



“Brigade Enterprises Limited Q4 FY14 Earnings Conference Call”

May 8, 2014



Management: **Mr. M. R. Jaishankar – chairman & managing Director**
Mr. K. Suresh – Chief Financial Officer

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Brigade Enterprises Limited Q4 FY-'14 Earnings Conference Call. We have with us today Mr. M R Jaishankar – Chairman and Managing Director; and Mr. Suresh K – Chief Financial Officer, 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 '*' 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. Thank you. And over to you sir.

M R Jaishankar:

Thank you, Karuna. Good Evening to all the participants, this is Jaishankar. I am happy to say first of all thank you for joining for this 'Investor Presentation Call' and I am happy to say the company has posted fairly good results for the Financial Year '13-14 end. As most of you had the presentation posted on the website and the press release I am sure it has all the figures that one would like to know. What is important is in the otherwise not great market scenario of real estate in the country Bangalore market and the Brigade has been able to post a fairly good result and Bangalore market is reasonably robust with a result the new launches are happening in the city, and there is scope for optimism in the coming year. As far as Brigade Group is concerned, we operate on three verticals as most of you know – Residential, and in the Commercial it is Office and Retail; in Offices we do sell some part of the office and we also lease some of the space and Retail we have an operating mall called Orion Mall, and as far as the Hospitality is concerned we have two operating hotels – Sheraton Bangalore Hotel and Grand Mercure Hotel is an Accor brand, the French company and both are performing I should say very well, and with a result it has given us hope and confidence to take up more hospitality projects. We have currently a Grand Mercure Hotel in Mysore under construction, and we have very recently started a 3-star brand of Holiday Inn Express in the CBD of Bangalore facing race course it will be called as Holiday Inn Express Race Course and plus we do have another hotel under construction in Chennai, Holiday Inn on the Old Madras Road, and it is in a very prime area of Chennai which is opposite the Tidal Park, and we do intend commencing another hotel of Holiday Inn Express in Kochi Info Park where there is already a 5 million SFT of IT office space in usage. So many times people do ask "Why hospitality?" But, I think based on our performance we are quite confident the right product in the right location will work. So, you may find this as a preempting some of the questions that you may ask to extent true, and we do have some amount of Commercial Office space under construction, which will be leased for annuity income. And bulk of our operations are in Bangalore about 70-75%, and rest of the thing is in other Southern Indian cities of Mysore, Chennai; Chennai of course is currently Commercial spaces in progress. We have two large Residential projects but they are yet to take off and awaiting some approvals and going through the process of approvals. We also have a Residential project in the up market Banjara Hills in Hyderabad and Mysore, of course, we have operations for the past 15-years or more, and Mangalore is another second-tier city in the State of Karnataka where we have one Residential project. And going forward, we are confident in the coming year that is Financial Year '14-15; we do expect and fairly confident of posting equally good growth of 40% to 50% if not more. So Mr. Suresh Krishna Murthy – our CFO is also available. We will be happy to

take on your questions if any.

Suresh: Thank you, sir. Thank you viewers audience and whoever wants to ask or to start with any of the questions/queries we are here to answer and take it forward.

Moderator: Sure, thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. First question is from the line of Akshay Rao from Edelweiss. Please go ahead.

Ashish Agarwal: This is Ashish Agarwal here. Sir, I had a couple of questions; first it seems during the quarter you obviously had a significant ramp up in revenues if you could explain sequentially what are the key projects that have driven the revenues during the quarter, and whether we see this revenue run rate sustaining in the coming quarters?

K. Suresh: Basically about 20 projects are **(Unclear-7.13)** and the revenue for this about Rs.400 crores during this quarter as per the revenue recognition policy, out of which about 3 or 4 projects have come to AS-7 revenue recognition; one is part of meadows which has come, and you have this Omega Tower B also has come into the ambit, and we have Brigade Golden Triangle is another project – these are the three projects. And other substantial revenues have come during this quarter even though it is not like your AS-7 revenue recognition; this is the completed projects sale. Summit also has also come into revenue recognition because of the commercial sales.

Ashish Agarwal: So if I strip off the lumpiness that might have happened because of Summit or these projects what according to you might be the revenues that we are getting from a regular sale and construction apart from what is hitting the threshold?

K. Suresh: Even though the Summit may be the one off sale during this period, going forward we have the continuous revenue recognition say for Q1 onwards of the current year. We have Meadows is one of the projects, hence will give, then Golden Triangle, one already came and two may come in maybe Q2 not even Q1 and Brigade Lake Front may also come in Q2 may not be Q1, whereas the other projects like Pinnacle, Mangalore and Magnum and all other projects include Meadows, Exotica One, Brigade Omega Tower B and Tower C, everything will contribute on a continuous basis.

Ashish Agarwal: So the project that are expected to continue on a regular basis, how much would that come up to?

K. Suresh: This will come may be around Rs.200 crores at least minimum will come per quarter.

Ashish Agarwal: So regular PUCM will lead to about Rs.200 crores?

K. Suresh: Rs.200 crores.

Ashish Agarwal: And the margins on this regular PUCM would be how much?

K. Suresh: Gross margin I can tell you between 25% to 30%, not EBITDA

Ashish Agarwal: I was also seeing your ongoing projects seem to have declined. Are there any deliveries that you have done in the quarter?

K. Suresh: About 4 projects has gone into the finished stock which has gone out of the ongoing projects scheduled, that is only Sparkle and then Brigade Horizon and Crescent and Sonata as well as Rubix, these are the five projects has gone out of the ongoing project scheduled to finished projects, when you see that 0.1 million SFT is there into the I would say finished product schedule that comprises of about 59,000 SFT of Rubix and the balance of this.

Ashish Agarwal: In terms of Rubix, we have about 60,000 SFT that is still outstanding. So is this project a little slow to sell or how do you see this?

K. Suresh: Need not say it is a slow sale, but we wanted to achieve the better realization, that is why we wanted to keep and sell because there is no loan outstanding to this project. So we want to have better realization and we wanted to sell the project.

M R Jaishankar: And also in that area there are some infrastructure improvement works are happening, for example, Metro Rail is just completed and also connected with that; there were I would say infrastructural issues of damage to the road, etc., So that that is being redone. Once it is redone it will improve the price realization we felt it was gone, might as well wait for it.

Ashish Agarwal: So you anticipate to sell this in FY-'15 itself or you think this can...?

M R Jaishankar: In FY-'15.

Ashish Agarwal: The other question that I had was in terms of the rentals. Sequentially, the rental seems to have declined by about Rs.7 crores. I understand a part of it might be because of Summit. So that would be how much – about say Rs.1.5-2 crores?

K. Suresh: You are talking about the whole year Rs.27 crores, so going forward you can say about 1 crore decline.

M R Jaishankar: But again overall expected lease rental during '14-'15 is more than what we have reported for '13-'14.

Ashish Agarwal: How much are you expecting for '14-'15?

M R Jaishankar: Rs.150 crores.

Ashish Agarwal: And could you help us understand where this would come from because in this quarter we have done say about Rs.34 crores of lease rentals. So if I multiply that by Rs.4 crores that is about say Rs.140 crores, expecting the balance of about 0.13 million SFT that is yet to be realized, is that correct?

K. Suresh: Yes because we have some more space in WTC which you can see from the lease schedule which you have printed and some portion from South Parade these are the two things and a small quantity from Orion Mall.

Ashish Agarwal: The decline of rental income in Q4 by about Rs.7 crores if you could throw some light on that?

K. Suresh: This is basically due to drop in South Parade as well as in Summit.

Ashish Agarwal: The other question I had is it seems that you have also added some new projects to your land bank and some projects to your forthcoming list. So if you could first help us understand the new project that you may have added in your land bank?

K. Suresh: We have not added any new land bank compared to last quarter what we have published, maybe more or less the acreage is still 73 acres, and we have not added any big locations.

Ashish Agarwal: The area has gone up slightly?

K. Suresh: Yes, it is almost 370-373 like that.

Ashish Agarwal: No in terms of the million SFT it seems to have gone up by about 0.5-1 million SFT in Bangalore.

K. Suresh: Yes, this is due to realignment of the FSI area which has contributed 20 projects into our land bank because earlier it was approximate, but we have visibility now, because of that a small correction would have happened because earlier we did not have so much projects for the year, but when you see the last few pages about the new launches we have more or less accrued figure for the particular year, obviously, which has now made the correction of may be around 0.5-1 million SFT.

Ashish Agarwal: Sir, the other question was on the new projects that you have added in the forthcoming, and also related for example we had a launch guidance of about 2.5 million SFT for Q4, so if you could also help us understand... is it more on account of an approval related issue or did we believe that it was better to launch post the elections?

K. Suresh: Same answer which has been given last time also... we wanted to have a better realization post election even though majority of the projects has the approval in place, and then some projects may be in the advanced stage of approval, hence we wanted to postpone to either Q1 or Q2 during the financial year from the last year.

Ashish Agarwal: And sir there are a couple of projects that you have added in the forthcoming projects, just wanted to understand the location and the type of project that you are doing; so you have this Brigade Mountain View at Mysore. So this is a plotted development or this will be your apartment, what kind of project is this?

M R Jaishankar: It is a Residential Apartment project very close to the city just I would say 1 kilometer from Mysore Palace referred to as the Ooty Road; it is a 4 acre land, where we can build about 400,000 SFT, and it should give us a realization of about Rs.200 crores over a period of say 3-years or so.

Ashish Agarwal: And your launch price is anticipating for this....?

M R Jaishankar: Launch price will be somewhere in the range of Rs.(+4,500).

Ashish Agarwal: The cost of construction about 2000 would be a good number?

M R Jaishankar: Yes max 2000 and we have a low land price there.

Ashish Agarwal: This will be like 6-7 storey structure or it will be like...?

M R Jaishankar: Yes, 8 storey structure this will be.

Ashish Agarwal: And the North Ridge and Oak Tree Palace if you could help us understand what?

M R Jaishankar: North Ridge is on the way to Bangalore Airport, it is in that you can say that bypass road along the junction, it is about 6 acres and odd where we will be developing in the range of 650,000 SFT of built up area which we will be launching in the next I would say 2 to 3-months we will be launching. Here also because the final price has not been fixed, but it will be around that range Rs.4500-5000.

Ashish Agarwal: And this Oak Tree Place that we have....?

M R Jaishankar: The Oak Tree Place is I would say different kind of a project, you can say it is a villa project of about 3000 SFT each, it is coming up in Devanahalli Town where near to the Brigade Orchards our large 130 acres integrated development; this is a 16-acre plot where we will be building I would say just about 400,000 SFT of villas in the price range of about Rs.6500-7000.

Ashish Agarwal: And these would be JDs or these are like entirely own land?

M R Jaishankar: Both are JDs – North Ridge and Oak Tree Place.

Ashish Agarwal: And Mysore would be...?

M R Jaishankar: Mysore is an ownership land.

Ashish Agarwal: And the Panorama project that is again I guess about 12 acres...?

M R Jaishankar: That is also on a joint development, it is just on the peripheral of Bangalore on Mysore Road after the satellite town of Kengeri, it is on the highway, very well placed, just about 250 meters inside from the highway with entry from the highway itself. So it will be high rise structure of about 20 floors out of totally 1.3 million SFT where approvals have happened; one final approval should happen in the next 2-3-months. As our CFO said these projects will be launched in the Q1 to Q2, there will be what is called as in Bangalore market pre-launch will be there; the pre-launch of this project should happen in June and the actual launch should happen in June.

Ashish Agarwal: The revenue share component if you could help us understand for the North Ridge Oak Tree and Panorama?

M R Jaishankar: For Oak Tree it is 30% to the land owner, 70% to Brigade.

K. Suresh: Ashish you have the numbers in the last few pages what is our share and what is the project size, difference between that is the land owner share.

Ashish Agarwal: The Metropolis Chennai, where exactly is this sir?

M R Jaishankar: This is one area called Nolambur which is off Poonamallee High Road; when I say 'off' it is just

150 meters to 200 meters, and it is in between Poonamallee High Road and Anna Nagar; it is a 33 acre piece of land, currently having an FSI of 1.50, where we can totally build about 3 million SFT, and Brigade Group economic interest will be about 1.8 million SFT or so, and approval process is going on, we will be happy and hopeful that it will be launched in this financial year... we are also keeping our fingers crossed.

Ashish Agarwal: And second sir if we could understand the cash flows that we have had in this quarter in terms of... obviously, I have the collections amount of Rs.84 crores during the quarter, how much cash we would have spent on the development projects, and how much on the CAPEX, the entire cash flow basically?

K. Suresh: You want to have for the Q4 or you are now asking for....?

Ashish Agarwal: Q4 and FY-'14 both sir if you could first help us understand Q4 because you have shown a very sharp reduction in debt obviously the thought is like we are trying to understand how sustainable would that be?

K. Suresh: We can go on to explain may be going forward what could be the cash flow instead of going to the history, is it okay?

Ashish Agarwal: I just wanted to understand the quarter this Rs.80 crores debt reduction because there is some CAPEX also that you would have done, what has happened in the quarter, and then we would love to hear your guidance as well?

K. Suresh: About Rs.400 crores is the collection during this quarter, out of which ...

Ashish Agarwal: This would include Summit?

K. Suresh: Yes, this is for the company, total deduction in the debt during this period is around Rs.33 crores so that will go. Around Rs.300 crores we have spent for the construction and overheads.

Ashish Agarwal: And construction and overhead would be how much sir?

K. Suresh: Overhead may be around Rs.20 crores and the balance is for the construction.

Ashish Agarwal: And sir the construction if I could get the breakup between the CAPEX and for sale?

K. Suresh: CAPEX is very minimum.

Management: CAPEX may be around 20% of the construction cost, balance is for the Residential that is why we are now able to go and recognize the revenue during Q4.

Ashish Agarwal: Rs.385 crores includes the rental income also... collections?

Management: No, Rs.385 crores does not include rental, this includes only from Residential. Hospitality, you can say around Rs.12 crores is the GOP collection, and around Rs.35 crores is the rental collection.

Ashish Agarwal: Roughly say about Rs.420 and Rs.430 crores of total cash collection, Rs.300 crores spent on construction and overhead?

Management: Yes.

Ashish Agarwal: And interest how much you would have paid in the quarter sir?

Management: Interest around Rs.20 crores we would have paid. Average around Rs.7 to 8 crores per month.

Moderator: Thank you. We have a next question from the line of Gaurav Malik from Locus Investment. Please go ahead.

Gaurav Malik: Sir, I had a couple of questions; one regarding the 2013 Annual Report when you look at capital commitments as part of contingent liabilities you have about roughly Rs.1,000 crores, what is that regarding?

K. Suresh: It is regarding all the CAPEX project which we had in hand during March 2013, including Hospitality Projects and Commercial Projects.

Gaurav Malik: If you could help us understand with respect to different segments?

K. Suresh: No, maximum amount only I would say Retail as well as the Commercial project like what you have even here around Rs.534 crores is the total commitment here.

Gaurav Malik: Rs.534 crores total commitment yes one of the construction cost, remaining construction cost is that what you are saying?

K. Suresh: Yes construction of Rs.558 crores. CAPEX commitment is there no?

Gaurav Malik: CAPEX commitment is Rs.580 crores you are saying?

K. Suresh: Yes.

Gaurav Malik: This is towards which project – is it payment towards land, or you are talking about the Hospitality segment that you plan to venture into, is that what it is?

K. Suresh: No, this is having Commercial, this is leased asset as well as the Hospitality. We have the breakup of the asset like Nalapad Centre, Orion East and Brigade Vantage Mysore, Vantage Chennai, Info Park Kochi you have the breakup....

Gaurav Malik: The new hospitality projects that are coming up that is what this is?

K. Suresh: Yes, exactly this is the total estimated cost minus what is incurred.

Gaurav Malik: Out of this Rs.1,000 crores, Rs.584 crores is towards lease assets and hospitality, right?

K. Suresh: Yes, and we have other projects also during those period which we are not giving as a commitment now.

Gaurav Malik: And these other projects are today not part of your portfolio, you are saying?

K. Suresh: No, we will be giving a detail which is in the annual report. Earlier we have been including around 15 projects other than this also, commercial project.

Gaurav Malik: I am not quite sure of...

K. Suresh: May be we will be able to give you the project wise details to you by mail, is it okay?

Gaurav Malik: Yes, that would be perfect if you can give us project details. And the other thing is what would be your CAPEX for next year?

K. Suresh: Even though detail has been given because the balance is about Rs.364 crores which we have planned which has been shown in the 'Investor Presentation' now, out of which may be around Rs.250 crores would be able to spend during this year because this is for about 1.5-2 years, so Rs.250 crores will be able to spend during '14-'15.

Gaurav Malik: So Rs.364 crores planned CAPEX, can you break this up for me please sir?

K. Suresh: Even though it is now available in the website itself; Rs.364 crores includes Nalapad Centre Rs.106 crores, Orion East Rs.29 crores, Vantage Mysore Rs.15.7 crores, Vantage Chennai Rs.26.2 crores, Info Park Kochi Rs.72 crores, this put together around 200...

Gaurav Malik: That is fine, so I will look through that again and if that is the breakup. Your land bank of 373 acres, if I were to convert this one into million SFT, how much would that be including FSI?

K. Suresh: This is 31.82 million SFT; this is a developable area, out of which 24.93 is our economical interest, which is also available in the presentation.

Moderator: Thank you. We have the next question from the line of Prem Khurana from B&K Securities Private Limited. Please go ahead.

Prem Khurana: As per the presentation is concerned explains most of your projects forming a part of your stand-alone entity. Just if you could run us through your charge in Cosmopolis, because the area that you have sold across these two projects in the estimated sale value that would you have done, across these projects not there in the presentation, so just if you could help us with these two projects please?

K. Suresh: Even though you have the ongoing project summary, you have what is the total project size and our economical interest. As of March, you can say that out of 1.35 million SFT we have sold close to around 0.8 million SFT and out of these 0.8 million SFT in Cosmopolis, we have sold around 0.35 million SFT.

Prem Khurana: So, in terms of sale value, how much 0.8 million SFT of our charge that you have sold how much would this be worth?

K. Suresh: You can take around Rs.3750.

Prem Khurana: Given the fact that we sold this much and this project why are we yet to see significant numbers coming in from this project because if I were to look at our standalone versus consolidated numbers, the difference appears to be only around Rs.50-odd crores, if I were to adjust for the additional income that you do from all aspect around Rs.30-40 odd crores, so we hardly done anything, any specific reason there?

K. Suresh: Even though the sales were substantially being done in Orchards, that has not come for revenue recognition because we have not incurred the cost up to the 25 point threshold limit. That is why it has not come, may be going forward definitely it will come. Again, the same reason even for Cosmopolis also.

Prem Khurana: So we have not started revenue recognition for villa part of it or for apartment's part because we have villas as well as apartments here. So for which part we would not have started our revenue recognition sir?

K. Suresh: Both will get recognition during Q1 of '14-15.

Prem Khurana: If I look at value bookings that we do on a quarterly basis we seem to have moved up significantly from the levels that we used to have in FY-'11, so we used to do quarterly run rate of around Rs.120 odd crores. Now we seem to be doing around Rs.300 odd crores of quarterly run rate. So where do you see this number moving up to going forward in FY-'15 and '16? Basically I want to understand if there is any scope for further improvement in this number or would we be required to stick with this number for next year because we still have some unsold inventory available in our existing projects and also want to understand your thought process on these new launches because we already have some 4 million SFT of area lying unsold with us. Now, we are planning to have some 7 odd million SFT of launches in FY-'15. So how would we manage the cash flow situation if we are not able to sell a significant part of new launches or a significant part of our existing project?

K. Suresh: We are into around Rs.300-350 crores per quarter, which will increase by around 40-50% in '14-15 on an average I can say, but not may be in the same progress every quarter. That could be the sales velocity. And as far as the cash flow is concerned, we think that we will be able to manage within the collections of the existing projects sold plus a new project launches and new sales.

Prem Khurana: Is it fair to assume that we would do negative cash flows next year because as far as Residential is concerned, we are able to do only around Rs.30-40 odd crores of free cash flow on a quarterly basis which in effect means we will be able to do around Rs.200 odd crores of number at max next year, and we will have CAPEX of around Rs.250 odd crores next year. So would it mean that we would do negative cash flow around Rs.50 odd crores, is there anything that I am missing out there or we have plans to kind of reduce capital intensity?

K. Suresh: Even when you go with very conservative cash flow on the sold out apartment the balance payment as well as the new sales of the unsold launched project plus new launches, on a yearly basis may be around Rs.1300 crores could be the collection on the conservative basis from the real estate, and you have the lease rental of about Rs.150 crores and about Rs.50 crores could be the GOP from the

extreme hotels, around Rs.1500 crores is the collection in one hand, and you will be having around Rs.200 crores principal payment and Rs.70 crores interest, 270 crores for the existing loan that is our EMI or whatever it is, and Rs.250 crores for the CAPEX and you can spend around Rs.800 crores for the construction cost of the existing project, and salary and overhead may be around Rs.150 crores, so I think it is done.

Prem Khurana: This part itself we have done around Rs.300 odd crores of cash outflow between these two things, I mean construction as well as overheads. So does it mean we would get to the some kind of lower spend in Q1 and Q2 because first half tends to be somewhat leaner, the number should have been little higher because you are planning to launch some more projects. Do you not think the number that should have been little higher than this given the fact that we have done Rs.300 odd crores in Q4?

M R Jaishankar: Because of new launches what will happen is construction cost on to those new launches will be very minimum, it will not be in Q1 may be in Q2, something may be in Q3 like that, on progressive mode, we do not expect that we will be having any cash flow issue during Q1.

Prem Khurana: One on this demand profile for Residential real estate at least for the last three quarters it seems this seem to have been declined contribution from Residential sales that you do on a quarterly basis from Q2 number of around Rs.336 odd crores, it seems to have come down to around Rs.199 odd crores. Is it because we have not been able to launch any significant project or it is a general slowdown in the market, how should one see it, should I consider that the demand is more for new launches and not for the projects which have moved to a significant level?

M R Jaishankar: It is a combination of both and I think in this quarter as Suresh said in the Q1-Q2 launches will happen. Some of the pre-launches will happen in Q1 which will lead to pre-launch bookings and formal launches will happen in Q2.

Prem Khurana: Is there are any land acquisition plans for immediate future?

M R Jaishankar: Certainly, land acquisition is an ongoing process and it will happen.

Prem Khurana: So have we outlined or earmarked any number in terms of a crore rupees that you would want to spend on land acquisition on yearly basis, the way the number that you gave out for CAPEX Rs.250 odd crores, do we have any number in mind for land acquisition?

M R Jaishankar: It is in that range only between Rs.250-500 crores is the land acquisition thing, but even if we do finalize, the outflow may not be everything immediate.

Prem Khurana: Would it be possible for you to give us consolidated net debt number? It is not there.

K. Suresh: You have the net debt it is there 777.

Prem Khurana: Sir, I think it is for standalone entity and not for consol. You would also have some debt or charge and Cosmopolis you would have?

K. Suresh: Cosmopolis, there is no loan, and for one joint venture company, it is Rs.30 crores.

Moderator: Thank you. We have a follow-up question from the line of Ashish Agarwal from Edelweiss. Please go ahead.

Ashish Agarwal: This question was on general industry view and perspective, if you could throw some light as to how that demand and the volume is shaping up, and what are the trends in pricing that you are seeing, and how do you expect it to behave say the next one year and two year timeframe?

M R Jaishankar: I would say as I mentioned in my opening remarks the Bangalore market is fairly robust and it is not volatile like most people will be aware of NCR and Mumbai, which is a volatile market, it goes up substantially, it comes down, Bangalore market is perceived as a steady market. In the last one year, prices have moved up to an extent of an average of 15% or so, and of course like you and all businessmen, industrialists in the country, the election results are keenly watched, and we are hoping and praying that there will be a stable government in the centre with forward-looking policies, and if the Indian GDP goes to its former level whether it is 8 or 9, if not the double-digit, I think the real estate and infrastructure will be one of the primary beneficiaries. What is required in the current market is everyone is waiting for positive signal from the government for the mood to improve. The whole business of real estate is about the kind of confidence one has on the future and as well. Since the Bangalore market is also a fairly dependent on the IT sector, and as you know IT sector is the biggest beneficiary of our rupee depreciation and being dependent on export market, and real estate and the city in general is in a healthy position. The positive thing is be it Europe or US come out of the recession; sometimes the growth is 1% or 0.5%, 0.4% per quarter, or it is somewhere ranging from 0.5-1% per quarter, which is not bad for a large economy like United States, and I understand the European market has now come out of the woods and European economy, and they are also growing in the range of 2% to 4% p.a., which is Indian IT sector started getting more business from European market, and since Bangalore contributes to (+35%) of the overall Indian software export, we are confident both the Office sector and the Residential sector will improve, even for the Hospitality demand, the positive thing is currently the volume of traffic in the Bangalore International Airport is about 12.5-12.8 million or so, which is expected to go up by (1+) million passengers in the next one year or that is in FY-'15, and they are also starting the second terminal very soon, I think in five years time or so, they are expecting the volume of traffic to go to 20 million passengers per year. So this is a positive signal for the Hospitality sector also, and shows the confidence that is there in the business in the industry.

Ashish Agarwal: You also mentioned about ten hotels that you are planning to set up at 2020. If you could throw some more light on that in terms of the number of rooms, the locations and the kind of CAPEX that you intend to spend on that?

M R Jaishankar: It is an MoU signed with (IHG), International Hotel of the Group, which are the owners of Crown Plaza, Holiday Inn Express, and this 10 hotels will be ready not in one year or two years, it is out by 2020, that means we have about six years time, and each of these hotels will be somewhere between 150-250 rooms even if you take average of 175 rooms or so, and investment in each of these hotels

will be somewhere in the range of Rs.75 crores, and overall capital commitment will be around Rs.750 crores over a period of next six years, and the first of the hotel – Holiday Inn Express and Race Course Road, which I mentioned in the opening remark which is about 275 to 300 keys; there are 300 base and 275 keys as construction has just commenced. So that will have a capital outflow of about Rs.100 crores in the next I would say, 24 to 30 months.

Ashish Agarwal: Just to get the number right, did I hear that the average number of rooms per hotel would be broadly 175 and the investment is Rs.75 crores, about Rs.45 lakh per room is what is we intend to spend?

M R Jaishankar: Yes, correct, Rs.40-45 lakh.

Ashish Agarwal: And the average ARR that you will be looking in this grade of hotel...?

M R Jaishankar: It will be between Rs.5000 to 6000.

Ashish Agarwal: And if you could also help us understand... since you are at looking at the Hotel business from a little longer-term perspective, the overall group vision for the development business also and the lease portfolio, that would be very helpful sir?

M R Jaishankar: Like all along we have been saying about 70-75% of our business will be in the Real Estate segment; bulk of it Residential and some Commercial sale, and the balance 25% in terms of square footage I am talking, will be between Office, Retail and Hospitality. In terms of area hospitality, contribution may be just about 5% and certainly not more than 10%.

Ashish Agarwal: In terms of the overall volume, where do we see ourselves be doing annually in terms of volume say in 2020? Right now 2.6 million SFT we have done this year. So what would be your targets for FY-'15 and FY-'16 and your vision for FY-'20 if you could?

M R Jaishankar: FY-'15 we have already indicated there will be a 40-50% growth if not more, and generally to say if the external factors are good and god and government willing we would like to proceed in the same fashion.

Ashish Agarwal: The 40-50% is in the P&L or it is in the actual volume sold?

K. Suresh: Both. If you want to have in P&L terms, obviously, the sales volume has to be in the same place. May be in one year we can go and relax because we will be having some accumulated sales already that means for the first year, after that you may have to go and replace it. So obviously we wanted to have the same phase either the sales will be in same location or we have to go and expand and do that.

Ashish Agarwal: So basically we will be targeting about 4-5 million SFT of sales in FY-'16?

K. Suresh: FY-'16, yes, what you are saying is right.

Ashish Agarwal: So FY-'20 would be like again similar kind of a number, hope to continue this kind of growth because Bangalore how much do you think...?

M R Jaishankar: Currently, with this dynamic market and the environment we live in, the concept of five year plan is I think more or less dead. We would like to see in two to three year time horizon than in five to ten year time horizon, but not that we do not want to look at 2020 or 2025, definitely I think we have bigger plans, but it is best not to give too much guidance on the long term view.

Moderator: As there are no further questions from the participant I would now like to hand the floor back to management for closing comments. Over to you, sir.

M R Jaishankar: Thanks you Karuna, Ashish and all other participants. We hope we have answered your questions to your satisfaction and thank you for participating in the conference, and we are always there to respond to your queries individually whenever you have, and please address them as indicated, and I must also compliment our own CFO for coming out with a fairly detailed presentation, which in turn would have given the most of the clarifications to the investment, analyst community, and as a result there may not be too many questions is what we presume, but we are always there to respond to you. Thank you again and let us be in touch. I have a request... before you make any report, if there is any clarification please get in touch with us with your clarification and then only you make a report. Thank you.

Moderator: Thank you all. On behalf of Brigade Enterprises Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.