

# Brigade Enterprises Limited

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**BRIGADE**

Building Positive Experiences

Ref: BEL/NSE/BSE/14052019

14<sup>th</sup> May, 2019

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

Dear Sir,

**Sub.: Transcript of Conference Call on the Company's Q4 FY-19 Earnings - 8<sup>th</sup> May, 2019**

We are enclosing herewith the transcript of the Conference Call on the Company's Q4 and financial year ended 31<sup>st</sup> March, 2019 held on Wednesday, 8<sup>th</sup> May, 2019.

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 one among the best in  
Construction & Real Estate Industry.





“Brigade Enterprises Limited Q4 FY-19 Earnings Conference  
Call”

**May 8, 2019**



**MANAGEMENT: MR. M. R. JAISHANKAR – CHAIRMAN & MANAGING  
DIRECTOR, BRIGADE ENTERPRISES LIMITED  
MR. ATUL GOYAL – CHIEF FINANCIAL OFFICER,  
BRIGADE ENTERPRISES LIMITED  
MS. NIRUPA SHANKAR – EXECUTIVE DIRECTOR,  
BRIGADE ENTERPRISES LIMITED**



*Brigade Enterprises Limited  
May 8, 2019*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY19 Earnings conference call of Brigade Enterprises Limited.

We have with us on the call today Mr. M. R. Jaishankar – Chairman & Managing Director, Mr. Atul Goyal – Chief Financial Officer and Ms. Nirupa Shankar – Executive Director.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. M. R. Jaishankar – Chairman & Managing Director, Brigade Enterprises Limited. Thank you and over to you, sir.

**M. R. Jaishankar:** Thank you. Good afternoon to all. I welcome you all to this conference call after our announcement of FY19 financial results. As you would have seen from the press release the performance of the company is substantially better as compared to the previous year.

I know it is as per AS115 so for a whole year comparison may not be available on a Quarter-on-Quarter basis comparison is available and it is quite good and what is of significance is our overall sales has reached an almost 3 million square feet, 2.9 million square feet to be precise and we have also done 1.2 million square feet of office leasing in the year and our operational cash flow for the entire year has gone up by 184% as compared to FY18 and more importantly the hospitality segment in the last quarter by itself has been able to absorb all the depreciation also not just positive GOP.

So that way total breakeven have been achieved and we have launched one major project called Brigade Cornerstone Utopia which is overall about 5.82 million square feet. The first phase of 3 million square feet is launched and it has received a very good response and about 800,000 square feet of space is booked and works of the project has commenced.

In addition we in this quarter we are in the process of launching another large affordable housing near the Bangalore Airport called Brigade Eldorado on a 50 acre parcel which is also about 6 million square feet and this will qualify for 1% GST as introduced by the Government of India GST Council wherein all the apartments will be under Rs. 45 lakhs.

This will be a major project for the organization and we hope when launch the project will receive good response. With this opening remarks our CFO Atul Goyal will give the financial performance after that our Executive Director Nirupa Shankar will highlight some of the initiatives by Brigade Group during the last few months and even a bit earlier which we may not have highlighted in our earlier conference calls.

Over to Atul Goyal and I am here to respond to your queries wherever required.

**Atul Goyal:**

Thank you sir for the business update. I will take you through the Q4 performance as well as the financial year performance of 2019. The consolidated revenue for Q4 FY19 stood at Rs. 778 crores versus Rs. 698 crores in the previous quarter. All segments in this quarter have done very well be it real estate, hospitality, leasing everywhere the EBITDA percentage has increased during this quarter.

In real estate we have clocked a turnover of around Rs. 607 crores with an EBITDA of 24% versus a turnover of Rs. 542 crores, an EBITDA of 22% in Q3. Similarly in hospitality segment we have clocked a turnover of Rs. 91 crores, an EBITDA of 35% in Q4 versus turnover of Rs. 80 crores and an EBITDA of 22%.

This EBITDA has helped us in absorbing all the depreciation and there has been no loss after absorption of depreciation as Mr. Jaishankar has already told you. The leasing segment has also clocked a turnover of Rs. 80.5 crores with an EBITDA of 68% in Q4 versus a turnover of Rs. 76.5 crores as an EBITDA of 63% in Q3.

The consolidated EBITDA including other income for Q4 FY19 stood at Rs. 233 crores versus Rs. 186 crores in Q3 FY19. EBITDA margin including other income stood at 30% in this quarter versus 27% in the previous quarter. The interest and finance charges for the quarter stood at Rs. 76 crores. Consolidated profit before tax was Rs. 114 crores compared to Rs. 84.5 crores in the previous quarter.

The consolidated profit after tax and minority interest increased by 22% to Rs. 60 crores for the quarter compared to Rs. 49 crores during the previous quarter. The full financial year results of course are not comparable with the last year financial years because this is as per the AS115 and last year financial were as per percentage of completion method. So that is why we are not comparing but I will take you through the yearly financials.

The consolidate revenue for the year stood at Rs. 3,027 crores. The consolidated EBITDA including other income for the year was Rs. 844 crores. The real estate again was a segment posted an yearly revenue of Rs. 2,398 crores with an EBITDA margin of 23%. The hospitality segment posted year revenue of Rs. 309 crores and an EBITDA margin again of 26%.

The leasing segment posted yearly revenue of Rs. 320 crores and an EBITDA of 66%. The consolidated EBITDA margin stood at 28% for the year. The interest and finance charges for the year was Rs. 278 crores. The consolidated profit before tax for the year was Rs. 426 crores. The consolidated profit after minority interest was Rs. 240 crores.

Since we have very good sales and numbers our net operating cash flow have also increased by 184% to Rs. 450 crores in FY19 versus Rs. 159 crores in FY18. Now coming to debt position,

in case of real estate actually our debt has reduced from last year. So as on Mar-19 the debt is around Rs. 685 crores in real estate segment which has reduced by 14% in FY19 compared to FY18. Then there is Rs. 520 crores in hospitality segment debt in which Rs. 333 crores is GOP securitized loans and Rs. 188 crores is the CAPEX loan which is being used for building up the new hotels.

Rs. 2,134 crores is the leasing segment debt out of which more than half is a securitized is Rs. 1,254 crores and Rs. 881 crores is being used for the CAPEX which is mainly to Tech Gardens and WTC Chennai. The cash and cash equivalent stands at Rs. 384 crores as on March 31, 2019. Consequently the company's net debt outstanding as on March 2019 was Rs. 2,955 crores out of which BEL share is Rs. 2,470 crores this is after reducing whatever is the joint venture partner's share of debt.

The company's effective cost of debt is 9.63% per annum as against 9.21%. Yes, it has increased but if you see this is corresponding to the one year MCLR increase which has increased by 40 basis points in last 12 months. We have a credit rating of A with stable outlook which has been assigned both by CRISIL and ICRA. I also want to share some leverage ratios. Our interest coverage ratio is around 3x and the net debt to equity stood at 1.0x for the financial year 2019. The net debt to EBITDA stood at 3.5x and the return on equity stood at 10%.

We have launched 11 real estate projects aggregate to 5.5 million square feet during the year out of which 4 projects are in affordable housing segment which is around 2 million square feet and 3.38 million square feet was in mid income housing. Revenue contributed by hospitality segment for the current financial year stood at Rs. 308 crores which is 30% increase over the revenue for the corresponding period of last financial year.

Last financial year we had a hospitality revenue of Rs. 237 crores. New launches of 8.60 million square feet has been planned out of which 5.5 million square feet is residential and office is around 3.02 million square feet. In hospitality we are building one hotel in 149 keys near Bangalore International Airport.

I would like now to handover to Nirupa who will update on various other initiatives taken by the company during this financial year.

**Nirupa Shankar:**

Thank you, Atul. Before we dig deeper into the numbers I would like to just bring your notice some of the other activities of the company. From a technology perspective as you might have already read we setup our first real estate tech focused accelerator called Brigade Reap, the real estate accelerator program. This was done with the objectives to find and mentor tech based solutions for the entire real estate industry two-and-a-half years ago and in that time we have received over 1,000 applications and spoken to more than 500 technology solutions for the real estate industry.



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But we actually accepted only 25 disruptive startups in to our program. 60% of these startups have been given live projects to work on at Brigade. 40% of them have gone on to raise additional funds whereas the industry average for an accelerator just 10%. We have been able to deliver an average increase of 111% revenues for all our startups.

Brigade has equity in all of these startups and our goal is to accelerate more than 100 such startups over the next 5 years. From a sustainability perspective we have sustainability and Brigade has taken the initiative to create green commercial developments. Many of our projects have been given the green building stamp by IGBC which is the Indian Green Building Council.

Our project Brigade Opus has received a platinum rating by IGBC and office developments such as Signature Towers, Brigade Nalpad Center or Brigade Bhuwalka Icon and the World Trade Centers in Kochi and Bangalore have all received Gold status by IGBC.

We have another half dozen office project that have been pre-certified with the gold rating as well. When Brigade celebrated its 30<sup>th</sup> anniversary in 2016 we took a pledge to plant 30,000 trees. The management's stakeholders and employees have all undertaken this mammoth task to plant saplings. We are happy to inform you that the saplings planted till date had a 100% survival rate. Different trees have been planted thus far and we are on track to reach our goal.

We also undertook other unique initiatives as a gesture of national pride. To support the families of the CRPF martyrs of Pulwama attack our employees voluntarily contributed one day salary to the families. In addition the organization made an equivalent contribution creating a corpus of Rs. 25 lakhs which we have handed over to the Director General of CRPF in New Delhi.

Similarly each of our employees contributed one day's basic salary to the Chief Minister's Relief Fund for the families affected by the floods in Coorg and Kerala. The organization again made an equivalent contribution that amounted to a corpus of Rs. 25 lakhs.

Apart from that Brigade has donated through CREDAI, Kerala and CREDAI, Karnataka. Brigade has now creating its own clock towers in many of its projects through its own in-house pre-cast plant. We have setup clock towers in a dozen projects or so. These clock towers range from a height of 27 meters to 36 meters and are placed in our projects which are located on highways.

They serve not only as landmarks to travelers but also provide time for travelers and visibility and branding for Brigade projects. It is a source of national pride that Brigade Group has been granted permissions by the Ministry of Home Affairs to keep the Indian flag permanently hoisted on one of its clock towers located at Brigade Opus in Hebbal, Bangalore.

It is an honor for us to see the tricolor flying high and we hope to get similar permission for our other clock towers. Lastly, I would like to mention that Brigade's flagship CSR initiatives the

Indian Music experience opened its doors a few months back. Since opening the museum has received over 8,000 visitors ranging from school groups to families to international tourists.

The museum has received extremely positive media coverage and many celebrities such as A R Rahman, Daler Mehndi have all publicly shared their appreciation via social media.

The IME has entered into an affiliate partnership with the Grammy Museum and will collaborate with Grammy and other elite museums and universities on various projects. The Prime Minister has also written to us in appreciation towards this effort.

**M. R. Jaishankar:** I think we will be happy to receive any questions, clarifications from the analysts.

**Moderator:** Thank you. Ladies and gentlemen, 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:** My first question is on the leasing business. So could you tell us in Tech Gardens what is the area which you have, I am referring to slide 29 of the presentation, so what is the area which has received OC and when do you see the balance being completed and similar thing for the World Trade Center, Chennai as well?

**M. R. Jaishankar:** See what we have signed is about 360,000 square feet as lease and balance area for which we received OC is in advanced stages of discussion negotiation with the parties.

**Adhidev Chattopadhyay:** Okay so means the entire 1 million square feet is now the OC has been received for Phase 1 or only part OC has come or what I am just trying to understand how much area is available for lease?

**M.R. Jaishankar:** OC for Phase 1 of 1 million square feet is received, out of which the 3.6 lakhs square feet is leased, the balance 6.4 lakhs is in different stages of discussion. Of the 6.4 lakhs I think something in the range of 60,000 square feet to 80,000 square feet we are also going to do incubation services which means we will lease it out on a short term for people who take larger space and during their period of interiors etcetera. So in other words something in the range of about 550,000 square feet is in different stages of negotiations.

**Adhidev Chattopadhyay:** Okay and what is the completion time line for both Tech Gardens and Chennai when do you expect these projects to be fully complete?

**M.R. Jaishankar:** Tech Gardens Bangalore and Chennai we are aiming to complete by December, if not December by end of first quarter of calendar year 2019 it should happen.

**Adhidev Chattopadhyay:** Okay so then considering whether there is any leasing target we are working with you have done like around close to a million square feet this year, so any target for FY20 you will have to work out?

**M.R. Jaishankar:** FY20 I know the target is 3 million square feet and our team at this point of time is fairly confident of reaching 3 million square feet.

**Adhidev Chattopadhyay:** Second on our residential business now you have done almost 3 million this year, so any target again for next year which you would like to share any guidance?

**M.R. Jaishankar:** We are planning for a 33% increase which means 4 million square feet is what we have planned.

**Adhidev Chattopadhyay:** And then just a housekeeping question out of the 3 million square feet of sales you have done last year, how much would have come from the new launches and how much from the completed and ongoing projects, any rough breakup you have in percentage terms?

**M.R. Jaishankar:** About a million square feet from new launches and balance from existing projects.

**Adhidev Chattopadhyay:** Sir, lastly any update on the hotel transaction now the divestment which you want to do?

**M.R. Jaishankar:** Nirupa will talk about it, she is leading the effort.

**Nirupa Shankar:** Yes Adhidev, as we mentioned last time we were still **in discussions with investors**. Currently we are talking to three investors. There are still discussions on the valuation are on. We have not reached the term sheet stage but we are still in discussions. We are very keen to close it as soon as possible but it depends on the valuation.

**Adhidev Chattopadhyay:** Okay but is something definitely we would like to close out this year or?

**M.R. Jaishankar:** See as I mentioned last time as well, we do not need the private equity partner for further ongoing projects or so. We need the private equity partner to grow inorganically. For an organic growth we do not need the private equity partner, but as Nirupa said, we will go with PE partner and dilution of our equity provided we get the right valuation. Otherwise we will not dilute equity.

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

**Chintan Modi:** So broadly I would like to understand like this consolidation that we are seeing in the industry of course some key players are getting good benefits of that. What is your sense, how long this can continue and what kind of market share gains that can happen over a period of time? Today



most of the players would be like 5%, 6% in each macro market developer specific maximum so what is the headroom available, can it go beyond 10%, 15% kind of a, what is your sense?

**M.R. Jaishankar:** This morning I responded to the question both in ET Now and BTVi interviews. My feeling is that in the next two years at least 30% to 40 % of the small to medium sized developers will exit the business particularly those who have one or two projects etcetera as the complexity and the compliance levels in the business has gone up tremendously in the last I would say two years, with the result for everybody it does not make sense to be in real estate business.

At the same time there will be very few opportunities of M&A in real estate because very few are listed or recognized developers but and there are many brown field projects available for which we are not too keen because they come with a lot of issues. So we are focusing on our own projects as we have enough new projects ongoing and ready to launch. At the same time green field projects if they are available at the right valuation, we were open to look at it.

And on the market shares, I think you rightly said that there are quite a few in that 5% to 6% range. And while 15% etc may happen after few years, at least we are trying to increase our market share substantially in the next two years though I may not want to put an exact figure. We will definitely aim to make it double-digit in market share instead of single digit which is now.

**Chintan Modi:** Sure. And sir you mentioned 30% to 40% developers, how much would they be forming in terms of million square feet or percentage terms, in terms of absorption on your absorption that is happening?

**M.R. Jaishankar:** I can make a guess I may not be able to give a very clear picture, but if you ask me they may form at least 25% of the market, the Bangalore residential market is expected to be 60 million square feet or so, anywhere between 55 million square feet to 60 million square feet is the size.

**Chintan Modi:** Got it. And for this current year you mentioned if I am not wrong 5.5 million square feet of new launches, am I right in that okay so basically considering that, do you think this 4 million square feet of target that you are planning would be achievable?

**M.R. Jaishankar:** Yes, it should be because in addition to the new launches we also have existing ongoing projects totally about residential itself nearly 13 million square feet residential projects and we have some completed projects of approximately 1 million square feet. So keeping in mind completed projects, new launch, ongoing and new launches it should be possible unless there are any general surprises post May 23<sup>rd</sup> and there is international economic reasons or macroeconomic issues, it should be possible.

**Chintan Modi:** Okay. And just one last question. How has been this quarter I mean just to get a sense being election quarter, have people postponed their buying or how is it looking?

**M.R. Jaishankar:** I expected this question, it is a right question. March and April it is not as buoyant as expected more because of the tinkering and on a negative amendments with GST rates etcetera by the GST Council so there is certain wait and watch .People, developers and the customers are grappling with the situation.

I think by May 10<sup>th</sup> which is just two days away that is the deadline given by the GST Council on differential rates for ongoing projects and new projects. So that clarity will emerge by May 10<sup>th</sup> and to the customers within a week's time. Then whether one likes it or not, the new methodology will apply and everybody will be on the same page.

**Chintan Modi:** And if you can share how have we decided between 5% and 12% ?

**M.R. Jaishankar:** The definitions are very clear for ongoing projects I think, not just Brigade, quite a few developers across the country are opting for the 12%. Only for the new projects there is no choice but to accept 5%.

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

**Kunal Lakhani:** Sir, quickly just a follow up on the GST question. So for newer launches have we decided to take the price hikes of whatever Rs. 300 to Rs. 500 per square feet and where the industry is in terms of these price hikes?

**M.R. Jaishankar:** Yes, we have decided to increase the price to the extent of loss of input tax credit which will be approximately you can say Rs. 500. Maybe anywhere between Rs. 400 to Rs. 550 depending on the nature of the project premium project, mid income group, affordable based on all that anywhere between Rs. 400 to Rs. 550 the prices will go up, but the tax rates will be 5% instead of 12%.

**Kunal Lakhani:** And that would not have any impact on the margin, that will be margin neutral for us right, the Rs. 500 price hikes?

**M.R. Jaishankar:** Definitely it will be margin neutral.

**Kunal Lakhani:** But I know I understand the customers do not have an impact in terms of the overall ticket size would probably remain the same but you think that could have some sentimental impact in terms of price hike, base price hikes on volumes?

**M.R. Jaishankar:** I think initially yes, but across the board when everybody adopts the same methodology we can only grumble but ultimately we have to accept it. It is a new method of doing business and new rates, there is very little choice either to the developer or to the customer.

**Kunal Lakhani:** Secondly on the leasing side just again to get some more numbers, you mentioned that out of the 3 million square feet in Tech Gardens you have leased out about 350,000 and around 550,000 is still under negotiation. The target of 3 million square feet for the next year this includes WTC Chennai also or this is just for Tech Gardens?

**M.R. Jaishankar:** It includes WTC Chennai. See we have to be conservative in our target. While the intention is to do more but that will be subject to many ifs and buts, so I would say for us to put a number 3 million square feet is what we have in mind and while the internal target for the teams is different.

**Kunal Lakhani:** How would you break that 3 million square feet into Tech Gardens and WTC Chennai?

**M.R. Jaishankar:** Maybe I would say 1.5 million in Tech Gardens and 1 million plus in Chennai and half a million in few other projects.

**Kunal Lakhani:** Okay just out of curiosity like why are we leaving like a heavy ended target towards the end we could have done this last year also or maybe like as we speak also. Why are we leaving such a heavy target towards the end, like 3 million square feet in a year is quite significant in terms of a leasing target?

**M.R. Jaishankar:** We are not doing it intentionally but it is happening the way it is because primarily there is an uptick in the first quarter. unless a project is built to suit these are called speculative projects. Most speculative projects get leased as it nears the completion stage or after receiving occupancy certificate and normally in the Q4 calendar very few new leases happen due to holidays in western countries and I think the maximum business if I am right happens in Q2 and Q3 of calendar year.

**Kunal Lakhani:** Sure, also like considering that we have 5.2 million square feet in both Chennai and Tech Gardens put together and considering like even if we lease out say 3 million square feet of target that we have set, that would still leave some inventory which will get leased out post that March 2020 deadline. How are we looking at that in terms of like demand for that kind of inventory because once that deadline passes would that mean that the balance inventory would take a bit of time to get leased as the tenants would not get any tax benefits out of that?

**M.R. Jaishankar:** See as I mentioned the internal targets are different. At the same time I cannot be very certain that everything will get leased. It may be too much to make a commitment particularly to analysts and I expect bulk of it to go, but if something does not get leased yes, those who do not take the decision at the right time will not get the benefit of the SEZ incentive.

**Kunal Lakhani:** Sure and last one from my side. If I look at your debt slide on slide 10 of your presentation, the debt on the residential business has reduced by Rs. 100 odd crores in the last one year. How should we look at this particular segment of debt going ahead? Is there a plan to bring down the



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residential debt even further going ahead, and while your CAPEX debt keeps going up your overall debt levels remain steady so just any sense on that would be helpful?

**M.R. Jaishankar:** Definitely there will be an effort to bring down the debt under residential level, see other than the last four years I would say Brigade in the earlier years used to be debt free in the residential segment and we have done millions of square feet of business without debt. But, in the recent, particularly from 2014-15 there is a certain amount of debt. We are working towards reducing that debt as much as possible. While sometimes some new debt may come for newer projects, but for ongoing and completed projects we want to be debt free.

**Kunal Lakhani:** Sure would that mean that your overall debt levels of the company would remain at these levels or that can go up slightly up because of the CAPEX that we have?

**M.R. Jaishankar:** Agreed, see while the intention is to be in this debt equity of 1:1 but if the additional debt is supported by lease rentals i.e. the securitized debt. We are not overly concerned with securitized debt or hospitality debt backed up by the GOP or the EBITDA. That way we are okay and some of the CAPEX debt that is there, as you said for Tech Gardens and World Trade Center, Chennai, Over a period I think by FY20-21 it will all be converted to securitized debt.

**Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

**Swagato Ghosh:** Can you give us a bit more color on the leasing that has already happened in Tech Gardens, the 360,000 area that you mentioned like are we talking about multiple tenants here or one or two large tenants. Can we get some color on that?

**M.R. Jaishankar:** I may not give the names but I think about two tenants or so and more are in the offing.

**Swagato Ghosh:** I just want a clarification. Your total leasable area has gone up but I do not think that includes any part from last quarter I am saying so what is the reason for that?

**Atul Goyal:** Because we have capitalized two or three buildings which is mainly Vantage, WTC Kochi Phase 2 and Gift City. So that has got added into our leasable area and that is why the leasable area has gone up.

**Swagato Ghosh:** Okay those were not included till last quarter?

**Atul Goyal:** Yes because they were under capital work in progress, now they have been capitalized in the books.

**Swagato Ghosh:** And like what is the occupancy level in those like new projects?



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**Atul Goyal:** So In Gift City the occupancy level has been around 30% or so but we are expecting a good demand there now and I think between next two to three quarters we should fill that space in Gift City. In WTC Kochi Phase-II we are working on the leasing and this also should get leased within two, three quarters.

**Swagato Ghosh:** So basically, if I am looking at the last quarter presentation WTC Tower 1 was there, this is the next tower, right?

**Atul Goyal:** Yes, you are correct.

**Swagato Ghosh:** And sir, another quick question on the land bank. That number has declined slightly this quarter so can we assume that the new launch the Utopia Eden thing is from our existing land bank and that is where the number is lesser this quarter?

**M.R. Jaishankar:** Yes, correct.

**Swagato Ghosh:** But the developable area number has gone up like how do I reconcile that?

**M.R. Jaishankar:** Because some more land has been added to that, with a higher FSI. So that is the reason the developable land has gone up.

**Swagato Ghosh:** Okay got it, and one quick last question is that at this quarter have we seen any like material increase in rentals in any of our annuity assets?

**M.R. Jaishankar:** You can say to the already existing annuity assets?

**Swagato Ghosh:** Yes.

**M.R. Jaishankar:** Existing annuity assets we have seen I would say substantial jump in World Trade Center Bangalore wherever it has come for renewals and also in the Orion Mall. the increases in Orion Mall is to the extent of 20% to 25% if not more in some cases. Even in the case of World Trade Center, renewal increases are all in the range of 20% plus.

**Moderator:** Thank you. The next question is from the line of Vinit Manek from Karma Capital. Please go ahead.

As there is no response from the current participant we will move on to the next that is from the line of Deepak Purswani from ICICI Direct. Please go ahead.

**Deepak Purswani:** Sir, just wanted to check it out on the residential front. Our completed inventory has been close to 1 million square feet which is worth Rs. 600 crores since last four quarters. At the same time if I am looking at the ongoing project in this quarter, we actually sold 960,000 out of these 8

lakhs square feet has come out from the Utopia so only 160,000 square feet has come out from the ongoing project. So I just wanted to check it out, I mean has there been any slowdown in the ongoing or completed project or how should we look into it?

**M.R. Jaishankar:** Yes, I agree the bigger number has come from the new project. Sales in Ongoing projects is also happening, it is a bit slow I agree but I think post elections and post GST issues ongoing projects also should see some uptick is what we feel. In Brigade Lakefront which a portion was affected by NGT order has now received clearance and we expect good numbers as it always received a good response from the customers.

**Deepak Purswani:** And sir, on the leasing portfolio front, our CAPEX for the Tech Gardens and World Trade Chennai together has been roughly 40% of the budgeted target. And we are looking out to complete on March 2020. So I mean would we manage to complete it on time or there would be any delay and if there is any slippages in the leasing would that be fair to assume that this leasing activity could happen at the lower rate than it was expected?

**M.R. Jaishankar:** No, I do not expect any major slippages, but if there is any delay definitely I do not expect any reduction in rental level.

**Deepak Purswani:** No sir, I am just thinking from the client perspective if he would not be getting the tax benefit then to push up the demand we may have to reduce some lease rate or something of that sort?

**M.R. Jaishankar:** No, see from a SEZ the building it will become a non SEZ so that way you know I do not expect any major change in rental, see it is only an additional incentive. SEZ benefits are an additional incentive.

**Deepak Purswani:** Okay and finally sir on the funding environment front it is more to do with the industry I mean how is the scenario right now, will there be any further expectations in terms of increase in the cost of fund post NBFC liquidity crisis?

**M.R. Jaishankar:** From my discussion with the bankers, they do not expect further increase in interest rates. They do not expect but if the general MCLR rates go up we may also be affected. I will not be surprised if there is a slight downward pressure as I understand RBI wants the reduction in rates to be passed over, whatever reduction they have done in MCLR's

**Atul Goyal:** See if we even see our rate increase in current financial year it is also in line with MCLR so one year MCLR has increased by 40 basis points and that is what the increase we are having in our cost Secondly the thing to I want to bring it to your notice is that we have a negligible NBFC exposure. So even if there is a crisis in NBFCs, as a company we are not much affected, though yes market is talking about the NBFC crisis. But I think banks are today well funded and they are funding the projects amicably.

**Moderator:** Thank you. The next question is from the line of Govind Agarwal from Alfaccurate Advisors. Please go ahead.

**Govind Agarwal:** While you did give details of your leasing plan for the current year, I want to understand how is the market looking in terms of the demand, in terms of the rental increases and the vacancy ratio both in Bangalore and Chennai?

**M.R. Jaishankar:** So as I said, some of the completed projects where things have come up for renewals we have seen a fairly big jump in renewal rates. And if I see for the last two years, I think in Bangalore it has gone up by about 20%, 25%. And going forward all the IPC's property consultant expect it to increase by anywhere between 5% to 7% at least for the next one to two years.

**Govind Agarwal:** And how is the supply and how is the new launches and the vacancies in the market overall?

**M.R. Jaishankar:** So I think the vacancy is in the single digits. It is expected to remain in the single digit at least for the next two years. So after that it maybe difficult to predict. But going by Bangalore's performance for the last many years it has been fairly robust.

**Govind Agarwal:** Similarly if you can take me through this real estate market in Bangalore again the demand new launches and the price increases you are seeing so that will be helpful?

**M.R. Jaishankar:** See as you know almost from 2015 the market has been a bit subdued and what has been subdued for last four years cannot remain like that. There has to be an improvement. The absorption in Bangalore is generally between 50,000 to 60,000 units and the completed stock of what the analyst call it as unsold inventory which was in the range of about 125,000 to 130,000 units is I believe is currently in the range of 90,000 units to 95,000 units.

That way the overhang has come down and there is a certain amount of shift from premium housing to now the affordable housing. Government also has given a substantial incentives such as tax incentives to developers and GST incentives to customers, with the result the new game will be affordable housing and there are new sectors whether it is co-living is also slowly emerging as a flavor of the day so that also can add some interest into the real estate market.

**Govind Agarwal:** So can we assume this 90,000 or 95,000 units inventory is now normalized or still there is a stress in the system?

**M.R. Jaishankar:** I think going by the responses that is received for new projects it is fairly normal but as developers we wish to see an under supplied market than an over supplied market. That way it will help the pricing.

**Govind Agarwal:** Sure, and what is the price increases you are seeing, are you able to take 3%, 5% price increases last say one year or so?

- M.R. Jaishankar:** Yes, definitely we expect that to happen for sure.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, first question was I think when I look at our presentation this quarter we seem to have acquired a land parcel in Thiruvananthapuram and it seems to be meant for office space. Basically I want to understand your rationale for acquiring this land parcel because Thiruvananthapuram does not come as a conventional office space market and we do not get to hear this name from some of these other names that we track in the market, so essentially we are taking this bet and at the end of say this project size is fairly large, it is almost around 2.2 million square feet of area. So it is not that just trying with a small sized project and then try and you can build on that. So if you could share your thoughts on this project please?
- M.R. Jaishankar:** See there are two to three reasons. One is we hold World Trade Center license for Thiruvananthapuram so we were looking at the right land parcel. Yes, it is not a Tier 1 city for leasing but it is a government allotted land we have entered into an MoU to set up a World Trade Center Thiruvananthapuram. Having said that we were not going to build it in a speculative manner, other than to the extent of 10% of what we have been assigned.
- And we are also in touch with certain major MNCs for the build to suit options so we will take up the project only if we get a built to suit option and land price as such is reasonable and we also have got flexible payment terms with the Government of Kerala for the land. So having said that, whatever that has been built in Thiruvananthapuram is fully leased. I think the vacancy levels there in Thiruvananthapuram is less than 5%.
- Prem Khurana:** Sure, does it mean that we have an option of kind of give it back and if you are not able to find any takers and there will be penalty to the extent?
- M.R. Jaishankar:** No, we are not planning to give it back at all. We are going to take up the project in phases subject to we getting built to suit leasing.
- Prem Khurana:** Sure and on this Tech Gardens and WTC Chennai you are targeting almost 2.5 million square feet of leasing during this year as in FY20 of the 3 million square feet of target that you have which is where I mean we would be left with almost 2.5 million square feet of incremental area which we would be required to lease between these two assets and essentially I mean you would be able to lease out this area after Sunset clause which essentially means I mean some of these tenants would not be able to get tax benefits. So how would that change our rental expectation for the area which would be leased beyond FY20 once the Sunset Plaza is done with?
- M.R. Jaishankar:** I just now answered this question to the earlier gentleman who raised the thing. So as far as we are concerned yes, we would like to lease it before the Sunset clause is over, we are working



towards that. But if the lease is done before the Sunset clause expiry, I do not anticipate any major change in lease rentals.

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

**Parvez Akhtar:** Sir, just one question from my side. Of the 5.5 million square feet of residential projects that we are looking to launch in FY20 how much roughly will belong to the affordable segment?

**M.R. Jaishankar:** 2 million square feet will belong to the affordable segment and the remaining 3 odd million square feet will belong to the mid income group. When I say mid income and luxury it is outside the affordable segment.

**Parvez Akhtar:** Sure sir and I am not sure whether this question has been asked earlier but on our already leased out projects what is the kind of lease rental movements that we are anticipating going ahead?

**M.R. Jaishankar:** I did mention that. Wherever it has come up for renewal we have seen an increase to the extent of almost 20%. Where it has not come up for renewal the increase is about 5% per annum.

**Moderator:** Thank you. The next question is from the line of Parikshit Khandpal from HDFC Securities. Please go ahead.

**Parikshit Khandpal:** I wanted to know in the Perungudi SEZ how much of the 2 million square feet how much we have already leased?

**M.R. Jaishankar:** I think about 260,000 square feet is already leased and as I speak today we have received the confirmation for additional area lease and maybe I will have something to say for the next quarter

**Parikshit Khandpal:** How much is that amount value in terms of square feet?

**M.R. Jaishankar:** I think it is about 120,000 square feet.

**Parikshit Khandpal:** Sir, both in Perungudi and Tech Gardens the lease rentals are they in line with the current market prices or is it lower than that line?

**M.R. Jaishankar:** It is in line with the current market prices and at the same time when one has say 5 million square feet to be leased, or 4 million square feet to be leased we will have internal targets leasing rate targets how it has to move and what is the average lease rentals we are looking for, so one is we would like to achieve that. At the same time try and enhance that average rates subject to market conditions.

**Parikshit Khandpal:** So this 3.6 lakhs which you have leased so what could be the rental range there I mean what could be the?



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- M.R. Jaishankar:** It is about Rs. 80 square feet.
- Parikshit Khandpal:** And the nearby rentals will be similar Rs. 80 levels for office?
- M.R. Jaishankar:** you can say quite a few new by projects have lower rentals except there for the TRIL building, In Tril, they do not have much stock. Only last few thousand square feet or last 20,000 to 30,000 square feet is released at a slightly higher rate is from what I understand. But since our building is not yet complete, I think Rs. 80 is considered a fair rate considering the quality of building and its prime location etc.
- Parikshit Khandpal:** This broadly if the entire leasing happens over one to one-and-a-half years, so Rs. 80 could be kind of a bottom for this?
- M.R. Jaishankar:** Yes, certainly.
- Parikshit Khandpal:** It could go north of like north from here but not?
- M.R. Jaishankar:** See the intention is to reach Rs. 100.
- Parikshit Khandpal:** Okay and what about the Chennai SEZ?
- M.R. Jaishankar:** No, Chennai only. I meant this is in Chennai. As far as Bangalore is concerned rentals are at lower level. It is in the range of Rs. 55 per square foot and that can go up to Rs. 65 or if we are lucky Rs. 70.
- Parikshit Khandpal:** And this is in line with the current rates in the market?
- M.R. Jaishankar:** Yes.
- Parikshit Khandpal:** So this 3 million square feet which we expect to lease in FY20, will this gain in this lease volume, will it come because people doing a down trading wherever there is a renewal happening so people are looking at lower price options, so probably they will shift to you or is it altogether a new set of customers, a new set of demand?
- M.R. Jaishankar:** It is mostly new set, consolidation in some cases wherever people want to expand and may not be in the current facility. They may not have additional space and move into better buildings so ours will be a high quality building. It is pre-certified for Gold, IGBC Gold Standards but we are working towards achieving the platinum rating also. So that way it will be a superior building in terms of design, aesthetics and facilities than most existing projects in Bangalore.

- Parikshit Khandpal:** In your earlier remarks on guidance of 4 million square feet of pre-sales for FY20 you had touched upon one point that what happens after 23rd May so and this assumption of 4 million I mean how would you say base case, bear case or best case of achieving this?
- M.R. Jaishankar:** I think 4 million is fairly achievable it is more likely scenario than very optimistic scenario. It is most likely scenario is what I am indicating and we cannot be very bearish then we cannot be in business.
- Parikshit Khandpal:** I know that because already you said that April is not panning out as good as imagined April there has been a slight bit of slowdown then we hit the monsoon season and then so the pre-sales will be again like to loaded towards the second half, right?
- M.R. Jaishankar:** You can say so. I think from June onwards generally it is a good season.
- Parikshit Khandpal:** Okay and just lastly on GST sir on your existing projects the customers I mean are you facing any backlash from the customers because they would say the government regulation has come for 5% why are you still charging me 12%. So how are you addressing those concerns?
- M.R. Jaishankar:** So that is why I said this grumbling is there I do not call it as a backlash, some amount of grumbling is there. It is our responsibility to give the clarifications and convince the customers and I think our teams are successful in more than 90% to 95% cases and are able to convince and make them understand. Ultimately it is not something that Brigade has initiated, it is the government policy which is applicable to all and not just in Bangalore, Karnataka it is across the country. So there is from that angle we are happy GST is across the country law and not limited to one or two states.
- Parikshit Khandpal:** This Rs. 71 crores you have spent on land so this is on which project, I mean what is this for, which land it is Thiruvananthapuram or?
- M.R. Jaishankar:** Additional land small land parcel in which we acquired from Kirloskar Electric adjacent to our existing project Brigade Gateway. This is something that they held this for their corporate office which is just an acre plus which we bought from them. So we are going to come out with a smaller building so we are not talking about it much. It is just under 2 lakhs square feet.
- Parikshit Khandpal:** You paid Rs. 71 crores for that?
- M.R. Jaishankar:** No, we paid out about Rs. 60 crores for that.
- Parikshit Khandpal:** Rs. 60 crores for this one acre?
- M.R. Jaishankar:** One acre plus.

- Parikshit Khandpal:** It looks like very expensive like Bombay standards but?
- M.R. Jaishankar:** No, it is not Bombay standard we still have ten years to reach Bombay standard in CBD Bombay CBD rates or so.
- Moderator:** Thank you. The next question is from the line of Vinit Manek from Karma Capital. Please go ahead.
- Vinit Manek:** So I was just looking at the realizations for this quarter. So we have seen a significant drop in the realizations compared to the last quarter and YoY and also for the whole year the realizations were down at around 3%. So is it because of the mix of the change in our portfolio or any price drops that we have taken during the quarter?
- M. R. Jaishankar:** No, it is primarily due to product mix change. There is a little bit of I would say affordable housing contribution. It is only due to that. it is not just for Brigade even for others. Every developer, if their affordable housing segment sales increase you are likely to see this drop in average selling rates.
- Vinit Manek:** So also going forward how can we look at these realizations for the next one or two years for our portfolio based on the launches and the portfolios that we have currently?
- M. R. Jaishankar:** So in the affordable housing segment increases I would not be surprised if the average selling rate comes down by 5% to 7% I feel, it can happen.
- Vinit Manek:** And one more thing. So I was just looking at our cash flow slide and it was showing that we have a significant drop in the investment in the land from FY18 to FY19 from Rs. 435 crores to Rs. 95 crores. So this says that now going forward we are looking more into a JDJV model kind of a project rather than more of a land banking kind of a project where we can get some good opportunity to buy a land and convert it into a residential project?
- M. R. Jaishankar:** For Brigade it is not just for this year, for the last 30 years I can say we are doing a combination of joint developments and own lands that is acquisition or by purchase. we have sufficient land bank to take care of requirement for 5 to 7 years of business so that way we are going to be selective in purchase of lands or acquisition of properties. Overall it has to make business sense and whatever we do it should be feasible.
- So we are not trying to create a land bank for 10 years later or 15 years later we have never tried to do that. And unless we are in a position to start a project in two year's time we are not going to do any additions to the land bank Unexpectedly if something gets stuck that is a different story, due to approvals etcetera that is a different thing. But we do not intentionally buy land banks and hoard it.

- Vinit Manek:** And apart from that last one more thing I need to check that despite of our larger launches and very good growth in the presales our construction spends have also gone down compared to the previous year. So just to know that, that how much have we built this year and how much can we scale the capabilities in terms of building going forward?
- M. R. Jaishankar:** I think CFO will answer.
- Atul Goyal:** I think since residential segment the construction costs have gone up by 15%, spent actually. I think you are talking about CWIP CAPEX projects?
- Vinit Manek:** Yes, CWIP.
- Atul Goyal:** Yes so CAPEX projects now it is nearing completion so incrementally there may be some rate change into the spend but spend is going to be there. And there is a minor difference so it would not be less.
- Vinit Manek:** And can you help me out with any number that we have how much we have build for the year and how much we can scale up our capabilities in terms of building or there is no upper cap in terms of how much we can build going forward?
- M. R. Jaishankar:** See I think in the coming year you can expect about 30% jump in construction spends. That is what I feel.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, two questions. One was bookkeeping. If you could help me with the current maturity number, the debt which is repayable in this year, in FY20?
- M. R. Jaishankar:** We will just give you the number. What is your second question?
- Prem Khurana:** The second question was on the BuzzWorks.
- M. R. Jaishankar:** **Approximately** Rs. 300 crores. And BuzzWorks Nirupa Shankar will answer.
- Prem Khurana:** Yes, I mean if you could give us an update, I mean what is status, have we been able to kind of find any takers and how much do we intend to invest in this venture?
- Nirupa Shankar:** Yes, we just launched it in March and the launched was about 200 seats and we already have one client who is seeking all 200 seats. But the way we have planned it is we plan to expand in some of our existing buildings, commercial buildings as well but in the hotel we will have very

small spaces. Some of larger techparks have larger area. So in about 6 to 8 months we plan to expand from 200 seats to 2,500 seats.

And we are getting demand from our existing clients and also some smaller tenants. But what we are seeing is that 75% of the demand comes from the large scale MNCs, 25% of the demand is coming from startups and a lot of the demand is coming from our existing and new tenants who want about 10% of their total demand to be in flexible office spaces.

**Prem Khurana:** And is it fair to assume I mean the idea is to kind of look at our own properties only when you are saying we are planning to kind of scale up to almost 2,500 odd seats so we would look at our own properties or we are open to kind of looking at someone else's properties etcetera I mean if it suits our business model?

**Nirupa Shankar:** Yes, so currently we are looking at our own properties because like I said we are scaling up 10 times our figure from 200 to 2,500 so initially it will be in our own properties. Couple of cases while it is renting from a third party.

**Prem Khurana:** And what kind of investment are we looking at in this vertical? Do we able to reach to that scale of 2,500 odd seats?

**Nirupa Shankar:** Around Rs. 50 crores to begin with.

**Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** Just a follow up. How much we are going to invest in the Thiruvananthapuram land?

**M. R. Jaishankar:** Yes, Thiruvananthapuram land it is about Rs. 25 crores over a period of 2 years.

**Parikshit Kandpal:** And total area will be like you said how much will be the area?

**M. R. Jaishankar:** It is about 13 acres or so.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. M. R. Jaishankar for his closing comments.

**M. R. Jaishankar:** Thank you. I again thank each and every participant for being in this call and as I mentioned earlier we are happy with the performance of the financial year FY19 and as a team we are working towards improved performance in FY20 to the extent of about 30% to 35% growth we hope to achieve subject to things outside our control, I would say, macroeconomic reasons. But we are also confident that macroeconomic situation will improve in the coming quarters and we are fairly confident and bullish about the prospect.



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But at the same time there is competition, there are challenges of business, compliances, taxation systems etcetera we need to overcome them and as a team we have a good set of people, professionals who are all fully qualified and capable of handling the situation. So that way we hope to stick to what we have indicated now and look forward to your participation in the next quarter investor call.

**Moderator:**

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