

Brigade Enterprises Limited

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



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15th February, 2023

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 Financial & Operational Performance for Q3 FY 23 held on 10th February, 2023:

We are enclosing herewith the transcript of the Conference Call on the financial and operational performance of the Company for Q3 FY 23 held on Friday, 10th February, 2023.

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
. Q3 FY '23 Earnings Conference Call”
February 10, 2023



MANAGEMENT: **MR. M.R. JAISHANKAR – EXECUTIVE CHAIRMAN –
BRIGADE ENTERPRISES LIMITED**
**MS. PAVITRA SHANKAR – MANAGING DIRECTOR -
BRIGADE ENTERPRISES LIMITED.**
**MS. NIRUPA SHANKAR – JOINT MANAGING DIRECTOR
- BRIGADE ENTERPRISES LIMITED.**
**MR. ROSHIN MATHEW – EXECUTIVE DIRECTOR -
BRIGADE ENTERPRISES LIMITED.**
**MR. AMAR MYSORE – EXECUTIVE DIRECTOR –
BRIGADE ENTERPRISES LIMITED.**
**MR. ATUL GOYAL – CHIEF FINANCIAL OFFICER –
BRIGADE ENTERPRISES LIMITED.**



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February 10, 2023*

**MR. VINEET VERMA – CHIEF EXECUTIVE OFFICER,
HOSPITALITY – BRIGADE ENTERPRISES LIMITED**

**MR. OM PRAKASH – COMPANY SECRETARY –
BRIGADE ENTERPRISES LIMITED**

**MR. PRADYUMNA KRISHNAKUMAR – CHIEF BUSINESS
DEVELOPMENT OFFICER – BRIGADE ENTERPRISES
LIMITED**

**MR. RAVI AHUJA – CHIEF OPERATING OFFICER
OFFICE AND LOGISTICS – BRIGADE ENTERPRISES
LIMITED**

**MR. CHIDAMBAR – CHIEF HUMAN RESOURCES
OFFICER – BRIGADE ENTERPRISES LIMITED**



*Brigade Enterprises Limited
February 10, 2023*

Moderator:

Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Conference Call of Brigade Enterprises Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

M.R. Jaishankar:

Good afternoon. Welcome you all to the Brigade Enterprises Q3 financial year '23 Earnings Call. I'm joined by our Managing Director, Ms. Pavitra Shankar; and Joint Managing Director, Ms. Nirupa Shankar; our Executive Directors, Mr. Roshin Mathew; and Mr. Amar Mysore; and our Senior Management Team, Mr. Atul Goyal, CFO; Mr. Vineet Verma, CEO Hospitality; Mr. Om Prakash, Company Secretary; Mr. Pradyumna Krishnakumar, Chief Business Development Officer; Mr. Ravi Ahuja, COO, Office and Logistics; and Mr. Chidambar, CHRO of the Group.

Despite the market volatility and softness in the global economy, I'm happy to report that Brigade has shown good operational results last quarter with all our business verticals contributing towards our growth. We expect to sustain and grow the momentum in the coming quarters with a good pipeline of new residential projects, leasing business and continued growth in the hospitality business to finish the year strong.

Coming to the residential SBU, Q3 has been the best quarter for the financial year with net new bookings of 1.455 million square feet with a value of INR 939 crores. The collection trend is also increasing with collections of INR 884 crores in Q3 FY23. Over the first 3 quarters, we have clocked a net sale of 3.74 million square feet and sale value of INR 2,444 crores. Our year-to-date collections have also moved up to INR 2,737 crores, which is 32% higher than the same period last year. In Q3, we had launched and sold out the first phase of Brigade Oasis, our first exclusive plotted development. We launched 2.5 million square feet in the first 9 months of the financial year and are working to launch another 2.5 million square feet in Q4 in Bangalore.

Customer demand on ground seems strong despite the increase in mortgage rates across the portfolio of ready to move in, under construction as well as new launch inventory. Construction activity continues to be consistent and collections are also on track. Coming to the office SBU, the leasing touched 1 million square feet for first 9 months of financial year '23. There were 425,000 square feet of fresh leases done for this quarter. Net leasing was 330,000 square feet in Q3 FY '23. Collections remained stable at 99%, conversion on two major hard options at Brigade Tech Gardens Bangalore and World Trade Center Kochi, depict confidence in implementation of our clients' planned growth.

94% of the leasing tenants are from automobile and technology sector, to be precise, 52% from automobile and 42% from technology. Flexible co-working business, our BuzzWorks, has 99% occupancy in its 6 operational centers and foresees a 75% addition over its current capacity in the coming 6 months in Bangalore. In quarter 4 financial year '23, we aim to focus on leasing major vacant spaces in Brigade Tech Gardens and WTC Chennai. We'll be looking to close out our stock in BIFC, Brigade International Financial Center in GIFT City and Brigade Opus, Bangalore.

As regards retail SBU, during Q3 FY '23, there was a 27% growth on like-to-like sales consumption over pre-COVID Q3 FY '20 across our malls. With the addition of Orion, Uptown Mall, there has been an overall 40% growth in retail consumption for Q3 FY '23 over Q3 FY '20, which is pre-COVID. Retail categories like fashion and food and beverages have grown 18% and 13% over previous quarter of FY '23.

Other retail categories that had more than 30% growth are electronics, watches, eyewear, spa and salon, the leasing of malls had a good traction in terms of vanilla stores, wherein there has been an expansion in retail growth plans for categories like fashion and footwear. We have leased approximately 131,000 square feet in the past 9 months. Almost 1.07 lakhs square feet are under fit out across 3 malls. We are looking forward to seeing them operate by early quarter 1 FY '24.

Coming to hospitality. Our hospitality business has continued its growth story in quarter 3 as well. There has been an all-round improvement in our numbers with both our top line and bottom line, registering higher than pre-COVID quarter 3 levels. Our occupancies reached 105% of the pre-COVID performance.

Our revenues touched 118% and our AGOP reached 138% of the pre-COVID levels for the same period, even ARR average room rates have shown an upward growth of 6% over pre-COVID levels. There was an encouraging growth in our primary demand segments like the F&B revenues, banquet events and MICE activity picking up pace. Our focus now has been to improve our average room rate across all hotels. In addition, with a view to maintaining the healthy bottom line, we have continued to maintain a strict control on expenses, including leaner staff-to-room ratios.

That brings me to the end of our business highlights. Thank you all for listening. I now request our CFO, Mr. Atul Goyal, to take you through the financial highlights. Take care and stay safe. Thank you.

Atul Goyal:

Thank you, sir. Good afternoon all. On behalf of the Company, we welcome you to the earnings call for Q3 FY 2023. At the outset, we are glad to inform you that our rating outlook has been upgraded to A+ positive from A+ stable by both ICRA and CRISIL. To start with consolidated financial performance for Q3 FY '23. The consolidated revenue for Q3 FY '23 stood at INR 859

crores versus INR 933 crores for the same quarter last financial year. The consolidated EBITDA for Q3 FY '23 stood at INR 246 crores versus INR 269 crores in Q3 FY '22. EBITDA margin has been maintained in Q3 at around 29%.

Consolidated PAT stood at INR 43 crores compared to INR 46 crores for the same quarter. Consolidated PAT after MI, stood at INR 57 crores compared to INR 78 crores in Q3 FY '22. The Real Estate segment clocked a turnover of INR 559 crores and EBITDA of 16% in Q3 FY '23. Real Estate collections for Q3 was INR 936 crores versus INR 837 crores in the same quarter last financial year, an increase of 12%. The leasing segment clocked a turnover of INR 200 crores in Q3 FY '23 versus INR 167 crores in the same quarter last financial year, and EBITDA of 69% in Q3 FY '23.

The hospitality segment clocked a turnover of INR 101 crores in Q3 FY '23 versus INR 63 crores in the same quarter last financial year, and EBITDA of 21% in Q3 FY '23. Overall collections for Q3 FY '23 was INR 1,328 crores versus INR 1,095 crores in Q3 FY '22, an increase of 21%.

Coming to consolidated financial performance for 9 months FY '23. The consolidated revenue for 9 months FY '23 stood at INR 2,691 crores versus INR 2,100 crores in the same period last financial year, up by 28%. The Real Estate segment clocked a turnover of INR 1,845 crores versus INR 1,561 crores during the same period last financial year, an increase of 18% and EBITDA of 14% in 9 months FY '23.

The leasing segment clocked a turnover of INR 564 crores versus for INR 415 crores during the same period last financial year, an increase of 36% and EBITDA of 73% in 9 months FY '23. The hospitality segment clocked a turnover of INR 282 crores versus INR 124 crores during the same period last financial year, an increase of 127% and EBITDA of 28% in 9 months FY '23. The consolidated EBITDA for 9 months stood at INR 746 crores versus INR 605 crores during the same period last financial year, an increase of 23%. EBITDA margin stood at 28%. Consolidated profit before tax for 9 months is INR 213 crores versus a loss of INR 23 crores during the same financial year.

Overall collections for 9 months FY '23 was INR 3,962 crores versus INR 2,749 crores during the same period and up by 44%.

So everywhere in 9 months, our performance has been good and everywhere our numbers have gone up as compared to last financial year 9 months.

Coming to debt position and its breakup, Gross debt of the company stood at INR 3,915 crores, there was an overall reduction of INR 101 crores in gross debt and INR 77 crores reduction in real state debt, which was driven by higher sales and collection during Q3 FY '23. The cash and cash equivalents stood at INR 1,923 crores as on 31st December '22.

Consequently, the company's net debt outstanding as on 31st December '22 is INR 1,992 crores, out of which BEL share is INR 1,294 crores. I would also like to highlight that 73% of our gross debt pertains to commercial portion, which is backed by rental income. The average cost of debt stood at 8.46%. That is up by 71 bps as against 250 bps now in the increase in repo rate. And net debt to equities reduced to 0.53 as of December'22 from 0.6 as on September '22. Thanks all, Moderator, for Q&A. Thanks.

Moderator: The first question is from the line of Karan Khanna from Ambit Capital.

Karan Khanna: So my first question is on your residential portfolio. So given your current track in terms of the pre-sales that you've seen during this quarter, you are on track to achieve sales in excess of 5.4 million square feet this year. And with a couple of new launches in fourth quarter, do we expect to see an upside to this estimate. And with the Brigade moving from 8 million square feet launches in this year to possibly 12 million, 13 million square feet next year, would you target sales number to be in excess of 7 million square feet or even 8 million square feet for FY '24?

Pavitra Shankar: Karan, Pavitra here. I think Q4 is shaping up to be pretty good. We have a bunch of launches that have started coming out since January onwards, around 2.5 million square feet of launches in Q4. So I think the team is pushing aggressively to beat what we had originally indicated. That said, some of the launches we had planned for the next rolling 4 quarters, on Chennai, we may see some of it slip into the next financial year. So we're still trying to push and see what can be done in terms of beating, first of all, Q4 for FY '23 and then beyond that.

Karan Khanna: And in an interview earlier today, you mentioned that the blended ASPs might go down due to plotted developments. So what part of your stabilized launch in sales do you see coming from plotted development over the next 1 and 5 years?

Pavitra Shankar: So actually, most of the -- actually all the plotted development projects, one of which launched last quarter and subsequent phases are launching this quarter plus a new plotted development in Mysore also launched this quarter. In total, those plotted development projects are approximately 1.2 million to 1.3 million square feet. So we will be selling that as quickly as possible. So there is some impact on Q3 realization itself.

There may be some impact on Q4 and Q1 FY '24 based on when the sales happen. Subsequent to that, it is -- we are still looking for plotted developments in our land bank. So as and when that happens, there may be some impact on realization there as well. But most of it, you will see this past quarter, the current quarter Q4 and in the upcoming quarters.

Karan Khanna: Sure. And secondly, on the leasing portfolio, we understand the vacancies currently are in the SEZ office spaces, some of the other CRE players have opted to de-notify full buildings from SEZ to non-SEZ under the current slogan. So do you face to pursue something similar or you would wait for the regulatory changes?

Nirupa Shankar: Karan, this is Nirupa here. We're still seeing some good traction even in the SEZ project. It's definitely going slower than what we had anticipated. But what we're doing is we're able to convince some of the tech occupiers who are not looking for SEZ space and get them into our properties by working with tax planners and consultants to help them understand how they can work out their taxation-related issue. And we've been able to get quite a number of clients to move into our projects regardless.

We're not looking to change any such strategy like that, but we've been given to understand that the DESH Bill has been presented in parliament. And we're yet to know whether it's being passed or not. But once it is passed, that will be a huge impetus to the SEZ projects that we have.

Karan Khanna: And lastly, on your hospitality portfolio, from the hotel teams that have reported the numbers so far, we are seeing 20%, 30% sequential growth in revenue for them versus 10% in your hotels. So if you could elaborate more on the reason for the same? And when do you expect this to pick up? And will any material upgrade to this bring in hotel monetization plans by competitors? That would be my last question.

Nirupa Shankar: Yes. So if you're comparing from the same quarter last year, there's been a significant increase in our performance. But quarter-to-quarter, we have very healthy occupancies. Most of our hotels are at 75% to 80% plus occupancy. Maybe the overall portfolio is slightly down because 1 or 2 projects in GIFT City and Kochi. But otherwise, the hospitality portfolio is doing extremely, extremely well.

There's a good traction in occupancy, but also the ARR and the AGOP. Like I said, it's been a good few quarters the hospitality industry and our portfolio has bounced back really well post COVID. And we expect this to continue. As I mentioned last time as well, it's a good time to sort of look at potential monetization of the portfolio. So we are in open discussions. And at the right time, we will share if anything crops up.

Atul Goyal: Karan, I would like to add that you cannot compare because all hospitality has a different portfolio in their hotels, in their portfolio. So some have luxury, some have business, we are pure business hotel. So there will be some difference between the EBITDA numbers, which we'll compare with other hotel group companies in our peers.

Karan Khanna: Sure. But if I look at the markets in which you are present, is it fair to say that the growth that you are seeing is in line with the industry or financial market growth in the spectrum markets.

Vineet Verma: This is Vineet here. In fact, we are ahead of the curve in our respective market, I'm happy to say that. And in January, we have crossed the budget. February is looking good because of the Aero show and the India Energy Week that went through. We have seen some historical ARR in a couple of our hotels. So things are looking well.

- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** So my first question is on residential, Pavitra. We have launched 2.5 million square feet and now we're planning to launch 2.5 million, in fourth quarter. So out of the total 5 million, how much will be the new projects? And how much will be the subsequent phases of existing projects?
- Pavitra Shankar:** Predominantly, all of it has been new projects. There has only been maybe 0.5 million that was in the subsequent phases of a project called El Dorado. Apart from that, everything else is a fresh project. This quarter, we will have actually a subsequent phase of our plotted development. But as part of the overall launch, it is not a huge number.
- Parikshit Kandpal:** And just on the business development. So what has been the traction during the first 9 months in terms of building staffs being added and also in terms of development value?
- Pavitra Shankar:** Yes. So in the past quarter, we added one property. It is in Southwest or basically West Bangalore will be a commercial property. It's around 3.3 lakh square feet. The GDV would be around INR 200 crores. In the previous 2 quarters, we have actually indicated those launches before. We added a residential property in East Bangalore. That is around 2 million square feet. And in Q1, we had added a 75-acre property that was a land allotment by the KIADB. So this are the projects that we added in 9 months FY '23.
- Parikshit Kandpal:** So what would be the total development value of the 2 million and the 75 acres KIADB?
- M.R. Jaishankar:** It is still work in progress. The design development is due to happen, and it is a mixed use development. So it is premature to say what is the overall potential for revenue because part of it should be sale, part of it to be only lease, et cetera. So it may take another quarter or 2 for us to go for market.
- Pavitra Shankar:** On the residential property, that would be around INR 1,500 crores.
- Parikshit Kandpal:** That 2 million square feet?
- Pavitra Shankar:** Sorry?
- Parikshit Kandpal:** That 2 million square feet, which you said you have added, 2 million square feet.
- Pavitra Shankar:** Yes. 2 million square feet. These are conservative numbers, of course, we look at how that pans out.
- Parikshit Kandpal:** Just on the pending land payments of about INR 966 crores. So how is the split year-wise? So have we made the payment for the Mount Road property? So you can give some sense how the capex will be split?

- Pavitra Shankar:** So most of our land bank is with the visibility of developing within the next 3 to 5 years. So predominantly, if you look at the numbers, we've already paid around 45% of payments towards that. And more or less, since we are talking about the launches also happening within the next, say, 4 to 8 quarters, we expect a lot of it will happen in the next 2 financial years as well.
- Parikshit Kandpal:** And just a last question on not taking this SEZ benefit and revenue that you had creation of the deferred tax assets. So what is exactly -- why it has been done?
- Atul Goyal:** Your voice is not clear, actually. You are talking about the deferred tax?
- Parikshit Kandpal:** Yes, sir, I was talking about the deferred tax creation. Asset creation not availing the SEZ benefit in Perungudi SEZ. So just wanted a reason why you take that?
- Atul Goyal:** Yes, it's a strategic call which we have taken because we have a residential also in non-SEZ and a lot of profit are coming there. And we think because of the slow leasing, which had happened because of the COVID, though we will be having profit by next 4, 5 years, but we thought where actually residential launch will be there, and that will be a good profit. This will help us not to take SEZ benefit. And of course, that's why we have created deferred tax this time on depreciation on WTC Chennai assets.
- Moderator:** The next question is from the line of Pritesh Sheth from Motilal Oswal.
- Pritesh Sheth:** First question is on hospitality margins. So this quarter, we had an EBITDA margin of 21%, while occupancy remained stable quarter-on-quarter and there was a growth in ARR as well, but margins were down by at least 1 percentage last -- I mean, last quarter, it was 31%, right. Now it is 21%, so 10% decline in margin. Any reason for that?
- Atul Goyal:** So there was one onetime expenses, which has come into hospitality. That is the reason that it has gone down a bit, but next quarter, we'll see that it will return to 31% to 35% again.
- Pritesh Sheth:** And just secondly, on business development and the -- I mean, while we have a good chunk of cash with us, what's the sort of pipeline we are looking at in terms of business development, which are in advanced stage of discussion right now?
- Pavitra Shankar:** So we are looking across Bangalore and Chennai predominantly. While we are looking at Hyderabad also, a lot of the traction seems to be happening in Bangalore and Chennai. It's a mix of outright as well as JD. So total requirements will be adjusted accordingly.
- Pritesh Sheth:** So any guidance or pipeline number you want to provide in terms of what's tailing in terms of advanced discussions, which probably can close out in next 6, 12 months?



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- Pavitra Shankar:** No actually, I wouldn't like to give guidance on that because it sometimes things can be very difficult to predict. But we are in advanced stage in quite a few of these properties, and we're hoping to disclose that in the coming quarters.
- Pritesh Sheth:** And lastly, on your logistics business. So what sort of investment quantum we are right now planning to invest in next maybe 3 years or 5 years' time period, considering we have already acquired one project in that business. So what sort of investments in that land parcel and other land parcels which you might be planning to acquire. What's the total investment in that business?
- Amar Mysore:** This is Amar here. So basically, we have invested into the land for a 25-acre development and which is about, say, about under INR 100 crores. And we have this new allotment also, which is a mixed use with 75 acres out of which largely the majority of it will be industrial and it will be a mixed use with residential and office. So based on FSI achievement, we'll come out with specific numbers a little later. But the land cost on the 75 acres will be close to around INR 200 crores.
- Pritesh Sheth:** That's the only two land parcels that we are looking to develop in near term? Or there is further investment also planned in this segment. I'm overall looking at the quantum of investment you would have planned or strategized for in this segment for next 3, 5 years?
- Amar Shivaram:** So honestly, for now, we want to take it step by step and we want to reduce these two land parcels, monetize these and then look at opportunities later on.
- Pritesh Sheth:** Just lastly, if you can provide the collection breakup between residential leasing, hotel and others.
- Atul Goyal:** You want for Q3?
- Pritesh Sheth:** Yes, Q3, only. Yes.
- Atul Goyal:** So residential is INR 884 crores. Commercial sale is INR 52 crores. Commercial lease is INR 137 crores. Retail is INR 56 crores. Hospitality, INR 126 crores and PMS, which is a maintenance activity due is around INR 74 crores. Total is INR 1,329 crores.
- Moderator:** The next question is from the line of Mohit Agrawal from IIFL.
- Mohit Agrawal:** So with interest rates, mortgage rates are at 9%, have you seen any change in footfall or change in conversion time for any part of your portfolio, let's say, the affordable mid-income portfolio. So any color on that? And in that context, you've already said fourth quarter looks to be very good, but how do you look at FY '24 growth numbers in presales?

Pavitra Shankar:

This is Pavitra. So yes, interest rates, obviously, that is a big question for everyone, especially on the back of yesterday's new increase. But up until yesterday, we had not really seen any major impact, definitely not on footfall. I think the percentage of people going for home loan versus not doing mortgage is staying fairly consistent. So I think so far, it has not been too much of a change in the way people are looking at a real estate investment. In terms of what we are planning for the next quarter or so, as I mentioned earlier, we may not be able to give actual guidance.

But the way the Q4 is panning out with the launches that we have already been doing in January and February so far and what is planned for the next 4 months on a rolling 4-quarter basis, I think we will have a good showing. We will need to see, of course, with yesterday's repo rate increase and then the impending impact on home loan rates in the next, say, 2 to 3 quarters, will it actually have an impact. But thus far, reduction in interest rate had actually brought people to actually transact. The increases don't seem to have impacted the demand.

Atul Goyal:

I will add to Pavitra, see home loan rates are generally 15, 20 years loan. So the immediate impact, maybe they're on the sentiment part, but they also know that there will be a reduction cycle, which will follow because RBI has indicated that this is one of the last increase in interest rate which will be there. So that doesn't dampen for the people to buy the house. Secondly, I would also like to highlight when there is an increase in interest rate, the adjustment is done in the duration of the loan, not in the EMI.

So since EMI doesn't increase, it's good for the buyers, they continue to hold the property. So let's see, but yes, definitely increased interest rate as Pavitra said, may have some impact, but we have to see that.

Mohit Agrawal:

And sir, my second question is looking at your capex projects over a medium term. So right now, you have Twin Towers under construction. How do you look at -- in your initial comments, you mentioned that retail malls are doing very well. So how are you looking beyond Twin Towers? How are you looking at investing in capex projects? And let's say, 5 years out, how do you see the current portfolio, both in terms of retail and office? If you could give some color on that?

M.R. Jaishankar:

See, the office business like any other business is also quite cyclical. After Twin Towers, we also have another joint development project called Brigade Padmini Tech Valley, which is also about 1.25 million square feet. And whenever there is a crisis in the west, invariably the outsourcing increases. So that way, whatever slowdown in decision making by the tenant happens.

So to continue from where the line got disconnected. So the decision-making delay currently is we anticipated as a temporary phenomenon, maybe a quarter or two it may take for things to be restored. Because overall, the sector information technology sector, broadly speaking, with a huge amount of the digitization taking place all over the world, the demand for office space,

demand for talent, demand for work connected with software is only going to go up. And as I say many areas, India's share in the global software market is still less than 10%. So that way the opportunities for us is huge, and the things should settle down. And whatever we see is the blip in the overall leasing scenario.

Mohit Agrawal: So sir, this second project Padmini Tech Valley that you're talking about, is it for lease or for sales? And has the construction commenced?

M.R. Jaishankar: See, it is about 1.25 million square feet, of which about 0.35 million square feet is nearing the completion though we are not talking about it much. The balance work has just started. And it is a combination of lease and strata sale. There are three blocks in it. We may sell one or two blocks and retain the remaining. Depends on various factors, including cash flow and the leasing rates, everything.

Mohit Agrawal: And sir, last one. On the Twin Towers, currently, are we looking at doing 2 million? Or we are focusing on currently 1.2 million? What is the status on acquiring the TDR?

M.R. Jaishankar: Currently, it is 1.3 million because we have the TDR, it is -- we need to acquire only a little bit more. But it is a government policy, which has held up for the past few years on TDR. So it will be about 1.3 million square feet now. And as and when the government allows TDR or change in rules, their development control rules, we may really look at increasing the overall leasable area because the foundations, etcetera, are meant to take higher area and increased number of floors, and it has been designed that way.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock Broking.

Biplab Debbarma: So my first question is on the cash flow. So residential, you are selling a lot and collections are also going up, and that is also very, very good. So Sir, what kind of free cash flow are you seeing in residential maybe in FY '23? What kind of free cash flow should we see in residential?

Atul Goyal: See, the maximum of the amount in residential is stuck in RERA. So -- but there is free cash flow. We'll have a free cash flow of around INR 300 crores to INR 400 crores, which has come now from the residential. Barring that, we may have around INR 700 crores or so balances in the RERA accounts. So whatever we can take it out as a 30% as per the RERA requirements, we are taking out and keeping as a free cash flow, whatever is required by RERA commitments, it's in the RERA account.

Biplab Debbarma: And sir, I've asked these questions again, but I'm repeating it. So many competition entering in Bangalore, and Bangalore seems to have the capacity to absorb everyone. So are you saying because you are deploying this rich cash flows, you're looking for business in predominantly in Bangalore. Do you see any change in expectation from the landowner or it is business as usually, what you are seeing or seeing in the last 2, 3 years, it is the same now. All the expectation has

gone up or quality deals and the velocity has gone down. Are you seeing any change in terms of business development?

M.R. Jaishankar: See the competition can always be expected in any growing metropolitan city. It is something which nobody can stop. And Bangalore is growing at a pace, wherein the market is big enough for many players. In fact, in the recent post-COVID, the number of active and reliable players have come down drastically from the existing people. So that way, there is a scope for new entrants also. And as regards to the landowner expectation, it is a perennial problem.

The expectations are always high. It is trying to bridge the gap and meeting their expectation. At the same time, you having -- the developer having a decent return for the efforts, it is a challenging business. That is a specialty of challenge in real estate. Each business will have its own challenges.

Biplab Debbarma: And one final question, sir, on the leasing part. If you are -- once you are fully used in Tech Gardens, and WTC Chennai, now what kind of exit rental should we see in either within arms?

Atul Goyal: It will be around INR 750 crores to INR 800 crores when the lease rental happens. The upfront lease of all the property.

Biplab Debbarma: So INR 750 crores to INR 800 crores?

Atul Goyal: INR 750 crores to INR 800 crores.

Moderator: The next question is from the line of Rakesh Wadhvani from Monarch AIF.

Rakesh Wadhvani: I have a first question regarding the P&L of leasing business. There's a drop in the EBITDA margin in this quarter. Can you please highlight the reason for those?

M.R. Jaishankar: Just if could you just repeat that again.

Rakesh Wadhvani: So if we go to the individual P&L account of the segment, in the leasing business, this quarter, the EBITDA margin was very lesser compared to previous quarter. Any reason for that? Leasing business, Q3 margin was 69.4% EBITDA margin, whereas earlier quarters are 72%, 73% and 75% also.

Atul Goyal: So see, if you see there is a rental increase also. So stabilization of rental requires some time. That's why it is impacting margin because your expenses get immediately absorbed while you're leasing is still going into full swing. So this is a temporary phenomena. It will again come back to the original level, maybe the next quarter.

Rakesh Wadhvani: So 74%, 75% will be maintained at a full occupancy?

- Atul Goyal:** See, 73%, 74% is lease rental still being maintained if you see the 9 months numbers in the leasing segment.
- Rakesh Wadhvani:** And sir, second question from my side. Regarding the launch pipeline, like in the previous con call, we had highlighted that we'll be targeting a launch of 10 million and above in the next 1 year. But if you look at this quarter PPT, that launch pipeline is 9 million. And out of that 1.4 or 1.5 is a gaining partner share. So effectively, the launch pipeline for the Brigade will be less than eight. Just want to understand why there is a delay in the -- why there is a lesser pipeline? As the projects got delayed, few projects?
- Pavitra Shankar:** This is Pavitra. So on the launch side, yes, a couple of the projects in Chennai, we see it maybe getting delayed by a quarter or so. We're working to get that as soon as possible in the land bank. Also, the area that we said we will be launching is a 100% area. So it includes the landowner share, but that's how we all report it as a 100% number. The other change to our launch pipeline, we have actually looked at overall and try to actually predict what the launches would be in terms of RERA phasing.
- So last year, when we communicated in the past, we've been communicating a 100% full project launch. But technically, that's not how some of our projects get launched. We may launch them in two or three phases. So we say that this was more appropriate in terms of communicating how the launches would actually happen. When they enter the land bank, we would be talking about the 100% value. But when it enters the launch pipeline, if there is a RERA phase, then we would be only talking about -- we would only be talking about the RERA area that is going to get launched on a rolling 4-quarter basis.
- Rakesh Wadhvani:** So if my understanding is correct, for the next 4 quarters as per RERA, we will be launching around 8 million square feet. Is that my understanding correct? My understanding.
- Pavitra Shankar:** I communicated nine. And yes, subject to approvals and already in that nine, we have launched 2.5 this quarter.
- Rakesh Wadhvani:** You mentioned in your earlier question and answers that we are in discussion for a land acquisition in the Chennai and Bangalore market. Can you just highlight like because we have a great amount of cash now. So what is stopping for a land acquisition? Is it because the lands are not coming at the price that you wanted? Or is the location is not -- what is leading to a delay for the land acquisition?
- M.R. Jaishankar:** See, the lands have been tied up, whatever we spoke in about 8 million, 9 million square feet new launches. They have all been tied up. In some cases, there has been a delay in compliance by the land owners, which will also happen and a bit of delay in due diligence in other words. And whereas the design development work is in a substantial progress. So it is only the Brigade is ready, sometimes the land owner side, there will be some delays. That is what is holding up.

- Moderator:** The next question is from the line of Pritesh Sheth from Motilal Oswal.
- Pritesh Sheth:** Just one question on plotted. So if I compare from last quarter to this quarter, our potential plotted development project has declined a bit. I think last quarter, it was 1.8 million square feet, now 1.4 million square feet, as highlighted in the land bank slide. Is it because 0.4 has already been launched and hence, it has been given out or what's the case. And just again, a follow-up on that. We -- our share in that is only 0.6 million square feet that is 40% around. Plotted are anyways a very -- I mean, a comparatively low realization project. So what's the strategy with such a low share in a plotted project.
- Pavitra Shankar:** Yes. So first of all, you're right. The reduction in 0.4 is because we launched part of the Brigade Oasis that we mentioned in the opening remarks. We launched it last quarter, and we also sold out of the entire phase last quarter and hoping to launch the remaining this and next quarter. We also have another plotted project in Mysore, which we are launching this quarter and hope to inform you good results. Regarding the share, yes, we've communicated 100% share in terms of what would be launched.
- Typically, the dynamics in a plotted development because of -- because we're not doing buildup area, it tends to become a larger share to the landowner. So I think what we've done is fairly in terms of terms to the landowner, we are pretty much at market or maybe better than market.
- Moderator:** The next question is from the line of Biplab Debbarma from Antique Stock Broking.
- Biplab Debbarma:** Sir, just one question. The increase in sales value that was witnessed in the last 3 quarters. And so where is this coming from? Is it encouraging you to market share in Bangalore or market itself is growing? It is why I'm asking this question is going forward, where -- from where you are seeing growth coming? Is it like Bangalore itself is growing at a very fast rate in terms of real estate market or your share in the Bangalore market is growing or maybe from geographical expansion, such as Chennai and Hyderabad. So how are you seeing from where the growth will come going forward.
- Pavitra Shankar:** Realization increase that you've seen is definitely because we have been able to take up pricing across our entire portfolio, not just in the last few quarters, but consistently, maybe for the last 4 to 6 quarters itself. Also from the projects that we have already sold in Chennai and Hyderabad, realization has increased. In the coming quarter or so, we may have less contribution from chennai and Hyderabad because we pretty much pulled out of our inventory in those 2 markets and working on the new launches. So you may see some stabilization of the APR -- or sorry, the ARR that you're seeing today.
- Yes. So going forward, as we have -- as we launch new projects, we're actually able to see that we can drive pricing substantially even in raising interest rate period. That is what our teams are doing on the ground. We've demonstrated that across all the new launches that have happened



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in FY '23. And I think we can continue to do that. And as we get our launches in Chennai coming up over the next, say, 4 to 6 quarters, then also we will see an increase in the average realization.

Biplab Debbarma: Actually, I think I could not hear, so basically what my question was, ma'am, from where do you see the growth coming? Would the growth come from Bangalore growing itself or your share in Bangalore market will grow or from geographic expansion such as you increasing your market share in Chennai and Hyderabad? So that was actually my question. I mean, going forward, how do you see this growth momentum.

M.R. Jaishankar: So the answer is both. Both our share is also growing. And also the overall business in the city is also growing. Now which has, I think, crossed the pre-COVID level during the residential, which was not the case in the last 2 years. So the answer is, as I said, our share in the market is growing, Bangalore is also growing.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Just a question on commercial real estate lease pipeline. So earlier in the call, you did mention that in Q4, you're focusing on leasing our businesses and would it be Chennai? So how is the pipeline for this? And how much leasing you're expecting in the fourth quarter?

Nirupa Shankar: So, we've been doing quite okay. In fact, this past quarter, we managed fresh leases of 425,000 square feet. In the coming quarter, we should look to be doing something similar or more. Like I said, there was some slowdown and slowness and uptake of SEZ areas, which is where the vacancy is. Otherwise, almost every other project of ours is almost completely leased out. We are trying to be as aggressive as we can given the market conditions, but it should take at least two to three more quarters, it looks like.

Moderator: As there are no further questions, I now hand the conference over to Ms. Pavitra Shankar, Managing Director, for closing comments. Over to you, ma'am.

Pavitra Shankar: Thank you all for listening in. Before we end the investor call, we'd just like to take you through some nonfinancial highlights. As part of our thought leadership initiatives through Brigade REAP our tech accelerator, we hosted Propagate on the 29th of November to bring together industry thought leaders, key influencers and start-ups to inspire each other. We received over 500 registrations from leaders in the PropTech Ecosystem, including start-ups, VCs, developers, incubators, accelerators and academia.

We witnessed a very engaging and thought-provoking discussions focused on the role that technology plays in enabling smart infrastructure for a better tomorrow. An important internal initiative called Sampoorana Parivartan 2.0 Katalyze, is our digital transformation journey. Through this program, we simplified and further digitized processes with a focus on improving customer experience. It's very fulfilling to receive in December the Realty Plus Awards for the



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Best Customer Connect initiative of the year for Brigade's here4you customer feedback program. We also won the award for best digital marketing campaign for our flagship sales event Brigade Showcase.

We think it's fitting to touch upon the recently announced budget. We believe the infrastructure spending of INR 10 lakh crores is a step in the right direction and is expected to have a positive cascading effect on all sectors. With respect to real estate, the extension of tax benefits for relocating to GIFT City till 2025 will enhance business activities in the region. what ever support needed, such as industry status for our sector and a relook at the GST rate on cement and loss of import tax credit did not find a mention in the budget. PublicPrivate partnership initiatives announced to promote tourism and to identify 50 projects for last-mile connectivity improvement.

The addition of 50 airports, heliports and water drones will also benefit the sector. Brigade's flagship CSR initiative in Arts and Culture, the Indian Music Experience Museum or IME, recently organized the Rhythm Exchange festival, a culmination of the year-long collaboration with Manchester Museum in the UK and supported by the British Council.

The festival brought together Indo-UK musician mentors and mentees to explore Rhythm as a shared language between East and West. IME brings top quality knowledge and networks in the classical music space and showcases musical swap culture, including Bollywood, tribal and folk music, contemporary music and independent singer-songwriters, bearing a range of genres, even rock and hip hop.

IME is a fantastic place for all generations to visit together. So if business or pleasure brings you all to Bangalore, please take some time out for this unique experience. I'm also extremely happy to share that our Chairman, Mr. Jaishankar was solicited at The South India Hotels & Restaurants Association Awards for his contribution to the hospitality sector. With that, we now wrap up our Q3 FY '23 analyst call. Thank you all for taking the time to hear from us today.

Moderator:

Ladies and gentlemen, on behalf of Brigade Enterprises Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.
