he will go through so that it should answer bulk of the expected questions. Post that we will be happy to take any questions. Over to, Pradeep.

K. P. Pradeep: Thank you. On behalf of the company we would like to welcome you to the earnings call for Q2 FY2018. Coming to the consolidated performance for Q2 FY 2018. The consolidated revenues are range bound and stood at Rs. 499.47 crores versus Rs. 459.24 crores in the corresponding quarter of the previous year.

The real estate segment posted revenue of Rs. 375.5 crores versus Rs. 347.60 crores in the corresponding quarter of the previous year, a growth of 8% and an EBITDA margin of 22.64% versus 28.08% in the corresponding quarter of the previous year.

The hospitality segment posted revenue of Rs. 56.10 crores versus Rs. 44.30 crores in the corresponding quarter of the previous year, a growth of 27%. And an EBITDA margin of 24.06% versus 2.93% in the corresponding quarter of the previous year. The leasing segment posted revenue of Rs. 67.90 crores versus Rs. 67.30 crores in the corresponding quarter of the previous year and an EBITDA margin of 74% versus 57.20% in the corresponding quarter of the previous year.

The consolidated EBITDA including other income was Rs. 148.87 crores versus Rs. 137.56 crores in the corresponding quarter of the previous year, a growth 8.22%. EBITDA margin including other income stood at 29.80% this quarter versus 29.95% in the corresponding quarter of the previous year.

The interest and finance charges for the quarter was range bound and stood at Rs. 60.45 crores versus Rs. 62.44 crores in the corresponding quarter of the previous year. Consolidated profit before tax for the quarter is Rs. 56.36 crores compared to Rs. 46.22 crores in the corresponding quarter of the previous year, a growth of 21.94%.

The consolidated tax provision for the quarter is at Rs. 14.74 crores against an amount of Rs. 16.06 crores for the corresponding quarter in the corresponding period of the previous year. The consolidated profit after tax is Rs. 41.62 crores for the quarter compared to Rs. 30.16 crores during the previous year, a growth of 38%. This was the quarter performance.

Coming to the consolidated performance for the half year FY 2018. The consolidated revenues for the six months stood at Rs. 1,064.19 crores versus Rs. 925.54 crores in the corresponding period of the previous year, a growth 15%. The consolidated EBITDA including other income for the six months was Rs. 284.83 crores versus Rs. 262.12 crores in the corresponding period of the previous year, a growth of 8.66%.

The real estate segment posted a six months revenue of Rs. 817.40 crores versus Rs. 710.30 crores in the corresponding period of the previous year. A growth of 15% and an EBITDA margin of 20% over the 24% in the corresponding period of the previous year. The hospitality segment posted a six months revenue of Rs. 107.50 crores versus Rs. 90.40 crores in the corresponding period of the previous year, a growth of 19% and an EBITDA margin of 21% versus 15% in the corresponding period of the previous year.

The leasing segment posted a six months revenue of Rs. 139.30 crores versus Rs. 124.80 crores in the corresponding period of the previous year, a growth of 12%. And an EBITDA margin of 94% versus 62% in the corresponding period of the previous year. The consolidated EBITDA margin including other income stood at 26.76% for the sixth months versus 28.32% in the corresponding period of the previous year.

The interest and finance charges for the sixth months was range bound and stood at Rs. 121.20 crores versus Rs. 122.60 crores in the corresponding period of the previous year. The consolidated profit before tax for the sixth months is Rs. 99.84 crores compared to Rs. 80.25 crores in the corresponding period of the previous year, a growth 24.41%.

The consolidated tax provision for the six months is at Rs. 28.94 crores as against an amount of Rs. 27.98 crores being the tax provision for the corresponding period of the previous year.

The consolidated profit after tax for the sixth months is Rs. 70.90 crores compared to Rs. 52.27 crores during the corresponding period of the previous year, a growth of 35.64%.

Coming to the debt position. The gross debt as of 30 September 2017 stood at Rs. 2,488 crores the split between the divisions , Rs. 928 crores being the debt in the real estate segment, Rs. 374 crores being in the hospitality segment and Rs. 1,186 crores being the leasing segment. The cash and cash equivalent stand at Rs. 473 crores as on 30 September 2017 and consequently the company's net debt outstanding as of 30 September 2017 is Rs. 2,011 crores as against a number of Rs. 1,848 crores in the sequential quarter ending June 30, 2017.

The company's effective gross of debt is at 9.66% per annum versus 9.84% per annum in the previous quarter. We have a long term credit rating of A which has been assigned by both CRISIL and ICRA and our short term credit rating is A1.

Some financial ratios that we track on a trailing 12 months basis. The debt service coverage ratio stood at 0.54 for the Q2 FY 2018 against 0.55 in Q1 FY 2018. Interest coverage ratio stood at 2.59% in quarter 2 FY 2018 against 2.53% in quarter 1 FY 2018. The net debt to equity stood at 0.71 for quarter 2 FY18 as against 0.66 for quarter 1 FY18. The net debt to EBITDA including other income stood at 3.06 for Q2 FY18 against 3.08 in Q1 FY18.

The return on core operating capital employed stood at 17% in Q2 FY18 versus 14% for Q1 FY18. The return on equity stood at 7.61% for Q2 FY18 versus 7.16% for Q1 FY18.

So in general we see a gradual improvement in our operating parameters. To give you a brief business updates for the quarter. Real estate space aggregating to 0.37 million square foot with a total value of Rs. 217 crores were sold during the second quarter ended 30 September 2017. The average price realization was approximately 5,916 per square foot. The Brigade Group is currently developing about 21 million square foot across residential, office retail and hotel segments.

Further launches to the extent of about 6 million square foot are planned for the next two quarters across the segments.

This was a small brief business update. I will now hand it back to you for questions. Over to you.

Moderator: Thank you. We will now begin the question-and-answer session.

We have our first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir, just wanted to know what is happening on the residential sales side I mean there has been no traction in the pre-sales. So what kind of number we are looking at the full year I mean we have seen our competitors have been doing pretty well and the numbers have recovered pre-demonetization level but we are struggling in terms of pre-sales?

M. R. Jaishankar: Yeah, I think in this quarter and last two quarters there are some challenges. It was also partially due to RERA. There are some developers who went ahead and sold during RERA period . We took a conservative call and did not sell. This is one of the reasons as far as this quarter is concerned. I would say last two quarters to some extent it is that. And the general softness in the market also.

Of course there are may be a couple of developers that have done better. Ultimately they know it whether they have sold during RERA or not etcetera. Hopefully I think the thing should look up. We are coming out with a major campaign by the end of this week. That should help in recovery going forward.

Parikshit Kandpal: Can you just highlight little bit on the campaign I mean are there any discounts or any offers there subvention schemes on the offer or like?

M. R. Jaishankar: It is in coordination with HDFC and other banks we are doing and it is more like 0% interest for two years and 2.99% per annum for the remaining period etcetera.

Parikshit Kandpal: Same is reflecting in the collections as well I mean the muted pre-sales the collections have also cracked for like?

M. R. Jaishankar: Right now today I do not know whether we can call anything that is pre-sales I do not know because everything is ongoing. I know there is no pre-launch so it is ongoing projects only we are selling. The collections were also slow because of the RERA and there was no clarity on the agreement etcetera. But Pradeep, if you can give the actual figures?

K. P. Pradeep: You have the presentation with you and so if you notice that in the first half of this year we have done around Rs. 897 crores of collections and we are expecting to gain some extra traction in Q3 and Q4 in these numbers . On an H1 FY17 to H1 FY18 basis the differential drop in collections is in the region of roughly around 7 to 8 percent not more than that.

Parikshit Kandpal: So it may improve to 7% to 8% in H2? You are talking about YoY or like H1 versus H2?

K. P. Pradeep: We are talking about half year.

Parikshit Kandpal: And sir, any guidance any number you could throw on the pre-sales like how do we expect it to as pan out because you have spoke about like 6 million to 7 million square feet of new launches and even in Q1 we had 1.4 million square feet of new launches. But it is not really translating into. The reasons I understand you have stopped since because of RERA but most of the projects will be now I mean I would expect that by now we will be RERA complaint so how do we see 2H panning out? If you can give some color on that?

M. R. Jaishankar: See out of the 6 million square foot planned may be we are certainly hopeful of 4 million square foot to 5 million square foot. The other 1 million square foot may get into the next quarter also so Q1 of FY19. This includes about nearly 1 million square foot of office space, little bit more probably of office space and for strata and two hotels which construction will commence. And the remaining projects are all in the affordable housing segment which is not the case currently. We do not have any ongoing project which meet the affordable housing definition. But whereas all these new projects that we are talking about are all in the affordable housing segment, at least 70% of them.

Parikshit Kandpal: Okay so 3 million to 4 million square foot of new launches mostly are in that affordable housing?

M. R. Jaishankar: 3 million square foot you can say in the affordable housing.

Parikshit Kandpal: This will be a new product being launched by you?

M. R. Jaishankar: Yeah, at multi locations. It is about four locations in Bangalore and two locations in Mysore.

Parikshit Kandpal: So any guidance on like what kind of pre-sales number we are looking for H2?

M. R. Jaishankar: No, we generally do not give guidance and also would not like to venture into that.

Parikshit Kandpal: And the area which is to be sold yet which you have given in the presentation is 7.1 million square foot. so there will be some area also which will be released from that as well, right? The regular product of Brigade?

M. R. Jaishankar: Yes, naturally.

Parikshit Kandpal: So put together we are expecting some improvement probably in 2H?

M. R. Jaishankar: Yes. But of course even these projects will be launched then the RERA registration and all those things have to happen. It all depends how soon we will get the RERA registration. Without waiting for the RERA registration we will commence construction and once the registration happens we will sell. But bulk of these things will happen in Q4 only.

Parikshit Kandpal: But the one like 7.1 million square foot which we have still to be sold that is all RERA complaint so we can release inventory there?

M. R. Jaishankar: Yes, that is all RERA complaint.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, what is the update on the commercial projects with GIC both in Bangalore and in Chennai?

M. R. Jaishankar: Yes, both are in good progress. One in Bangalore called Brigade Tech Gardens which was a project land acquired from Hindustan Unilever Limited. That is in good progress and currently of course no lease is signed as yet. And the one in Chennai also is in progress. Both are under construction. During the last couple of weeks due to heavy rains in Chennai the work got slightly held up otherwise it is okay.

Adhidev Chattopadhyay: When do we hear about any leasing activity or when is it planned over there?

M. R. Jaishankar: Hopefully in FY19 it should happen but we are in the end of calendar year 2017 when not much leases are concluded by MNC companies. Most of the leases conclusion happens in the Q2 and Q3 period.

Adhidev Chattopadhyay: Sir, second question on the hospitality business. What sort of EBITDA do we expect for this year in combined and for the next couple of years what do we expect as the EBITDA to grow to? I understand that three new hotels are still in early days but could you give some longer term guidance over next couple of years where do we see the overall hotel business revenue and both EBITDA also?

K. P. Pradeep: On the hospitality side, we currently have an EBITDA in the region of around 21% on inventory of 1,000 keys. Our plan for the future would be to grow this inventory to around 2,000 keys. It is over a period of two to three years and we anticipate the EBITDA margin should move similar to the current trend. On the topline I do not want to put a specific number to it but given our existing topline and the possibility of growth you can extrapolate.

Adhidev Chattopadhyay: And sir, we had plan to get a PE partner or some strategic investor for you to for the additional expansion of the hotel room. So any update on that and can we expect to hear any update on that within this financial year?

K. P. Pradeep: Yes that is work in progress currently and as you are aware we also have a NCLT process that is currently on for transfer of hotel assets to a wholly owned subsidiary Brigade Hotel Ventures Limited through a scheme of arrangement . So we expect that to happen sometime in Q4 of FY18. Post which we will come back to you on plans that we have in this direction.

Moderator: Thank you. The next question is from the line of Divyesh Shah from Pragya Equities. Please go ahead.

Divyesh Shah: Sir, my question is regarding our long back we declared the JV with Yuken India at Whitefield, Bangalore. So sir, can you throw some light on the progress of that project and what will be the constructed area and when it will start or whether it has launched or you are planning to launch that?

M. R. Jaishankar: See we have received bulk of the permissions and we expect the remaining permissions to happen in the next few weeks, may be three weeks, maybe four weeks etcetera. We are going to have a tentative ground breaking for the end of the month and the total constructible area will be about 600,000 square foot residential space of which approximately 40% is Yuken India share.

Divyesh Shah: And when you plan to finished the project, roughly a timeline?

M. R. Jaishankar: Once we commence it should be within 24 to 30 months.

Divyesh Shah: But we plan to commence within next quarter?

M. R. Jaishankar: Yeah, that is what I said. Once the ground breaking happened in Q4 it will definitely commence.

Divyesh Shah: And it will be absolutely pure residence area?

M. R. Jaishankar: Yeah, it is a pure residential project located adjacent ITPL, Information Technology Park.

Divyesh Shah: And roughly can you specify the rate running at present?

M. R. Jaishankar: Somewhere between Rs. 6,000 to Rs. 6,500.

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

M. R. Jaishankar: I have a few comments to make before I hand over to K. P. Pradeep. So my first comment is that on a comparative basis there are lesser number of questions. I thank Pradeep's detailed presentation, probably he pre-empted all the questions which is very good in one sense. And basically what I want to also say is the real estate market did face challenges. Almost for the last two years it has been tough. Gradually it has become softer particularly in the last one year due to demonetization and GST and RERA related issues.

I think all these issues are behind us now. It is time for us to look forward and work hard towards better result and a better return to our investors. And I look forward to your cooperation, understanding and interest in Brigade Group.

Thank you from my side. Pradeep will add to this.

K. P. Pradeep: Thank you all for taking the time. It has been a pleasure to interact and answer your questions. If you can need greater clarity on anything, do not hesitate in reaching out to us. We are available to answer your questions. Thank you very much once again and we look forward to our next interaction.

Moderator: Thank you. On behalf of Brigade Enterprises Limited, we conclude this conference. Thank you for joining us and you may now disconnect your lines.