

Ladies & Gentlemen,

I welcome you all once again. I am happy to stand before you to share my thoughts with you stakeholders in the 1<sup>st</sup> AGM after Brigade Enterprises became a listed company in the Stock Exchanges.

2007 – 08 was a very eventful year in the Company's history. Your company raised Rs.703.76 crores by issue of 16.78% stock to the Institutional, HNI & Retail Shareholders, of which 9.79% is presently held by Institutions & 6.99% is by HNI & Retail Investors. Unfortunately, like most other listed stocks, particularly in the Real Estate Sector, Brigade stock price has also come down substantially due the stock market sensenx having dropped by more than 6000 points (31%) & Realty Index by 60% during the last 5 months or so.

Hopefully, the stock price should recover once the general market sentiments improve and the effect of high inflation on the economy is over. As far as the company is concerned, the future appears quite bright. But the market is yet to factor the impending parliamentary elections in less than a year.

While the revenues in 2007-08 compared to 2006-07 went up by 21.50%, the Profitability After Tax went up substantially by 41.2% i.e., from Rs.73 Crores to Rs.103 Crores. Both Earnings Before Interest, Tax and Amortisation i.e, (**EBITA**) & Profit after Tax (PAT) percentages on revenue have improved in 2007-08 from 32% to 35.90% in case of EBITA, and 17.90% to 20.80% in case of PAT. We are working hard to maintain the healthy figures if not improve on them, inspite of difficult market conditions.

2007-08 was also eventful for the following developments –

1. Brigade succeeded in signing up properties which will lead to expanding our presence to Chennai, Hyderabad, Kochi & Mangalore cities, in addition to Bangalore, Mysore & Chickmagalur.
2. We have secured IT SEZ lands in Kochi, Mangalore & Mysore
3. Acquisition process of lands for Integrated Projects in Devanahalli & on Kanakapura Road both in Bangalore, progressed well.

4. Signed Management Contract Agreements in Brigade Enterprises with Starwood USA, for Sheraton Mysore Hotel.
5. Signed Management Contract agreements in our 100% subsidiary company – Brigade Hospitality – with Accor, France for India's first Mercure HomeStead Serviced Residences in Koramangala, Bangalore; and with Intercontinental Hotels Group, USA for a Holiday Inn hotel on Devanahalli road near the new Bangalore International Airport.
6. By successfully entering into joint development agreement for the adjacent 4 acres land to Brigade Metropolis Integrated enclave on Whitefield Road, Bangalore, we will be adding about 600000 Sft. to include a Shopping Mall, Multiplex & a Star Hotel to the Brigade Metropolis project, which will make the project more integrated & self contained.
7. We have completed 10 projects in Bangalore & Mysore during 2007-08, namely Brigade Paramount, Brigade Harmony, Brigade Vintage, Brigade Lakeview, Brigade Elite 1 & 2, Brigade Elegance, Brigade Splendor, Brigade Habitat & Brigade Point.
8. As part of improving operational efficiency & systems, we engaged IBM to implement SAP ERP system, which went live on 9<sup>th</sup> of April.
9. Brigade Group was recognized as one among the Top 10 Builders by Construction World - India's largest selling magazine in the construction sector.
10. Your CMD was recognized as one among the top 15 outstanding professionals in the field of construction in the country at the Economic Times ACETECH 2007 Awards function.

#### New Projects :

I am happy to inform you that in the recent past we have concluded joint development & purchase agreements for high visibility projects on Residency Road, Cunningham Road, Banasavadi Road, Old Madras Road & Whitefield Road, all in Bangalore to develop about 4 million Sft. In addition, we successfully bid for land in InfoPak, Cochin to develop 600000 Sft. of IT SEZ space. I am happy to inform you that our success rate in the past few years in buying auction properties from institutions is fairly good. We have succeeded in property auctions held by Deutsche Bank, Cochin InfoPark, HMT, Dena Bank, Bank of Baroda, MICO, and ICICI-HSBC Bank combine.

### Let me now touch upon Real Estate Industry specific issues –

Keeping pace with the sustained growth of India's GDP @ 8-9% p.a. year after year during the past 6 years, Indian Real Estate has had a compound growth rate of around 18-20% in the recent past. In addition, liberalized FDI & SEZ policies have helped bring in FDI of US \$ 5 billion last year, which is expected to go up further substantially to even \$ 30 billion in the next 8-10 years. All this is expected to take the Indian Real Estate Sector size to US \$ 90 billion by 2015 from about US\$ 15-18 billion at present. But one needs to be cautious and conservative in view of the negative effects of US sub prime crisis; continued increase in global Petroleum prices; and double digit inflation the country is facing after many years. The combined negative effect on the Indian economy, which is otherwise fundamentally sound, is anybody's guess. Impending general elections to the parliament in less than a year will only add to the uncertainty to the already confused investor market.

In spite of this, your company is confident of having good growth rate in the next couple of years and the management is working hard to sustain the good growth rate for subsequent years also.

### Bangalore Market :

In spite of our geographical expansion plan to other South Indian Cities, 75% of our business will still be from Bangalore in the immediate future. So our fortune to some extent is linked to the health of Bangalore city. A silver lining development is hope of a stable government, which emerged after the recent State Assembly elections. Karnataka has been a victim of coalition Governments which deflected from proper governance since 2004. With a stable & enthusiastic government in place, there is hope for a better Bangalore and a better Karnataka in terms of improved infrastructure, developmental programmes & governance. Only time will show us the reality.

Bangalore's economy is dependent to a great extent on the health of the software sector. Karnataka contributes about 35% of the national software exports. Although, India's and Karnataka's Software Industry grew at a very healthy 30%+ growth rate for many years, in 2007-08, the growth rate dropped to 15-17% primarily due to rupee appreciation by 7-8% to the US dollar. Now, with rupee depreciating by 8% in the recent months and sub-prime crisis in USA, software sector performance is expected to improve again (as more outsourcing of work to India is likely). This should have a positive effect on Real Estate sector. In my opinion, Bangalore is one of the better & healthier markets in the country, where prices are still within the reach of the consumer. Value

for money one gets in Bangalore Real Estate market is far superior to other cities in the country.

### Challenges :

Like all businesses, Real Estate Industry also faces number of challenges. Presently, 3 most important ones are:

1. a Excessive governmental regulation & taxes
  - The multiplicity of permissions required has resulted in increase in time taken to start new projects which in turn will have cost-push effect due to increased overheads. Today most projects take 8-12 months to commence, if not more, which was earlier 5-8 months. Unfortunately, even non-pollutant real estate projects are clubbed with Industrial projects requiring Pollution Control Board and Environment Clearances which are quite unnecessary.
  
1. b Both the Central & State governments, in their quest to raise more resources are treating real estate sector as a milch cow. A single transaction of selling a house or an apartment by the Developer attracts the provisions of 3 different enactments –
  - Revenue Dept. of State governments charge Stamp Duty & Registration charges under the Transfer of Property Act by treating the transaction as Sale.
  - Finance Dept of State Government charges VAT by treating the transaction as a Works Contract.
  - In addition, the Central Govt. charges Service Tax by treating the transaction as a Service. Can anything be more ridiculous? How can the same transaction be a Sale, Works Contract & providing of Service? It is beyond logic. Developers Association -CREDAI's efforts to remove this anomaly has not met with any positive result so far. The net result of this triple taxation of Stamp duty, VAT & Service Tax combined with civic authority's levies during plan approvals is 38% of the cost incurred by the customer goes directly to the Government in various forms. If one were to consider indirect taxes & levies on the materials that go into construction, close to 50% of the value of a Property will go to the government in one form or another. Central & State governments have to take a more rational view in taxing our industry if they are serious to make housing more affordable to the citizens.

## 2. Execution Capability

With many many projects under construction across the country, capability to execute projects has assumed lot of importance of late. Substantial escalation in input costs of steel, cement & even labour for that matter have only complicated the situation. Your company having demonstrated its execution capability in earlier projects is in a better position to execute the large projects on hand by selectively outsourcing the contracts to large & experienced contractors. Added to this, Brigade's consistent policy of spacing the sale of the units during the entire construction period helps the company to absorb cost escalation in construction by enhancing the selling price.

## 3. Human Resources

With a booming economy, in every sector – be it IT, Hospitality, retail, infrastructure or real estate - availability of quality staff has become a major challenge. Our country may be having a billion plus population. But employable quality is unfortunately less. There is a major gap between what the industry expects and what the universities are producing, thereby creating a shortage in employable work force. Of course, this will be an opportunity for starting Finishing & Vocational Training schools. Your company is increasingly giving importance to sound HR policies by following the 4Rs in Human Resources – Recruit, Retrain, Remunerate & Retain.

### Future Scenario :

If you think I am pointing a bleak scenario, let me assure you, I am Not. Like every successful businessman, I am an optimist who firmly believes that the Future is Brighter than the Past. Your company with its conservative approach, and having presence in many verticals of real estate business – Residential, Retail, Commercial Office Space, Techparks, SEZs, Hospitality – is in a better position to weather the storm and face the cyclicalities of business. During pre-IPO 'road shows' with investors in December 2007, I was constantly asked why we didn't have large land bank like many other Developers and why we are not a Pan-India developer? My standard answer was and is that we are having quality land bank to meet our requirements for the next 5-7 years. In addition, we follow the development model as in the mature markets of Western economics, and the claim of Pan-India presence by many

Developers is more a fashion statement than a fact. Till now, there is no Pan-India developer who has successfully completed projects across the country. Some of the developers may have plans and intent. Actual performance is yet to be seen. For that matter, even in developed countries like USA, UK or Japan, there is no Pan-America or Pan-Britain or Pan-Japan developer. Even very large Developer companies have regional concentration. Surprisingly, the same investors & fund managers who questioned our model during December 2007 road shows, appreciated & concurred with our strategy during May 2008 road shows in New York, Boston & London.

### Corporate Social Responsibilities

Apart from a number of smaller initiatives, and forming against many odds, the further extension of 24<sup>th</sup> Main JP Nagar, Bangalore, which is now named Brigade Millennium Road at a cost of Rs.350 Lakhs, a major CSR initiative of Brigade is that of promotion & supporting Brigade Foundation - a Not for Profit Trust. One of the objectives of Brigade Foundation is to provide quality education. In its 4 years of operation since 2004, it has performed commendably. The Brigade School has 1000+ students from nursery to Standard XII in the CBSE curriculum. The first 2 batches of Standard X came out with flying colours by securing 100% 1<sup>st</sup> class results in 2007 & 2008, with a majority securing distinction. The Brigade School has plans of starting a section for non-paying students from economically weaker section category. In addition, The Brigade Foundation will be starting new schools in Whitefield & Malleswaram in the coming years. I commend the staff of The Brigade School led by their Principal & the Chairperson for their outstanding performance.

### Acknowledgements :

As I come to the end of my speech, I would like to acknowledge the support, co-operation, & services of various people. Firstly my Board of Directors who have supported & helped me steer the company. My thanks to the entire team of Brigadiers for their dedicated service without which it would have been impossible to achieve whatever we have done. My sincere thanks to our Bankers who have put their trust in our abilities. To the various officials in the civic authorities & government for their co-operation. To our Consultants, Contractors & business associates for their understanding & contribution. Last but not the least, to you Shareholders for your faith in the company A BIG THANK YOU from the bottom of my heart !

Thank you all.

Jai Hind !

