

Brigade Enterprises Limited

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BRIGADE

Building Positive Experiences

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13th December, 2018

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Department of Corporate Services - Listing
BSE Limited
P. J. Towers
Dalal Street,
Mumbai - 400 001

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

Dear Sir,

Sub.: Transcript of Conference Call on the Company's Q2 FY-19 Earnings - 13th November, 2018

We are enclosing herewith the transcript of the Conference Call on the Company's Q2 financial results for the financial year 2018-19 held on Tuesday, 13th November, 2018.

Kindly take the same on your records.

Thanking you,
Yours faithfully,

For Brigade Enterprises Limited

P. Om Prakash
Company Secretary & Compliance Officer

Encl.: a/a



“Brigade Enterprises Limited Q2 FY19 Earnings Conference Call”

November 13, 2018



**MANAGEMENT: MR. M. R. JAISHANKAR – CHAIRMAN AND MANAGING
DIRECTOR, BRIGADE ENTERPRISES LIMITED
MR. ATUL GOYAL – CFO, BRIGADE ENTERPRISES
LIMITED
MS. NIRUPA SHANKAR – BRIGADE ENTERPRISES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY19 Earnings Conference Call of Brigade Enterprises Limited. We have with us on the call today Mr. M. R. Jaishankar – Chairman and Managing Director and Mr. Atul Goyal – CFO of Brigade Enterprises Limited. As a remainder, 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 now hand the conference over to Mr. M. R. Jaishankar. Thank you and over to you sir.

M. R. Jaishankar: Good evening everyone. I welcome you all to this conference call after publishing our Q2 FY19 results. As you would have seen from the press release, the performance is fairly encouraging. Based on IND AS 115, the results have been declared and as far as Q2 performance is concerned, total revenue is at Rs. 844 crores as against Rs.708 crores of the Q1 which means an increase of 19%.

EBITDA is at Rs. 236 crores and the profit after MI is at Rs. 68 crores as against Rs.63 crores in Q1 and nominal increase of 9% whereas consolidated performance for H1, the first half year the total revenue is at Rs. 1551 crores and PAT after MI is at Rs.132 crores and with EBITDA of totally 28% and we are happy to report in the real estate segment, we have sold 0.8 million square feet during Q2 which is substantial improvement over the previous quarter. The average price realization is about Rs. 5,719 sq.ft. and we have also launched 3 real estate projects of 0.9 million close to 1 million square foot and construction of hotel called IBIS Styles Mysore with about 154 keys has commenced. The debt equity ratio as on 30th September is 1:1 as per IND AS 115 and 0.93:1 as per AS 18 and the average cost of debt is 9.33%.

We expect outlook for the second half should be good and more or less it should be on the lines of H1 in spite of the impact of NBFC issues and high oil price and rupee depreciation during the month of October, which has been quite volatile and more like an uncalled for the situation for the country and for the businesses in India and as far as the new launches are concerned, the projects of almost 10 to 12 million square foot, we are trying to launch in H2 of that at least 80% to 90% should be feasible. Of this, about 8 to 9 million square foot in the residential segment and about close to 3 million square foot in the office segments and I am also happy to report in Q3, our hotel Four Points by Sheraton in Kochi will become operational by end of Q3. We have received the occupancy certificate and the hotel is complete, only thing is few more formalities are pending, so we are trying our best to commence official operation before 31st December. With this few initial remarks, I will hand over this thing to CFO, Mr. Atul Goyal. He will make his presentation. After that, we can have question and answer session.

Atul Goyal: Thank you sir. Good evening everybody. On behalf of the company, we would like to welcome you on earnings call for Q2 FY2019. As CMD said, the sales bookings in Q2 is encouraging, we have achieved sales value of Rs. 460 crores in Q2 FY19 versus Rs. 219 crores in Q1 FY19 marking an increase of 110%. Quarter to quarter basis, the growth in sales booking has been in excess of 88%. We have done 0.8 million square foot in Q2 against 0.43 square foot in the previous quarter.

Coming to the consolidated performance for Q2 FY2019, the consolidated revenue for the 3 months ended September 2018 stood at Rs. 844 crores versus Rs. 708 crores in previous quarter. The real estate segment clocked a turnover of Rs. 683 crores and EBITDA of 23% in Q2 versus turnover of Rs. 567 crores and an EBITDA of 22% in Q1 FY2019. The hospitality segment clocked a turnover of Rs.74 crores and an EBITDA of 28% in Q2 versus a turnover of Rs.65 crores and an EBITDA of 19% in Q1 FY2019.

The leasing segment clocked a turnover of Rs. 87 crores and an EBITDA of 67% in Q2 versus a turnover of Rs.77 crores and an EBITDA of 66% in Q1 FY2019. The consolidated EBITDA including other income for Q2 FY19 stood at Rs.236 crores versus Rs.188 crores in Q1 FY19. EBITDA margin including other income stood at 29% this quarter versus 27% in the previous quarter, so there has been a marginal increase in EBITDA margin also this quarter. The interest and finance charges for the quarter stood at Rs. 70 crores versus Rs. 63 crores in the previous quarter.

Consolidated profit before tax for the quarter was Rs.133 crores compared to Rs. 94 crores in previous quarter. The consolidated profit and tax after minority interest is Rs. 68 crores for the quarter compared to Rs. 63 crores during the previous quarter.

Coming to the H1 FY2019, I am not talking about comparables from last year because of the change in the counting policy of AS 115, so we will give you the consolidated numbers for FY2019. The consolidated revenue for 6 months stood at Rs.1551 crores and the consolidated EBITDA including other income of the 6 months are Rs.425 crores.

The real estate segment posted 6 months revenue of Rs.1250 crores and an EBITDA margin of 23%. The hospitality segment posted 6 months revenue of Rs.138 crores and an EBITDA margin of 24%. The leasing segment posted 6 months revenue of Rs.163.5 crores and an EBITDA margin of 67%. The consolidated EBITDA margin including other income stood at 28% versus 6 months. The interest and finance charge for 6 months was range bound and stood at Rs.133 crores. The consolidated profit before tax for the 6 month is Rs.227 crores, the consolidated profit after tax for the 6 month is Rs.149 crores.

Now, coming to our debt position, our net debt position as on September 30th was Rs. 2701 crores. If you see segment wise, in real estate, Rs.709 crores debt was there. In hospitality, Rs. 465 crores debt was there in which Rs. 328 crores is GOP securitized loan where hotels are already operating and their cash flows are enough to service the loan and Rs. 138 crores is the CAPEX under hospitality. In leasing, we had Rs. 1959 crores being the leasing debt in which Rs. 1276 crores is against securitized lease rentals against our offices and malls which is self-sustaining and Rs. 683 crores is the CAPEX loan. The corresponding debt as on September 30th 2017 stood at Rs. 924 crores being the real estate segment, Rs. 377 crores being hospitality segment, debt in which Rs. 223 crores is GOP securitized loan and Rs. 154 crores is CAPEX loan and Rs.1187 crores in leasing business in which Rs. 817 crores is securitized lease rental and Rs. 370 crores was CAPEX loans. The cash and cash equivalents stood at Rs. 432 crores

as on 30th September 2018. The company effective cost of debt as on 30th September 2018 is 9.33% per annum as against 10.60% per annum for the corresponding period as on 30th September 2017. We have credit rating of A with stable outlook which has been assigned by both CRISIL and ICRA.

I would also like to share some leverage ratios. Interest coverage ratio stood at 3.2x in H1 FY2019. The net debt to equity stood at 1x for H1 FY2019. The net debt to EBITDA stood at 3.2x for H1 FY2019. The return on equity stood at 11% for H1 FY2019. To give you brief business update for the quarter which CMD has already given you, the real estate space aggregating to 1.3 million square feet with a total value of Rs. 670 crores was sold in H1 FY19. The average price realization was Rs.5,510 per square foot. Launches to the extent of 12 million square foot are planned. Residential space aggregating to 9 million square feet, Office and Retail space totalling 3 million and one hotel with 149 keys has commenced. Now I will hand over it to the moderator for questions to the team.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Chintan Modi from Motilal Oswal Securities. Please go ahead.

Chintan Modi: Pretty good show in terms of second quarter sales volume. I would like to understand two things here. One is how much would Brigade Woods contributed here and what drove this kind of a growth, I mean, was there any specific marketing campaign or you got very good response to some specific ticket size if you can highlight that?

M. R. Jaishankar: Brigade woods would have contributed about 0.13 million.

Chintan Modi: And sir, the remaining like what led to this kind of growth?

M. R. Jaishankar: No, I think general market also in my opinion is improving. Added efforts by the company would have also helped. Overall sentiment, I think is better. Probably as far as Bangalore market is concerned, we feel the worst is behind us.

Chintan Modi: And you mentioned you intend to launch another 8 to 9 million square foot in second half of this year?

M. R. Jaishankar: Yes.

Chintan Modi: So anything out of this would have got delayed from Q2 into H2? Was this the number initially intended?

M. R. Jaishankar: Not much, I think some things may just shift marginally from Q2 to H2. Of this, I would say about 3 million is constituted by one project called Brigade Cornerstone Utopia, which we plan to launch in Q4 officially. We have received all the approvals other than the RERA approval.

We are waiting for the RERA registration and the basic work in the project has already started, though it has nothing to do with project launch. Work has already commenced and interestingly we will be launching almost a million square feet of senior living residences called Parkside comprised of 3 projects, in North of Bangalore, East of Bangalore and West of Bangalore. That is I think we plan to launch within next two weeks and we also have some commercial real estate projects to the extent of 1 million square foot. All the constructions are actually in progress.

There are three projects called Brigade Southfield in Whitefield; Brigade Deccan Northwest, Tumkur road; Brigade Triumph in Hebbal. Together, they were comprised of 1 million square foot and we also plan to launch the second phase of Brigade Xanadu in Chennai that will be in Q4. We have received about 80% approval, subject to receiving the balance 20% approval, we plan to launch that and we have a few other smaller projects and we are launching about 0.7 million square foot of our project in Bangalore North called Brigade Bricklane. Also, that will happen in this quarter itself, Q3. Out of this, there is a clear visibility of about 8 to 9 million square foot. The balance 4 million square foot is subject to final approvals.

Chintan Modi:

So this Brigade Utopia, is it an affordable housing project?

M. R. Jaishankar:

It is a mixed use, integrated mixed use, it is a combination of affordable and luxury segments, some blocks do not fall in the category of affordable housing. It is a mixed use with some office space like multiplex entertainment, some amount of neighbourhood retail and offices for professional, then there will be, I would say co-living spaces which is the new concept and also regular standard apartments and we are also adding some amount of senior living residents there. It is a very good combination of mixed use and we are bound to make this into a major landmark in Bangalore Southeast which is Whitefield Varthur area. The total size of the project is about 5.9 million square feet. This is the first phase. It is going to come up in 47 acres of land and the second phase we will launch based on the response, may be after a year or two of first phase.

Chintan Modi:

Coming to the collections part, this quarter we collected almost Rs. 6 billion, which if I look at compared to Q1 would have gone by like 30% odd so if I look at this number in perspective of the volumes that we have, this looks a little lower side, so anything to be specific to be understood over here?

M. R. Jaishankar:

No I think collections have been in line is whatever phase we have done, see 0.8 million has already been done in Q2, so you cannot expect much collection from there, only booking amount or next demand only goes, so I think collection is in line and I think it will improve over the time.

Moderator:

Thank you. The next question is from the line of Nimit Gala from Edelweiss. Please go ahead.

Nimit Gala:

I have two questions. We set an internal target during the last quarter of FY18 of Rs. 1800 crores of presales and we are at around Rs. 670 crores right now, so think we are on track on that with 2 million square feet of launches in the second half?

- M. R. Jaishankar:** I think so, I think we are on track and with many launches, we expect the presales to improve and only time will tell, but as far as we are concerned, I think we should be on track.
- Nimit Gala:** And I was concerned about the hospitality sector with the Grand Sheraton, I was just checking the ARR's; in the first quarter, it was around Rs.8600 and for the entire second half it has come down to Rs.7700, so meaning the second quarter, ARR's have gone down substantial, so anything we need to know on that?
- Nirupa Shankar:** This is Nirupa here, I will answer your question. With regards to Sheraton, if you compare the same H1 of FY18, it was only Rs.7500, we have actually managed to increase the ARR to Rs.7700 in H1 of FY19. There is a slight broken occupancy from 82% to 78% but that is primarily due to some amount of new supply that has come to the market, but we have been able to hold the rate as compared to last year H1, but there is bunch of new hotels coming to the markets, so obviously the market conditions will be a little more competitive, but overall if you look at the profitability and everything, the hotel has managed to actually slightly improve its profitability in Q2 of FY19 when compared to Q2 of FY18.
- Nitin Gala:** And same goes for Holiday Inn Chennai?
- Nirupa Shankar:** Holiday Chennai, it has been a significant improvement. If you compare Q2 of FY18, we were at 36% occupancy. In Q2 of FY19, we were at 73% occupancy. Holiday Inn Chennai, there has been a marked improvement because obviously in FY18, the hotel was still stabilizing. In FY19, we have been part of lot of RFPs and lot of contracting of businesses happened and we have been able to establish ourselves in the market, so the occupancy has jumped from 36% to 73%. The rates are somewhat similar around Rs. 4200 and obviously if you compare Q2 of FY18, there was negative GOP, but in Q2 of FY19, we have managed to 26% GOP.
- Nitin Gala:** Last quick question if I may, how are we placed to, we were looking to sell minorities stake in hospitality division?
- Nirupa Shankar:** We are in active discussion with multiple people. We have been quite happy with the kind of interest that multiple private equity funds have shown. Right now, we are still in discussion, we are still doing, they have a model, they have the IM so there is a lot of back and forth in terms of some questions that we are answering, so it is an active discussion and as when updates are there, I will inform you all on a quarterly basis.
- Nitin Gala:** So can I expect a closure by year end?
- Nirupa Shankar:** We are trying for that. We are trying to close it by FY19, so let us hope for that.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, firstly just wanted to get an update on the leasing in Brigade Tech Gardens and World Trade Centre Chennai, so what is the construction status and what is the leasing status, so when do you expect the first rental income to come out of Tech Garden this year?

M. R. Jaishankar: As indicated in the last quarter call, we are expecting the first phase of about 1 million square foot plus in the Brigade Tech Gardens to be completed by Q4 FY19 that still stays. The project, the first phase is in advanced stage and we have received quite a bit of completion approvals and few more have to come, so we expect the rents to commence by Q1 FY20 if not earlier, may be a month or two earlier it can happen which I can't be very certain, so lot of active interest is there in the project and the number of discussions are happening. The current lease is about 1,50,000 square foot conformably and as far as Chennai World Trade Center, Chennai is concerned, the construction is in progress. Some marginal delays are there, but I think the company is going to make up some amount of lost time. There also, though we have not signed any confirmed leases, but there are lot of interested discussion are in progress. We are hopeful of signing the few leases in FY19.

Adhidev Chattopadhyay: So any targeted thing like till Tech Gardens commences like, you want to place 50% before that completes or is there some target you have?

M. R. Jaishankar: Our desire is 100% but target will be 50% plus.

Adhidev Chattopadhyay: And the entire project is on try to finish before March 20?

M. R. Jaishankar: Yes.

Adhidev Chattopadhyay: Secondly now you have mentioned in your launches is Brigade Twin Towers is the SAB miller land or it is some other land?

M. R. Jaishankar: It is SAB miller land, we have received you can say, last time, I had said we have received 75 to 80% permission, now we are at maybe 85 to 90% permission. We were hoping to get all the permissions by September or early October. Due to various reasons, there have been some slippage. They are trying to get the required permissions in this quarter, but there again, some basic work has started already.

Adhidev Chattopadhyay: but if you start all because you have another 600 to 700 crores of CAPEX for this, so how do we intend to fund this?

M. R. Jaishankar: It will be primarily approved debt.

- Moderator:** Thank you. The next question is from the line of Chintan Modi from Motilal Oswal Securities. Please go ahead.
- Chintan Modi:** Just two small questions. One is, where is other investment in your cash flow? So wanted to understand is this pertaining to any deposits to JD partners or what is this?
- Chintan Modi:** Cash flow, Yes.
- Atul Goyal:** This is mainly investment in mutual funds.
- Chintan Modi:** And the deposits that we give to JD partners would reflect in the?
- Atul Goyal:** That is in the investment land JV TDR which you are saying in investment aspect, but its shown separately.
- Chintan Modi:** And you have mentioned that in one edge we have signed approximately 5 lakh square foot of lease, so how much of these would have been done in second quarter?
- M. R. Jaishankar:** Second quarter, I don't have a breakup but may be about 0.3 million in the second quarter and 0.2 in the first quarter.
- Chintan Modi:** Okay this 0.3 million square foot was, if you can highlight across which assets you would have been?
- M. R. Jaishankar:** It is Brigade Tech Garden, Brigade Opus and some amount in Signature Towers in Golden Triangle.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** I just wanted to know on projects which will commence Brigade Opus and Kochi phase II, what is the status of leasing over there and when will these projects get completed?
- M. R. Jaishankar:** Brigade Opus, you can say 95% or 98% complete, I think total completion is in this quarter, Q3 quarter, same with our WTC, Kochi. That is also at 95% complete, there it is partially leased. The rent commencement also should happen I think by next month or so.
- Adhidev Chattopadhyay:** Sir, both these projects were at least 50% leased currently, means you expect?
- M. R. Jaishankar:** One-third, 33% leased.
- Adhidev Chattopadhyay:** Okay, both the projects the same?
- M. R. Jaishankar:** Yes.

- Adhidev Chattopadhyay:** Then beginning of the year, we had stated of the target is to say 3 million square foot in volume terms in residential and commercial thing, we have done 1.2 million square foot in first half, so obviously you had highlighted lot of launches are in the pipeline, so how confident are you that we will be able to get close to this target?
- M. R. Jaishankar:** At this point of time, we are 90% confident.
- Adhidev Chattopadhyay:** So I think 2.5 to 3 million will be the broad range.
- M. R. Jaishankar:** Yes, certainly.
- Adhidev Chattopadhyay:** Sir, next question is now on this CAPEX now, both Bangalore, Chennai, as of now Rs.1500 crores of CAPEX, so this everything you are expecting by March 20, all this CAPEX to be incurred?
- M. R. Jaishankar:** Yes, it has to be because these are SEZ and there will be Sunset clause at 2020, so we have to complete it and lease it out.
- Moderator:** Thank you. The next question is from the line of Aditya Chandrashekar from Edelweiss. Please go ahead.
- Aditya Chandrashekar:** I have a couple of questions. One is with regards to the debt, so how much of this debt would be from banks and how much from NBFCs, if at all anything from NBFCs?
- Atul Goyal:** We have very less debt from NBFC it will be around 150 crores or so from NBFC, that is all where we have taken the loan.
- Aditya Chandrashekar:** And the balance is completely from banks, right?
- Atul Goyal:** Yes, completely.
- Aditya Chandrashekar:** And also there has been a slight increase in debt during the quarter, right and you know the cash flows are quite strong, so just wanted to understand where that is coming from?
- Atul Goyal:** See, generally there has been increase in interest rate all over and 0.2 to 3 basis points have increased, so wherever MCLR reset there is a marginal increase because of that.
- Aditya Chandrashekar:** No, I was talking about the debt level, the net debt level.
- Atul Goyal:** It is generally, see, there are two things which are going. This is an expansion capital which is going to leasing, which is one of the part and secondly, there is also in hospitality segment, there is expansion capital, so there were the loans are being increased.
- Aditya Chandrashekar:** And how do you see this at the year end?

- Atul Goyal:** Year end, we should be around this level only, may be around Rs. 100 crores or so may be more, that is all.
- Aditya Chandrashekar:** And second quick question, for the sales during the quarter, can you give a breakup between residential and commercial?
- M. R. Jaishankar:** In sales, it is about 0.65 Mn. in residential and 0.13 Mn.in commercial in Q2 FY19
- Aditya Chandrashekar:** Can you tell me again, 0.13 in?
- M. R. Jaishankar:** You want in square feet, then it is 1 million in residential and around 0.16 in commercial in H1FY19.
- Aditya Chandrashekar:** And in terms of value, how much would it be sir?
- M. R. Jaishankar:** See, it will be around Rs. 5429 million in residential and Rs.1354 million in commercial.
- Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay from DHFL Pramerica. Please go ahead.
- Himanshu Upadhyay:** My first question was on, we have seen very strong sales number from almost all Bangalore based players in the residential sales side and for us also, we have seen strong numbers or growth rate without launching much of the projects, means significant sales seems from already ongoing projects. What is your sense, means by when can we start seeing increase in the realizations per square feet or what is your sense because if the sales momentum is so strong for most of the large players which are in that market, should we start expecting that over next few quarters or new launches what we are going to do, the realizations will start improving from here on, just your sense on that sir?
- M. R. Jaishankar:** I would say, as it is now there has been even in our case, there has been marginal improvement in prices has happened already, may be 3%, may be 4% in some cases, etc, but still if the average realization is down, it is also because lot of developers including us are getting into the middle income segment and in the slightly outskirts of Bangalore where the price realization per square feet it is bit less, so it does not mean the prices are still depressed, but probably most of their discount structure etc, special discounts, etc are getting reduced, but if you ask me when the substantial increase in prices may happen, probably it can take another 2 to 3 quarters, at least I feel, some of the backlog in stock until that gets fully wiped out. I think the price improvement will take that much own time and the entire market has settled down due to the impact of RERA and all that, so some stressed assets will be there that can create pricing pressure in the overall market, so may be another 2 to 3 quarters it can take.
- Himanshu Upadhyay:** And one other question was because of this tighter liquidity situation at smaller players because of NBFC issue, are we seeing better opportunities to augment our portfolio in markets outside

Bangalore because just from the diversification point of opportunities, are we seeing more opportunities to come in terms of better JD-JV possibilities or how is the market in last 1-1/2 months after this whole crisis, how is the market behaving or seeing or what are your expectation for the land crisis?

M. R. Jaishankar: See, the crisis generally the NBFC and other macroeconomic thing in the country has happened during October and which is yet to stabilize, but I must also tell you historically also, October has been the weakest month for real estate in Bangalore. I mean sometimes you may say few other cities also, historically we have seen, it is not today for 10 years, 20 years also, we have observed October is the weakest month of the 12 months, primarily due to the number of long holidays we see while your Dussehra, Diwali may be good for white goods and textiles, it has never been great for real estate, at least in the southern market.

Himanshu Upadhyay: And can you give some light on how has been the sales, means there is improvement what we are seeing in sales on the residential side? How much improvement has been in Bangalore and outside Bangalore means the smaller markets where we are present? Some idea on that?

M. R. Jaishankar: You can say the bulk of the improvement is in Bangalore, not in Mysore and even Chennai. Chennai is yet to fully recover.

Himanshu Upadhyay: And one more thing was on the projects which are ongoing for us, means around 12.52 million square foot, how much of area do we expect to deliver in next one year and what amount of inventories would be there in projects which are going to get delivered in next one year, unsold inventory in those projects?

M. R. Jaishankar: It is difficult to say that how much of unsold inventory will be there in the projects which are going to be delivered. See, going by past experience other than, you can say, till about 2014, all our projects used to be fully sold by the time the projects were completed. Only it is from 2015 onwards, it has been more challenging. So while efforts will be made to complete the stock by the time the projects are completed, it is we can't be very certain.

Himanshu Upadhyay: We have unsold inventory of around 0.96 million square feet in completed projects, nearly 1 million square feet. What is the outlook on that means should we expect the numbers to stabilise or reduce?

M. R. Jaishankar: No, naturally lot of effort is there to sell or liquidate the completed project inventory and in the previous quarter, it was more than a million square feet. It has dropped and I think it will continue to drop. Hopefully, we will show better results in Q3.

Himanshu Upadhyay: One last question from my side. On the GIFT City project, we have significant amount of unleased inventory, so 3 lakh is the leasable area, 3,15,000, what has been leased is only 22,000 square feet. What is your expectation, means this balance around 2,90,000 square feet, how much time will it take to lease and what are the rates we are getting in that property in GIFT City?

- M. R. Jaishankar:** Discussions are in progress, but it is not as rosy as it was made out to be, so it can take at least a year more or to fully lease that I suppose and though the project GIFT City itself is coming up well, first smart city in the country, but overall our response by the clients is still muted and as I said it can take another year to fully lease it if everything goes well.
- Himanshu Upadhyay:** And we have that one project more we wanted to do in GIFT City, I think the hotels project.
- M. R. Jaishankar:** The hotel is under construction; the structure of the hotel is complete and the finishing part is in progress. I think it can take may be Q2 within 12 months, it will get complete.
- Moderator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** My first query will be on your launched pipeline, if you could help us out with how much of it is in affordable segment?
- M. R. Jaishankar:** I would say about 40% will be in the affordable segment.
- Abhishek Anand:** So approximately 3.6 to 4 million square foot?
- M. R. Jaishankar:** Exactly, 4 million square foot.
- Abhishek Anand:** If my understanding is correct, 80-IAB lapses on 31st of March, is the understanding correct? Basically we have to launch it before 31st of March and then only it will qualify a further tax benefit?
- M. R. Jaishankar:** Yes, the current situation is that and probably, I have a feeling it may get postponed by another year or two in the next budget, but that is the current situation.
- Abhishek Anand:** Do you expect a scenario of, of course your competitors will be aware of this and they will also be planning to launch similar configuration project, do you expect a short-term oversupply of the 60 square meter carpet area inventory in the region, in Bangalore region because mostly these will be coming in the North of Bangalore, so what is your take on this? Should we expect some oversupply in the interim?
- M. R. Jaishankar:** No, I would not be surprised if there is some oversupply, but the situation will be quite competitive, but generally the rates in Bangalore are reasonable. It is not that, there can be a big drop in prices or anything and Bangalore so far was not exposed much to 60 square meter carpet area per project, only going forward, you can see more of that. I think the time will tell, but in the medium term there can be some amount of supply pressure may be there because crowd mentality will be there.

- Abhishek Anand:** And secondly just wanted to understand if I am looking at sequential movement of your completed inventory, I see a reduction of approximately 2 lakh square foot, 0.2 million square foot. Was there any completion during this quarter, any project got completed and some of the inventory got added into this number?
- M. R. Jaishankar:** No, it is primarily the overhang that was there is getting reduced.
- Abhishek Anand:** So basically approximately 30% of your sales was in the completed inventory side, is that understanding correct?
- M. R. Jaishankar:** Yes, more or less, about 25 to 30%.
- Abhishek Anand:** About 25 to 30% and is that area where you have seen a lot of demand or it is a well scattered out of the 0.8 million square foot, 0.6 I guess was sold in residential and out of that 0.2 million square foot was in the completed inventory, so that is, if I am looking at residential then it is almost 30%, is that the key area where you are seeing demand or in the new project launch as well you are seeing a lot demand?
- M. R. Jaishankar:** It is a combination of both and the effort is definitely there, more efforts are there to our clear completed projects inventory that will bring in substantial cash flow, so that should help the organization either to bring down the debt or to ensure the debt won't increase.
- Abhishek Anand:** And if you could help us out with the general outlook on our hospitality segment, if you could give some outlook on the ARR's, how they have been trending over in the first half and what is the expectation in the second half, specially of the assets which have almost reached high occupancy?
- Nirupa Shanker:** Generally the ARR's are fairly stable, I would say. There is some movement on occupancy as well, but then I think what we are trying to do is basically ensure that our profitability remains intact. Basically in some cases, for instance, the stabilized property, the ARR is holding pretty well. There is a little change on the occupancy, little dip in the occupancy, mainly because of additional competition that has come in the market or business moving to certain other micro markets, but overall profitability is what we are trying to maintain and also try to enhance our SNB revenue. For all the hotels which have recently opened in the last couple of years, they are all improving quite well. There is significant improvement in Grand Mercure, Mysore, Holiday Inn Chennai and Holiday Inn Express, Race Course Road, so all the three hotels which are in the process of stabilization are doing very well. There is significant improvement in the profitability. If you want me to go into the individual comparison with H1 last year.
- Abhishek Anand:** No, I get these assets relatively, but the Grand Mercure and Sheraton in Bangalore, these are much more stabilized assets, so I think in Grand Mercure, we have reported 66% occupancy, but in Sheraton Bangalore it was 78% and mostly these will be business hotels, right, most of the customers will be business, so 78% have almost fully occupied? So just trying to understand,

going forward, should we expect ARR to improve by 5%, 10% or it is likely to be very similar kind of ARR of Rs. 7500 to Rs. 8000.

Nirupa Shankar: Typically, we try to budget for an increase of 5%, so we do try to get an annual increase of 5%, but right now, we are seeing pretty good traction in food and beverages well, so we are trying to also budget in at least 10% improvement in food and beverage in our stabilized properties.

Abhishek Anand: So base case around 5 to 10% increase is what we should expect?

Nirupa Shankar: Yes, generally.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to M. R. Jaishankar for closing comments.

M. R. Jaishankar: Thank you. Firstly, I thank all the analysts and participants who have participated in this investor call. We are glad that the performance of H1 is much better than H1 of previous financial year and the team are working hard to ensure that the progress is sustained and improved and whatever indications are given or targets are planned, they are achieved and therefore it is towards that. We hope the macroeconomic scenario will continue to be good and it won't worsen which can change everybody's plan of performances. So with that note, I thank you all and I also wish you the very best in the coming month. Thank you.

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