

Brigade Enterprises Limited

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BRIGADE

Building Positive Experiences

Ref: BEL/NSE/BSE/09022017

9th February, 2017

Listing Department
National Stock Exchange of India Limited
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Department of Corporate Services - Listing
BSE Limited
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Re.: Scrip Symbol: BRIGADE/Scrip Code: 532929

Dear Sir,

Sub.: Transcript of Conference Call on the Company's Q3 FY-17 Earnings - 6th February, 2017

We are enclosing herewith the transcript of the Conference Call on the Company's Q3 and nine months ended financial results for the financial year 2016-17 held on Monday, 6th February, 2017.

Kindly take the same on your records.

Thanking You,

Yours faithfully,

For Brigade Enterprises Limited

P. Om Prakash
Company Secretary & Compliance Officer

Encl.: a/a.



“Brigade Enterprises Limited Q3 FY17 Earnings
Conference Call”

February 6, 2017



MANAGEMENT: MR. M.R. JAISHANKAR – CHAIRMAN & MD
MR. SURESH KRIS – EXECUTIVE DIRECTOR & CFO
MR. OM AHUJA – CEO RESIDENTIAL



*Brigade Enterprises Limited
February 6, 2017*

Moderator: Good day Ladies and Gentlemen and a very warm welcome to the Q3 FY17 Earnings Conference Call of Brigade Enterprises Limited. We have with us today Mr. MR Jaishankar – Chairman and Managing Director, Brigade Enterprises Limited; Mr. Suresh Kris – Executive Director and CFO; and Mr. Om Ahuja – CEO, Residential. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. I am now glad to hand the conference over to Mr. MR Jaishankar. Thank you and over to you, Sir.

MR Jaishankar: Good evening, Ladies and Gentleman. I am happy to participate in this investor call and I know there will be lot of questions on the performance, but having said that, considering November-December were one of the most challenging periods due to demonetization, we believe the results posted are fairly good and as you would already know, our total revenues for Q3 is at 572 crores versus the 459 crores as compared to Q2 in the same financial year, which is an increase of 25%. EBITDA is more or less same at 141 crores versus 138 crores whereas the EBITDA margin has dropped a bit from 30% to 25%, and Profit Before Tax is also stagnant at 46 crores whereas Profit After Tax, there is a marginal increase of 7% as compared to Q2, but if you compare to Q3 of last financial year, the figures are not that great. As I mentioned, the reasons are, one of the biggest disruptions that country has seen in November-December happened due to demonetization, but Brigade Group as a company and Jaishankar as a person we welcome this demonetization and we believe this is all good for the Indian economy and also for our sector.

The positive thing is four days back, we had the central budget which is probably for the first time in nearly 19 years, the government has given a major thrust to real estate sector and it is one of the prime sectors on which the Financial Minister focused his budget on and thrust given to affordable housing is tremendous. It was, as I said in 1998, for middle-income group housing, Mr. Chidambaram had given somewhat similar thrust wherein 80IB section in income tax was first introduced wherein the income generated from promotion of MIG houses were tax exempt and similar thing is done in the case of affordable housing other than the fact that the income will be tax exempt. Now that the sector is classified affordable housing, sector will come under infrastructure sector, which means the cost of raising finance will certainly come down a bit, to what extent remains to be seen, but the developer community will also be allowed to raise external commercial borrowing at comparatively attractive rates. In addition, with the GST coming, it is expected that the overall cost of construction can come down by 1% to 2% unless the GST includes the land also as applicable for GST tax, hopefully not, which we will come to know only in the next few weeks or couple of months.

The fact that the GST is going to come, the fact that RERA is going to be applicable from May 1st and thrust given to real estate sector, demonetization, all this I think bodes well for companies which are serious into business in this sector and that also it forms more like a level-playing field between companies who follow rules and companies which were not following rules. That way, Brigade Group welcomes though it poses number of challenges on the way we do business or the way we need to do business. As a company, we are gearing up to meet these challenges. We are

substantially geared up already. The team is well qualified and fully experienced to face these new challenges in 2017. We hope whatever additional requirements that we need to do in the months to come, we will certainly meet those criteria. With this initial remarks, we will be happy to take your questions. Our CFO, Suresh Kris is here and Om Ahuja, CEO, Residential business is here. Both will be happy to answer. Just another point is our hotel in Holiday Inn and Chennai, last two-three quarters, we have been saying it is expected to open, so now it has received all the approvals, completion certification everything. The soft opening of the hotel is already on. A formal opening date will be announced in the next few weeks. Thank you and we will look forward to receive your questions.

Suresh Kris:

Before we go in for question and answers, I would like to summarize again the financial summary to also that the number of questions can be reduced or explanation can be to all at one time from our side. The total revenue for nine months is about 1500 crores more or less, I would say equivalent to the same date last year that is nine months last year and Profit Before Tax is about 127 crores. I would say even though we say that it is about 28% lesser than the nine months of last year, but we have actually taken one-time hit during this nine months which is due to one is donation of about close to 8.5 crores and then loss on sale of one of the asset in to the mall is about 5 crores and then interest which was not charged to P&L account last year which were under progress; there is one hotel and two commercial buildings, so those interest has come close to around 10 crores and then again the depreciation for this is about 23 crores, so all put together about 47 crores is the one-time hit for nine months, which was not there during the last year. If it is then, then decrease will become zero, also almost equal compared to last year whereas the Profit After Tax because of this effect would have been higher by 8% instead of 23% lower than you have as shown in our first page. This is the impact on the outside, one-time hit for these nine months compared to last year. Otherwise, these are all I would say comparable figures.

We have the unrecognized revenue on the total launch of residential ongoing projects is close to around 5400 crores, which we will explain into the subsequent pages and that quarterly comparison is that in page 3-4 etc., this 1500 crores, majority contribution is from the flagship company Brigade Enterprises, which is around 1260 crores and from Brigade properties this is the joint venture between GEC and Brigade that has contributed around 130 crores and then BCV has contributed around 105 crores. These are the major contribution out of this 1500 crores, balance is by the small, small subsidiaries. The changes in the interest depreciation etc., we have shown but even when you see the total interest increase of about 187 crores from 145 crores in the nine months' period, predominantly due to the charging of interest of this commercial property and the volume increase was also there despite there is about 1% reduction in the interest rate compared to last year, that also have been explained. That is the impact of about 45 crores into the difference in the interest rate, which has been shown in the P&L report. When you see the consolidated cash flow, majority is contributed by real estate segment. It is around 421 crores for this quarter and about 100 crores from lease rental and about 41 crores from hospitality, all put together about 574 crores.

The sales figure quarter-on-quarter we have given and of course we have also given the capital employed segment wise and our debt-equity ratio is 0.9 vis-à-vis was 0.92 last quarter. Our weighted average interest on the borrowing is about 10.57 vis-à-vis 10.66 last quarter whereas the same period last year, December 2015, it was 10.92. These are the borrowing whereas at the lesser cost. The sales figure has been given, totally we have done about 1.25 million square feet and last quarter, that is Q3, it was about 0.3 million square feet which is lesser compared to the Q2 or even the Q1 and you can also see the comparison of Q3 in last year, which is 0.43 million square feet, whereas we have done only 0.3. That has been explained, if you want some more clarification, Mr. Om Ahuja will explain.

Om Ahuja:

Whereas the average realization is around Rs. 6210 compared to Rs. 5800 last quarter and as nine months' period, it is about 5878 compared to last year's 5555, that is a price increase, but it is not due to the real price increase, may be due to product mix also. Overall, we have about 19.95 million square feet out of which real estate project is about 17.5 million square feet and about 2 million square feet of commercial and balance in the hospitality and we have our share of launched ongoing project of about 15.13 million square feet and we have sold so far, that is up to December, 8.15 million square feet and then balance close to around 7 million square feet is with us and the total value is around 8000 crores of the launched project and we have sold around 4200 crores, balance 3800 crores of the current value is with us, out of which we have now collected 3100 crores on the sale value of about 4200 crores. Revenue recognized so far is around 2600 crores, so the balance to be recognized over a period of three years' maximum period maybe around 5400 crores, this is nothing but total value of launched project minus what we have recognized. Balance cost to be spent is around 2200 crores and when you see the total operating cash flows, even deducting the current borrowings is around 1700 crores. This is on the real estate project.

Now coming to the lease project, we have about 2.16 million square feet of usable area of which we have already leased more than 2 million square feet. There is no much difference in last quarter vis-à-vis this quarter expect about 4000 square feet got vacated in Orion mall in Gateway, which has been leased out in Q4. Hospitality business again continually where occupancy rate is high and in Grand Mercure, Bangalore, it is around 73.2% occupancy and whereas in the Sheraton Grand it is 80.3% and the Grand Mercure, Mysore, which is now operational but I think we will be able to give the data from next year onwards once the after cost stabilizes. On the CAPEX commitment, we have also added another two items in the commercial, so we have total of about 700 crores of CAPEX commitment only for commercial out of which we have already spend 320 crores and the balance 385 crores to be incurred in balance in two to two-and-a-half years.

In hospitality segment, estimated outlay of about 375 crores out of which we have so far incurred 240 crores, balance 137 crores is there. Overall, CAPEX commitment about 1080 crores and we have spent 557 crores balance 523 crores to be spent over a period of two to two-and-a-half years. Land bank we have 544 acres, total cost of this is around 1800 crores and we have already paid more than 1400 crores, balance around 400 crores is there. This is capable of developing around 50 million square feet out of which our share is about 37 million square feet. Projects to be launched, we have planned for about 6.85 million square feet out of which our share is 4.5 million

square feet and we have launched so far the commercial project of about 1.1 million square feet, balance we have also shown has to be launched either in Q4 of this year or maybe the Q1 of next year. These are the explanation under financials. If you have any queries, you are now free to ask us. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We will take the first question from the line of Abhishek Bhandari from Macquarie Securities. Please go ahead.

Abhishek Bhandari: In the opening comment, you mentioned RERA is going to come into effect from May 1st, so what is the progress of RERA in state of Karnataka and if you can just give some more details, does it want to cover all the projects prospectively or even the ongoing projects would be covered?

MR Jaishankar: The draft rules in Karnataka was announced now nearly two months back and the CREDAI Karnataka, we gave our suggestions, objections, call whatever you want to and we have requested the government to make it prospective for new projects and not ongoing projects, but that we do not know which way the government will consider, but even if assuming it is going to come for the ongoing projects, I mean it is something which we cannot wish it away if it happens, and the positive thing we would like to say is in the last one year, I would say in 2016, we received something like 30 Occupancy Certificates or Completion Certificates for our projects totaling about 11 million square feet of projects received Occupancy Certificate and currently we have about six projects which are in advance stages of completion. We are also trying our best to get the Completion Certificate before RERA becomes applicable, not that we are scared of RERA, but we do not know whether projects will get held up once the new rule comes until things stabilize at the authorities' level. There are few states which have said RERA will be applicable for only new projects, but center seems to have not taken it very kindly on that approach, so ultimately, we need to see what happens.

Abhishek Bhandari: If you can give some details about have the customers started coming back for enquiry and do you see some kind of recovery given that the interest rate cuts especially after demonetization has been very sharp?

MR Jaishankar: I would say the number of enquiries have not really dropped, what we have seen is the time taken for decision making is that much longer. It is whether it is the media or the government talking that the real estate prices will drop by 25-30% is a figment of imagination of the government as far as south India is concerned. I will not comment on Delhi, NCR, and Mumbai, but south India it is impossible. I am not saying due to the negative sentiment, prices have not come down, yes, they have come down maybe to the extent of 5% average it may have come down, but firstly there is no possibility of it coming down by 20-30% because that kind of margins the developers do not enjoy here. That is primarily the reason. Now that the interest rates have dropped, business has gone up marginally and probably tomorrow or day after the RBI policy and interest rate may come so certain amount of wait and watch is there, but we feel some kind of substantial improvement may happen only by April onwards.

Moderator: Thank you. We will take the next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just continuing with this RERA thing, do you have any tentative estimate of when it will actually be implemented and how long will the regulator take time to set up?

MR Jaishankar: May 1, 2017, is the appointed date for the act to be applicable unless of course government itself changes, and also the central government has to notify the date of applicability, but so far nobody has set up an authority, RERA authority has not been setup. If you just look back what happened when environmental clearance was introduced in 2005, initially all the applications had to go to Delhi till the state government setup environmental authority. Karnataka was one of the first state governments to set up environmental authority, but even then they also took about six to eight months' time, so we feel the time between May to September will be an unpredictable period.

Puneet Gulati: In absence of a regulator, RERA cannot really be applied, is that understanding correct?

MR Jaishankar: Yes, correct.

Puneet Gulati: Secondly, post-demonetization apart from the demand side, are you also seeing some bit of change in the attitude of the land owners, in terms of joint development agreements or things like that?

MR Jaishankar: If the land owner has borrowed money and bought the land, then he may be in a hurry to finalize something, but most land owners would have inherited land, and historically, they would have got the land, so in such cases, I would say there is no hurry to sell the land or tie up the land. A positive thing again in the central budget is the joint development nature of agreements for real estate development, which is quite common in south India not more than in Mumbai and Delhi, that there was an income tax issue which was always bothering land owners when the capital gains would be applicable. Other than in the last four-five years, capital gains were applicable only at the time after completion of the building and when the land owners sell the proportionate share of the land for the apartment buyers, but four-five years back, due to the high court decision of Karnataka, the tax officials were sending demand notices for capital gains applicability as soon as the joint development agreements were signed that was a major stumbling block for many joint development agreements. I am glad to say the FM has clarified and he has now said the applicability of capital gains is once occupancy or the Completion Certificate for the building is received.

Puneet Gulati: If you can give some color on your retail portfolio, what kind of traction are you seeing, how comparative has this space become in Bangalore?

MR Jaishankar: Surprisingly or happily, Retail business has not suffered other than for few weeks in November, but in December month in spite of demonetization, all our retailers have posted 20% to 28% improvement in growth, their sales, so whether it is cash, whether it is by credit cards or debit cards, by and large Retail is not affected.

Puneet Gulati: Lastly, you have a project on GIFT city, if you can give some more color what are your thoughts there, is there a strategic portfolio or is it just like taking first initial steps?

MR Jaishankar: Our first phase totally we planned to develop about 520,000 square feet of office space. First block for 260,000 square feet office space is under construction now and we will also be very soon may be in four weeks' time or so, we will be commencing a three-star hotel, Ibis-Style hotel will be the first hotel in GIFT City which will of course take a 24 month for it to come up and now that the currency transactions are allowed in GIFT City and BSE has already setup the transaction exchange. Generally, the interest level in GIFT City has gone up and we are quite confident it will be a showpiece for the Government of Gujarat.

Puneet Gulati: Have you seen any initial interest from the tenants?

MR Jaishankar: Yes, interest level from tenants exist, at the same time, our building will also take another 15 months' time to complete, so we have to be patient.

Puneet Gulati: What kind of rental or if you intend to sell, rates are you looking at in that area?

MR Jaishankar: It is a bit premature, but I think it is going around 40-50....

Moderator: Thank you. We will take the next question from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.

Adhidev Chattopadhyay: First question is on hospitality business, we see EBITDA is now 26 crores for nine months versus 48 crores last year, this is on EBITDA as per your presentation, so if you just help us reconcile how much is impact because of IndAS on the lower EBITDA and from the new Mysore Hotel what would be the loss in the nine months for the year?

Suresh Kris: There is no big difference between the IndAS and I-GAAP in profitability so far, so we will give the reconciliation on consolidate basis, but as of now standalone basis, we have now given as an annexure that you can also refer.

Adhidev Chattopadhyay: What is the normalized EBITDA, if I have to strip out the initial losses from our hotel at Mysore, what would be the normalized EBITDA?

Suresh Kris: EBITDA you can take as around 30% to start with for the Mysore Hotel.

Adhidev Chattopadhyay: I am just trying to get at what has been shown as this 26-odd crores, had this Mysore hotel not been operational, for the other two hotels, what would have been the EBITDA, just trying to get a nine months number?

Suresh Kris: EBITDA, you can now take it as zero for Mysore hotel for this nine months.

Adhidev Chattopadhyay: Because the occupancy has not dropped off that much nor have the room rental, so I just wanted to understand what is the reason, because a drop in EBITDA has not commensurate to the drop in GOPs of the hotels, that is what I want to understand to reconcile the numbers?

Suresh Kris: Basically, these are due to ARR into those two operative hotels, not because of Mysore hotel. Mysore hotel you cannot expect so much of EBITDA during the nine months, you can say this is a breakeven for it. May be going forward we would be having surplus, as of now there is nothing in Mysore.

Adhidev Chattopadhyay: In Chennai, we will start in Q4 of this year and Holiday Inn Express in Bangalore when it is expected to soft launch for that?

MR Jaishankar: Holiday Inn Express, we hope to commence in Q2.

Adhidev Chattopadhyay: Then if I head into like second half of FY18 or FY19, do you like to share some EBITDA guidance for the hotel business as a whole, what are you targeting for your overall portfolio?

MR Jaishankar: As in we will convey that you separately, we do not have the figure readily.

Adhidev Chattopadhyay: Second question is Bhuwalka Icon property I believe this was leased out to TCS, but in the rental slide it is still not applied because I think some work is left, so when do you expect that to hit the rental income?

MR Jaishankar: The rental come will in from April. There was a delay in receiving the Occupancy Certificate, thankfully, the Occupancy Certificate you can say is approved today.

Adhidev Chattopadhyay: Any other major leased properties which are set to become operational next year aside from the ongoing ones?

MR Jaishankar: World Trade Center, Kochi, Block-2 we hope it will be ready by Q3 of this year and that should also start yielding income in Q4 of FY18.

Adhidev Chattopadhyay: If I look at an exit run rate on FY18, I am saying on March 2018 whereas we head into '19, so what would be the sort of indicative gross rental income that we expect to do as a whole?

Suresh Kris: It will be close to around 300 crores minimum.

Adhidev Chattopadhyay: What would be the indicative EBITDA margin on normalized one adjusted for any losses you have done this year but around 70-75% is a fair margin to work with?

Suresh Kris: Definitely, it will be close to around 80%, even when you see the EBITDA margin as of now, we have around 62% EBITDA margin, so obviously because of the vacancies and other things, you can easily have about 70% to 75% EBITDA margin.

Adhidev Chattopadhyay: Any progress on that Brookfield SEZ, are we starting construction this year and also on our Chennai land parcel any clarity that when construction will start?

MR Jaishankar: The basic work of Brookfield has just commenced and it will happen in full swing from Q1 of FY18.

Adhidev Chattopadhyay: So most of the approvals are in place?

MR Jaishankar: Yes, and the World Trade Center, Chennai, we are also trying our best to start at least the basic work in Q4 by March of this year if not then Q1 it should happen.

Adhidev Chattopadhyay: Obviously, there are lot of talk about the office leasing markets, some slowdown happening with uncertainty on IT, so based on your talks with corporate occupiers, so what is the outlook for the next 18-24 months, are they holding back on making fresh commitments or are they still enough lot of interest in the market considering that there is normal supply around, so what is the scenario right now?

MR Jaishankar: There is some amount of holding back probably, it is not due to Indian conditions, it is more due to American situation. The way people wait and watched due to demonetization, a similar approach may be happening in US due to Trump and his policies, but I think things will settle down. America, as all of us know and you know it better, they cannot survive without outsourcing.

Moderator: Thank you. We will take the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: I just had one question in terms of the sops given in this year budget, there have been lot of sops on the affordable housing front, how are we looking at it as a product going forward, do we have plan to have a separate entity or separate SPV which will be focused towards this product, if you can give some sense on that?

MR Jaishankar: We are not specifically planning a separate SPV to take up only affordable housing. In fact even before this sops came, we have planned a number of projects in the same below 60 square meters category, but we also have two SPVs, one is Brigade Orchards under the BCV limited, it is a 130 acre township in Devanahalli where some of these products will come and it has already planned earlier also and we also have a new project 47 acre joint development thing in Whitefield. It is as an SPV, it is called Brigade Cornerstone Utopia that is a new project which will take may be 12 months' time or so for the project to happen. There also we will be looking at quite a bit of affordable housing.

Moderator: Thank you. We will take the next question from the line of Rajnikanth from AR Insight. Please go ahead.

- Rajnikanth:** Are you trying to venture into other cities like Mumbai and NCR other than GIFT City which you have ventured first outside south India?
- MR Jaishankar:** We are not aggressively looking at it, but we will see what happens with GST and RERA coming and we need to settle down a bit with all the multiple changes government is bringing out and we do not rush into it, not that we have a totally closed mind, we will not rush into it.
- Rajnikanth:** Acquisition per land has been bit high in the GIFT City, so is it going to affect the margins over there?
- MR Jaishankar:** I do not think we have very high exposure to GIFT City. There are only 520,000 square feet of FSI area is what we have tied up, out of that 260,000 is under construction, balance will be started and then the hotel which is about 175 rooms and 3 Star plus hotel will be there, so our exposure is limited.
- Moderator:** Thank you. We will take the next question from the line of Danish Mistry from TATA Mutual Fund. Please go ahead.
- Danish Mistry:** Going back to your sales volume, if I were to see in Q3 FY16 we have sales volume of about 439,000 square feet in the residential space and that is in Q3 at about 228,000, so is there a link to our project launch cycle or is it something else that we could be looking at?
- Om Ahuja:** The new project launches which were scheduled for last quarter hopefully will happen in this quarter and that is where we see the volume pickup happening in this quarter.
- Danish Mistry:** Is it because of any approvals or something like that which held those back or what is our expectations?
- Om Ahuja:** Few of approvals were actually the main reason and the environment of demonetization which had basically take a little breather.
- Danish Mistry:** On the Kochi Phase-II, when we did Kochi Phase-I, I remember we had seen some good interest from some marquee clients, so how has it been in Kochi Phase-II?
- MR Jaishankar:** Kochi Phase-II the enquiries are just beginning to happen. In most leases, until it is a built to suit which is not the case with our Kochi Phase-II or if you ask me 9 out of 10 buildings that come up are not built to suit, they are speculatively built and the leases happen as and when the building progresses. Now that the structure of the building is just you can say complete and as I mentioned earlier, we expect the building to be ready or completed by the end of this Q3 of FY18 and most of the enquiries we expect will happen in Q2 of 18.

- Danish Mistry:** You also mentioned that basically given that there is RERA and all coming up, you could see some period where there could be some holdup on account of approvals, but does this also kind of change your plans in terms of land acquisition or would that just continue as business as usual?
- MR Jaishankar:** Substantially, business as usual but maybe if you want to say to say to what extent business as usual, may be 75-80% business as usual, about 20% we may also have a wait and watch kind of thing.
- Moderator:** Thank you. We will take the next question from the line of Rohan Shah from Alpha Entertainment. Please go ahead.
- Rohan Shah:** I just had a query on slide 15 in your presentation where you mention that the net operating cash flows receivable is about 1700 crores, so I was just wondering our share we would need to net of 50% of the SPV project cash flow and also is this post-tax or pre-tax?
- Suresh Kris:** I would say this cash flow all pre-tax only, and I can also say this is pre-overhead of the corporate.
- Rohan Shah:** I would need to net of 50% of the SPV project cash flow to get Brigade share in that?
- Suresh Kris:** Absolutely.
- Rohan Shah:** Second question is on Slide #31 where you mentioned your CAPEX commitment and I think there is about 287 crores of loans tied up, so is there already reflecting in the debt outstanding or will it be drawn down sooner?
- Suresh Kris:** Whatever we have tied up and then corresponding outstanding is there into the debt outstanding.
- Rohan Shah:** Do you plan to dilute to bridge the remaining gap or how would that be funded?
- Suresh Kris:** It is not for dilution because these are all projects under construction, obviously, we will now go in for extra loan to balance it.
- Rohan Shah:** As a policy, is dilution expected on the cards through QIP or any other means?
- Suresh Kris:** We may have to discuss and then take a call again based on the firm's requirement as soon as the market condition.
- Moderator:** Thank you. The next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Just on your resi business, I wanted to understand what is total completed inventory as of now, and also if you can give a breakup like within next one year how much will be pipeline of inventory nearing completion?
- Suresh Kris:** The completed inventory sale value is around 380 crores and the cost is around 125 crores.

Parikshit Kandpal: Over the next one year period how much is like the nearing completion inventory if we have to see?

Suresh Kris: We do not anticipate any such big addition or **deletion** during one year.

Parikshit Kandpal: This completed inventory is already we have received the OC?

MR Jaishankar: Yes, obviously.

Parikshit Kandpal: So we will be paying rent, if say within one year if we are not able to be basically equate this, how much will be the rental outgo on this?

MR Jaishankar: The thing is I know the government has brought in presumptive income tax on the expected rent. Normally, it is expected the rental income will be 2-3% of the property value, and I am assuming the rental income that will be taken by the income tax department for unsold or unleased properties will be that of whatever the rate fixed by the civic authorities for property tax purposes. Going by that, I am estimating the presumptive rental income to be in the range of 2%. If you take 34.85% or 35% of the tax, you have to assume it is a tax effect of about 0.65% on the value of property.

Parikshit Kandpal: What will be the impact of this capping the limit, interest directions to Rs. 2 lakh, basically the government had de-incentivized buying the second house, so how will it impact the demand?

MR Jaishankar: That is the only thing honestly to say that is the thing which is bothering us. Naturally, CREDAI, the association of developers will make a representation to the Finance Minister on this aspect and impact of that is to be seen. It is bit unpredictable say everybody will not buy second house or a third house solely for the sake of income tax benefit. People buy for their basic need of their may be children, growing up children, etc., and also for appreciation sake. Ultimately, the tax benefit may be to the extent of 4-5% or so whereas the appreciation can be much more substantial. This particular provision of the new budget makes one feel, we do not know which way the government wants to take the real estate, whether they want to curb demand, on the one hand they are encouraging supply side by giving incentives for affordable housing and on the other side on the demand side, there is no major encouragement. It is a confusion signal given by the government.

Parikshit Kandpal: We have a CAPEX like business and we have a cash flow like business from the residential side which is slowing down and there is still demand on the CAPEX side of the businesses like office or Retail, so how are we looking at these piece, will we wait for another couple of quarters before decisively stepping our investment into the offices asset or the Retail assets?

MR Jaishankar: Office asset, we have already tied up substantially and we have I would say including Brookfield and World Trade Center, Chennai, and the World Trade Center, Kochi, and GIFT City and all that because we have more than 7 million square feet of office space coming up and which are all under construction or just about to be start construction, so our exposure or our involvement in this rental business is quite serious. We intend increasing our exposure.

- Parikshit Kandpal:** This 523 crores of balance CAPEX to be incurred, this covers the entire 7 million piece or there is something which needs to be further added on this?
- Suresh Kris:** We have to add further because that is not included into the ongoing projects now. Once we go and launch those projects, obviously, those exposures will get added into the CAPEX.
- Parikshit Kandpal:** How much will be that incrementally if you can?
- Suresh Kris:** Increment could be at least around 400 crores to 500 crores that is for about two to three years.
- Parikshit Kandpal:** Over current outstanding of CAPEX outlay of 523 crores?
- Suresh Kris:** Absolutely.
- Moderator:** Thank you. We will take the next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** The main question here what we are trying to understand is you have two projects, one is Brigade Orchard in Devanahalli and second is Whitefield Brigade Cornerstone in the affordable housing, is there any other condition that you need to meet to get those affordable housing benefits or would the project size itself allow you to benefit from the tax concession which came in with the new budget?
- MR Jaishankar:** There are no other conditions. The condition for affordable housing the minimum entry level is quite low, it is just about an acre of land, so those conditions are minimal.
- Puneet Gulati:** In terms of pricing and all, is there any intervention from the government that you may have to face?
- MR Jaishankar:** There will not be any intervention. It is related to the size of the unit and going by what they had done earlier in 80IB case, it was also similar.
- Puneet Gulati:** So if you could meet all the conditions that is all, you do not need any other permission from any other authority?
- MR Jaishankar:** No.
- Moderator:** Thank you. We will take the next question from the line of Adhidev Chattopadhyay from Emkay Global. Please go ahead.
- Adhidev Chattopadhyay:** Last quarter, what is the sort of sales figure we are targeting?
- Om Ahuja:** We have two-three key events lined up in this quarter and most of these events are primarily positioned towards servicing the demand what we are trying to generate and most of them are



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online events and offline events, and we are looking at possibly crossing almost 0.5 million square feet is what the target is.

Adhidev Chattopadhyay: Any some early thoughts for next year, what would you like to look at?

MR Jaishankar: Our budget process is on. I think maybe by end of March, there should be much more clarity taking into consideration all issues like RERA and new budget, GST, interest rates and all those estimates.

Adhidev Chattopadhyay: On this storm water drain issue, I know that case has been going on for years and again it keeps on coming up in the media, so like what is the current status of it now, if you could just let us understand?

MR Jaishankar: Firstly, there is no case. Secondly, there is no storm water drain. Thirdly, it is a creation of the media, primarily it is a harassment issue. I think we have so far successfully faced the harassment. There is, whatever authority which were to say whether there is a storm water drain or not, that authority has said, there is no storm water drain in the first place as the media has made out to be.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to Mr. Om Ahuja for closing comments.

Om Ahuja: Ladies and Gentlemen, thank you very much for participating on the con call and thanks for giving us opportunity to share our detailed progress update in terms of what financials were and what thought process is and thanks again, look forward to meet you at the next quarter.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Brigade Enterprises Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.