Mindspace Business

Operator: ...and welcome to Mindspace Business Parks REIT earnings call for Q2 FY27 financial results. Please note, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. With that, I hand over the call to Mr. Shravan Kailasa from Mindspace Business Parks REIT. Thank you, and over to you.

Shravan Kailasa: Good morning, everyone, and thank you for joining the earnings call for Q2 FY27 for Mindspace Business Parks REIT. At this point, we would like to highlight that management may make certain statements that may be forward-looking in nature. Please be advised that our actual results may differ materially from these statements. We do not guarantee these statements or results and are not obliged to update them at any point in time. I would now like to welcome our CEO and MD, Mr. Ramesh Nair; CFO, Ms. Preeti Chheda; and Mr. Govardhan Ghelda, Head of Corporate Finance, who will take you through the business updates and financial performance during the quarter. We will then open the call to a round of Q&A. I will now hand over the call to Ramesh.

Ramesh Nair – CEO & MD: Thanks, Shravan. Good morning, everyone, and thank you for joining us. Q2 has been another strong quarter for us. We delivered our highest distribution of 6.67 per unit, which is a 14.4% year-on-year increase. Our NOI grew by nearly 32% year-on-year to 836 crores. On a like-to-like basis, our NOI grew around 16.8%.

Our leasing momentum has continued. We achieved leasing of 1.6 million square feet. This has taken our committed occupancy to a record 96.1% on a like-to-like basis. Including the acquisitions which we did in H1, our overall portfolio committed occupancy today stands at 93.8%.

I am happy to inform you that 10 of our 16 assets are now operating at over 96% occupancy, with seven of them at a perfect 100% occupancy.

The quality of the portfolio is also showing up in its value. Our GAV is now approximately 55,200 crores, up 16% since March. This includes the addition of the Chennai acquisitions and also reflects the rising rentals in the various micromarkets in which we operate. Consequently, the NAV per unit rose 7.2% to approximately 565 per unit.

Today, I will cover four things: the market, where our growth is coming from, the experience in our parks, and how we are building the wider platform. Preeti will then take you through the financial performance.

Let me start with the market, where demand has held up well. The macro backdrop stayed unsettled through the quarter. Tension in the Gulf kept oil prices firm, and the rupee remained under pressure. After the quarter closed, the RBI raised repo rates by 25 basis points, its first hike since February 2023. But on the ground, office demand tells a very different story.

Calendar year Q2 saw a mid-year pause. In calendar year Q3, the deals that had slipped got closed, and deferred decisions came through. JLL puts calendar year Q3 gross leasing at about 23 million square feet, up 41% on the previous quarter and the strongest quarter of the year. JLL, Cushman, and CBRE all reported the strongest first nine months on record, at 61 to 66 million square feet of

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gross leasing. It is not just the deals being signed. JLL also reports record net absorption of 42 million square feet in the first nine months of the calendar year. Occupiers are moving in and adding headcount, obviously.

GCCs remain the anchor. They took 42% of leasing in the quarter, according to Cushman & Wakefield. JLL and CBRE both put GCC leasing at a record 26 to 28 million square feet in the first nine calendar months, and JLL expects GCCs to beat last year's full-year record. Global firms are increasingly building their AI development and operations teams in India, and GCCs are taking more space to do it. BFSI had its strongest quarter ever, according to JLL, and Cushman & Wakefield named it the single largest demand driver.

Hyderabad was once again one of the standout markets. It accounted for 30% of national volume in calendar year Q3, according to Knight Frank. In spite of supply picking up in some micromarkets in the country, many prime business districts remain in single-digit vacancy. In Mumbai, JLL reported vacancy at a 16-year low. Rents are rising, and occupiers are obviously paying for quality. For global companies, India's cost advantage remains compelling, and our infrastructure and talent keep getting better. Estimates may vary across IPC research reports, but the direction is consistent: demand is healthy, and it is concentrated in the segments and cities where we have our strongest presence.

Now let me turn to where our growth is coming from. With most of our parks already full, growth will come increasingly from four sources: rental growth through contractual escalations and mark-to-market realization within our existing portfolio, leasing up of our Chennai and Airoli assets, new development within our established parks, and acquisitions from sponsors and third parties.

Let me take each one by one. First, rental growth and mark-to-market within our existing portfolio. Our portfolio in-place rent is approximately Rs.81.50 per square foot per month. That gives us mark-to-market potential of about 23%, and we are capturing it. Re-leasing spreads this quarter were 24%. Rents on this quarter's deals were also ahead of our own business plan. At Mindspace Madhapur, we pre-leased approximately 219,000 square feet in B8 to a global biotech GCC at Rs.133 per square foot per month. B8 is now 91% pre-leased at an average rent of Rs.117, and the balance 9% would be signed any day now. When we started redeveloping this building, we were expecting around Rs.90. Madhapur itself is at 98.6% occupancy, with only about 160,000 square feet available across 20 buildings in our 12 million square feet park. In Airoli, recent deals are now being signed at approximately Rs.70 to Rs.80 per square foot per month, with one recent deal even touching Rs.85 per square foot. That tells you where the micromarket is heading. I am also happy to share that Equinox Worli is now 100% leased. This quarter, we signed a lease at Rs.365 per month, the highest rent we have achieved in the Ascent asset. Some of you may remember that we had underwritten this asset at Rs.325. That is what quality CBD space commands in Mumbai today.

Let's look at the second aspect: leasing up. In Chennai, we have had a great start. Our recent Chennai acquisitions comprise 1 Radial and Commerzone Pallikaranai, two high-quality institutional campuses of approximately 2.6 million square feet each on Chennai's PTR corridor. Since July, we have leased approximately 550,000 square feet between Rs.85 and Rs.90 per square foot. That is also ahead of the rents we underwrote at acquisition. This includes approximately 4.6 lakh square feet at 1 Radial with a leading European BFSI GCC. This took 1 Radial's committed occupancy from

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57% to 75% in a single quarter. Commerzone Pallikaranai has also moved up to 77.5% occupancy with a recent deal at Rs.90 per square foot. We are also on the verge of closing another deal at Rs.93. We remain confident of leasing these buildings by March-April 2027.

Third, on the development front, we continue to build where the demand is. We have 6 million square feet under construction out of our 8.7 million square feet pipeline. Of this, 3.2 million square feet is due for delivery by March 2027: B8 in Madhapur; B1 in Commerzone Pallikaranai, where we are tracking ahead of schedule in terms of construction and getting the OC; and our next data center at Airoli. That will take our completed portfolio from the present 37.7 million square feet to 41 million square feet.

Starting with Hyderabad, our first redevelopment project, P1 at Madhapur, is now complete. We have received the occupancy certificate. This is a 1.5 million square feet building fully leased to a global banking GCC. The client has finished its fit-outs, and rentals commence from January 2027. P1 is the blueprint for what will come next. We are currently evaluating further redevelopment opportunities in Madhapur, building on the successful delivery of our first redevelopment project. At Building 8, facade and finishing works are underway, and we expect the occupancy certificate to come in Q4 FY27. At B18, foundation work is underway using precast construction. B18 is pre-leased, as some of you know, for a Ritz-Carlton hotel. The Pearl Club within Madhapur has completed trial operations and opens to members this month. It is part of our strategy to build mixed-use ecosystems with integrated amenities.

Now let's move to Navi Mumbai. In Airoli East, committed occupancy has improved to 85%. At B17, foundation work is underway for a 900,000 square feet mixed-use development: a 300,000 square feet Hyatt Regency hotel, which is pre-leased, and the 600,000 square feet office block. We are also evaluating further data centers at Airoli. At Airoli West, which is at nearly 97% occupancy, we have submitted plans for a new building, B12, comprising approximately 1.1 million square feet of new office space, and work for B12 is expected to start next quarter. Our experience of delivering and operating large business parks gives us the confidence to keep investing in building new capacity.

Our data center business in Navi Mumbai also continues to scale. Mindspace remains the only REIT listed in India with a data center portfolio. Two data centers are operational in Airoli West. The third is due in March 2027, followed by the fourth in July 2027, and the fifth in December 2027.

And finally, Pune. In Commerzone Yerwada, we have started work on B9, a new 400,000 square feet office building. Alongside it, we are starting work on the 200,000 square feet hotel, which is again pre-committed.

Fourth, let's look at acquisitions, starting within our own parks. We continue to consolidate third-party ownership within our campuses. This quarter, we acquired another approximately 150,000 square feet across Pune and Madhapur. At Madhapur, we acquired 1 lakh square feet in Building 10, giving us full ownership of office space in that building. Cumulatively, we have now acquired 800,000 square feet of strata-owned space within our parks. This gives us better control over asset management, makes redevelopment a lot easier, and provides room to unlock more value from parks we already know very well.

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Looking outside our parks, the acquisition pipeline is strong. Our sponsor has an active development pipeline of 20 million square feet across various stages, providing a strong pipeline for future growth. Beyond the sponsor pipeline, we are also seeing a healthy flow of high-quality assets come to the market as several institutional funds approach us as the end of their fund lives nears. We continue to actively evaluate acquisition opportunities.

Ramesh: ...that are accretive to unit holders and will strengthen our presence in our core markets.

Growth is one part of the story. Keeping our tenants is the other, and that starts with their experience in our parks. Our parks are where our tenants spend their working day, and we keep investing to make that day better. It starts with how our parks are run. From July 1, we transitioned to our new facility management partners, which include firms like JLL and CBRE.

We are also continuing to upgrade our parks. This financial year, we plan to spend 250 crores on base-build upgrades and another 140 crores on MEP upgrades. At Airoli East, the upgrade program is nearing completion, and new F&B additions are strengthening the campus experience. In Pune, we opened a new food court in Commerzone Yerwada Building 1, adding more dining options within the campus. In Mindspace Madhapur, we have completed certain road extensions, making traffic movement smoother, and in Ascent Worli, the pickleball and paddle courts are now operational. Hospitality is becoming a bigger driver of what we offer. Membership drives for the Pearl Club are underway, and Ascent Residences, our apartments in Worli, are shaping up well, which will start operations {? next quarter ?}.

Beyond the physical space, we have also moved from one-off events to year-round tenant engagement. An engaged workforce makes for a loyal tenant, and that supports retention. We held IPC meets in Hyderabad and Chennai, engaging 300-plus IPC broker partners of ours, and we are also the title sponsors for the Chennai Night Run, where we have gained city-wide visibility in the market.

Let me now turn to the wider platform, starting with sustainability. The Science Based Targets initiative validated our near-term, long-term, and net-zero targets, reinforcing our commitment to be net-zero by 2042. In the 2026 GRESB assessment, we scored a perfect 100 for development and 94 for standing investments. We earned 5-star ratings in both for the fourth consecutive year and were named sector leader in both. Mindspace Airoli East received the IGBC Green Landscape Gold rating. This is the first for any REIT in India. One Radial received the IGBC New Building Platinum rating. We were also recognized at the Sustainable World Awards 2026 for data- and technology-driven ESG transformation.

Our people and our brand are evolving with our portfolio. We are proud to be named among India's top 50 best places to work for women 2026 in the mid-size category by Great Place to Work. We are investing in capability building at every level, from front-line customer teams to experience managers, with a strong focus on technology and AI.

Today, our campuses go well beyond offices, integrating workspaces with hotels, clubs, restaurants, F&B, recreation, wellness, and landscaped spaces to create richer, more engaging environments for occupiers and their employees.

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Finally, a word on AI. Last quarter, we walked through how we use AI across finance, legal, and compliance. Those tools are now part of how we close every quarter, from rent-roll conversion and regulatory checks on our filings to automated SEBI and MCA monitoring. On the demand side, our view has not changed. We are not seeing lease tenures shorten or pre-commitments fall. We believe AI will add to office demand, not reduce it. We will get new occupiers, growing data needs, and a stronger case for quality workplaces. Our job is to make sure our parks are ready for that.

Let me close with where we go from here. Most of our portfolio is already full. From here, growth comes from within it. We have 3.2 million square feet due for delivery by March. B12 at Airoli West will add another 1.1 million square feet to a park that is already 97% occupied, and demand is there. We are tracking around 9 to 10 million square feet of active RFPs across our markets. Our approach does not change: build where occupiers want to be, lease well, and keep the balance sheet strong.

Thank you for your continued confidence in Mindspace REIT. I will now hand over to Preeti for the financial update.

Preeti: Thank you, Ramesh. Good morning, everyone. We continue to deliver strong financial performance backed by strong operating performance. Our NOI grew 13.9% year-on-year to 8.4 billion, driven, among other things, by effective portfolio management, healthy office demand, which has aided leasing and rentals, and contributions from new acquisitions. Our like-to-like NOI grew almost 17% year-on-year in Q2 FY27, reflecting the strong organic growth within the portfolio. Revenue from operations for this quarter increased almost 13% year-on-year to 10.1 billion, crossing the 10 billion mark.

Within the existing portfolio, we have a development pipeline of 8.7 million square feet. Of this, about 5 million square feet will be delivered by FY29. So this, together with the lease-up of vacant space, contractual escalations, MTMs, and contributions from our recent completions, will all add about 17 to 18 billion of NOI over the next 3 years.

We have also demonstrated a consistent track record of healthy distribution growth, with double-digit DPU growth for several quarters now. This quarter, our distribution grew a healthy 14.4% year-on-year to INR 6.7 per unit, taking our cumulative distribution since listing to INR 126 per unit, in addition to the capital appreciation, reflecting the value of the underlying portfolio.

On the September 2026 valuation update, the GAV of our portfolio increased by approximately 16% from March 2026 to around 552 billion. This includes our Chennai acquisitions as well as strata acquisitions, which we completed during the first half. Our NAV increased by a healthy 7.2% from Rs.527 per unit in March 2026 to INR 565 in September 2026. This again reflects, among other things, the 1.8 million square feet of additional development potential identified in Airoli, Navi Mumbai, and Pune, together with rental growth across our markets, particularly Hyderabad and Navi Mumbai, rising occupancies, and the recent acquisitions.

Moving to the balance sheet, we continue to maintain a prudent balance between leverage and growth. Our loan-to-value stood at 29.1% as of September 2026, providing us with sufficient balance sheet flexibility to pursue our growth opportunities. Our cost of debt remained broadly stable sequentially at 7.4% per annum, though we expect borrowing costs to move up in the quarters to come, amid elevated crude oil prices, rising inflation, and consequent tighter global and

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domestic monetary policies. Against this backdrop, we expect our cost of debt to increase by approximately 25 bps by the end of this financial year. Needless to say, FY28 could see a further increase depending on how the macro factors unfold.

However, we do not expect this increase in borrowing costs to have any material bearing on our NDCF, and that is largely because of two reasons. As all of you know, the recent tax amendments enable REITs to move to the new tax regime without losing the distribution tax exemption in the hands of the unit holders, while also allowing the carry-forward of MAT credit for utilization in future years. Mindspace REIT asset SPVs have decided to opt for the new tax regime. This helps us reduce our tax from 35% to 28.6% for the larger SPVs, and will also help utilize almost 90 crore of MAT credit, which can now be carried forward. Tax savings from this transition to the new tax regime should offset the anticipated increase in interest costs, leaving our NDCF mostly unaffected.

Secondly, the recent RBI amendment permitting banks to lend to REITs offers us a new avenue for raising debt capital, which could help optimize our funding cost. Currently, we have about 60% of our debt fixed and 40% variable. We will keep altering our fixed and variable debt mix opportunistically to optimize our borrowing cost.

To conclude, we remain focused on disciplined capital allocation across asset upgrades, redevelopment, new developments, and acquisitions. Our objective remains clear: to drive sustainable distribution growth and maximize long-term returns for our unit holders, while maintaining a prudent balance sheet and a robust governance framework. With this, I hand over the call to the operator to open the floor for questions. Thank you, everyone, and happy Diwali.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participants tab on your screen. We request participants to restrict themselves to two questions each and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a few minutes until the question queue assembles.

We will take our first participant. We have Karan Khanna of Ambit Capital. Please go ahead with your question.

Karan Khanna, you can unmute your microphone and go ahead with your question now.

Karan Khanna – Ambit Capital: Hi. Am I audible?

Operator: Yes.

Karan Khanna – Ambit Capital: Thanks for the opportunity, and congratulations on continued NOI growth and sustained high occupancy across most parks. First question to you, Ramesh. Your portfolio is increasingly tilting more toward GCCs, while third-party IT and ITES exposure has reduced. So, are these GCCs still taking larger blocks and committing for longer tenures, or are AI-related productivity gains beginning to affect the size of their space requirements? As a follow-up, can you share the latest tenant mix by rental income, rather than only by area, and talk a bit about any material concentration risks by tenant or sector?

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Ramesh: [pause] The GCC mix today, from an area perspective, is 52%. This has obviously gone up. Two years back, this was around 48%. Domestic tenants continue to be around 24%, and we have seen IT services drop from 25% to 21%. So, the 4% drop in IT services has been captured by the 4% increase in GCCs. In terms of rentals, the rental revenue share is again 52%. So, that is in line. Even if you look at our top 10 clients today, they account for less than 30% of our portfolio. We have big GCCs like British Petroleum, Qualcomm, J.P. Morgan, and Hitachi, all of them in our portfolio. So, the GCC portfolio is increasing.

And your question about whether the sizes of GCC requirements are reducing: we have not seen that. Incidentally, we have seen sizes actually go up in markets like Hyderabad, where I saw research which said that out of the 100 new GCCs that came to India, around 45% of them went to Hyderabad, and there are massive RFPs—4 lakh, 5 lakh, and 7 lakh square feet—in these markets. We have been big beneficiaries of that. So, I have not seen any reduction in the size of RFPs within the GCC world.

Karan Khanna – Ambit Capital: Sure. My second question, Ramesh, is on the 3.2 million square feet slated for delivery in Q4, across B8 Madhapur, B7 Airoli West, and Block 1 Pallikaranai. Will rents start commencing from Q1 FY28 itself, or is there a slight lag in terms of when they start contributing to the NOI? As a follow-up, how much of the 17-18 billion of 3-year organic NOI growth ambition is already secured by pre-leases, and how much is still dependent on future lease-ups? And lastly, there was also a slide on the sponsor pipeline, which is not there in the Q2 presentation. While you spoke about the active sponsor pipeline of 20 million square feet, are any of the sponsor assets currently under active consideration?

Ramesh: That is a lot of questions, Karan. So, let us start with rent commencement. In Madhapur, the B1 building, which is fully leased to a global banking GCC, has staggered start dates. In January 2027, around 43% of the rental starts. In April 2027, around 24% of the rental starts. Then, in January 2028, another 33% of the rental starts. So, that is for B1.

In terms of B7 and B8, more or less the full building is leased except for the last floor, which, as I mentioned, is going to be signed any moment. Around 52% of leases for B7 and B8 will start in October 2027. Around 30% will start in March 2028, and the balance will start partly in early 2028 and partly in mid-2028, I guess. So, those are the rent start dates.

For our data centers, as I mentioned, rentals will start immediately: one data center in March, another data center in July next year, and another data center in December. So, these are the rentals coming next year.

Regarding the sponsor pipeline, we actively look at various assets that the sponsor is developing. Right now, the sponsor has some very high-quality assets within Mumbai, Hyderabad, and Pune. So, we will continue to look at them. There are active discussions right now.

Karan Khanna – Ambit Capital: Great. Thanks, Ramesh and Preeti, and greetings to the entire team for the festive season.

Ramesh: Just one more point. 3.7 million square feet out of the 6 million square feet under construction is pre-let, so there is zero leasing risk.

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Karan Khanna – Ambit Capital: Yes.

Ramesh: For that 3.7 million square feet.

Karan Khanna – Ambit Capital: Great. Thanks, Ramesh.

Ramesh: Thanks, Karan.

Operator: Thank you. Moving to our next participant, we have Yashas Girdhanchi of DAM Capital Advisors. Yashas, please go ahead.

Yashas Girdhanchi – DAM Capital Advisors: Good morning, team. Thank you for taking my question. Please help me understand the size of the opportunity you see for the acquisition of third-party assets, more specifically the institutional assets coming into the market. How many of these assets are well placed to fit into Mindspace's portfolio, perhaps in million square feet? What kind of cap rates are they being priced at? At what cap rates do you think they are attractive to you? What would make you consider acquiring these assets versus sponsor assets?

Ramesh: In my 27 years in commercial real estate, I have actually never seen so many institutional assets come up. We are looking at some really good opportunities. Obviously, it has to make sense from a cap-rate point of view. I think today's cap rates for prime CBD trophy assets would be in the 7% to 7.25% range. Non-CBD assets should be in the 7.7% to 8% range. If they come close to those levels, we will look at them.

We are present in every asset that is being offered, especially after all the acquisitions of more than 10,000 crores that we have done in the last 2 years. So, we keep looking at them. Cap rates obviously have to make sense, including in the increased interest-rate environment. We do not miss out on any deal in the market that is available. We spend time, evaluate it, and have a very strong team that studies these assets. Then we take a call on whether to proceed or not.

Yashas Girdhanchi – DAM Capital Advisors: Got it. Thank you very much.

Operator: Thank you. Requesting participants to please click on the raise hand icon from the participants tab on your screen if you wish to ask a question. We will take our next question from Pritesh Sheth of Axis Capital. Pritesh, you can go ahead now.

Pritesh Sheth – Axis Capital: I hope I am audible, and thanks for the opportunity. My first question is on the Chennai assets and the strong leasing since the time we acquired them. How does the outlook now stand in terms of leasing? Would you be able to lease them out fully by the end of this financial year? In terms of rentals, I think you quoted around Rs.93 for an upcoming deal being discussed for Commerzone Porur. Please correct me if I am wrong, but overall, how do you see rentals catching up there for future leases?

Ramesh: It has played out perfectly. I remember some of you asking us after the Chennai deals. I remember that in February, the market was leasing at around Rs.72-Rs.73. Our strategy of controlling supply in that market by picking up two acquisition opportunities has played out exactly the way we wanted it to.

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The first deal was done at Rs.85, then we did deals at Rs.87, and we are doing deals at Rs.90. Now we are close to signing a deal at Rs.93. That is exactly how it has played out. Every time we do a deal, we try to increase the rent by Rs.1, Rs.2, or Rs.3, depending on the client profile and the size of the requirement.

What has worked in our favor is that in Chennai today, DLF, which is not very far from us, is also in the OMR 1 stretch and is quoting Rs.150 today. That is helping us. Other players in the market, such as Sattva and Bagmane, are also quoting three-digit numbers, which is also helping us in this market.

As I mentioned in my speech, we hope that the completed Chennai assets—whatever is completed right now—will get leased up by around the March-April timeline. Then, starting next quarter, we will focus on B1, which is going to be ready. That is around 12 lakh square feet. We will start focusing on that, and we have already started getting inquiries for it.

Pritesh Sheth – Axis Capital: That is helpful. My second question is on the valuation report. There is no change as of now in WACC and cap rates. But is there any discussion or risk that you immediately see when we conduct this exercise again in March in terms of an increase in WACC and cap rates? Would that offset the rental growth that we are seeing in our portfolio?

Ramesh: It is a little early to say regarding cap rates. They remain at 11.75% and 13% for the relevant rates, and cap rates of 7.5% and 8%. We have left those unchanged. But I am seeing an upward trend in rentals in many markets because hardly any new supply is coming up. I was reading the latest JLL report, which said that relevant vacancy is less than 10%, with many cities seeing their lowest vacancy numbers in 15 years. That is helping us. We expect rentals to go up in March. It is too early to talk about WACC and cap rates for March now.

Preeti: Just to add on the WACC and cap rates, if you look at the trend over the last 6 years, it is not the case that with every increase or reduction in interest rates, valuers keep moving the rates. They generally wait for a reasonable period to see where interest rates are headed and then take a call on the WACC accordingly. We will have to wait a little to see in which direction they are going to move, because these are long-term rates that are being factored into the valuation.

Ramesh: And again, Pritesh, in Hyderabad, I think the rental valuations are done at 110. We have done deals at, as I mentioned, Rs.133, while our current rental in the portfolio is 81. That shows the overall market mark-to-market opportunity.

Pritesh Sheth – Axis Capital: Sure, that is pretty helpful. That is it from my side. All the best, and season's greetings to everyone on the team. Thank you.

Ramesh: Yes.

Operator: Thank you. We will take our next question from Abhinav Sinha of Jefferies. Abhinav, please go ahead.

Abhinav Sinha – Jefferies: Hi, and thanks for the opportunity. I have a couple of questions. Firstly, Preeti, on the increase in interest rates that you were talking about, what is the estimate that you have taken while saying that 25 bps is the likely increase in the cost of capital by March? Are you

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expecting the benchmark rates to move up further?

Preeti: Abhinav, we have given that number on a very conservative basis, assuming two more rate hikes in this financial year. If we have two more rate hikes beyond what we have seen recently, then we expect the cost to go up by 25 bps. This is from a conservative perspective. If that does not happen, then of course we will save something.

Abhinav Sinha – Jefferies: Is it fair to assume that for every 100 bps hike, we will have roughly 50 bps of transmission in your portfolio? Is that a fair assumption on an annualized basis?

Preeti: No. I think it will be a little lower than that, because not everything is affected. Almost 60% of our debt is still fixed, and we will have some refinancing during the rest of the year and, of course, next year as well. So, I do not think the impact will be that much.

Abhinav Sinha – Jefferies: The trajectory we are seeing in DPU, north of 10%, is more or less repeatable, at least in the immediate future—over the next 2 or 3 quarters?

Preeti: We do not give guidance, but that is what we have maintained for so many quarters.

Abhinav Sinha – Jefferies: Sure.

Preeti: We hope to.

Abhinav Sinha – Jefferies: Ramesh, just a question on supply. You were hinting that there are some micromarkets where supply is going up, but you are not seeing the impact, at least right now. Can you please highlight your thoughts on supply and which areas could be more at risk from a medium-term perspective?

Ramesh: Abhinav, we looked at the 37 micromarkets in the country. Over the next 2 or 3 years, we studied which micromarkets could face an oversupply situation. There are markets such as Hyderabad Financial District, where we have an exposure, but there is hardly any space left for us to lease. On Mount Poonamallee Road, in 2 or 3 years, there could be a little oversupply, but again, our assets are 100% full.

Mumbai CBD, with a lot of supply coming up in BKC, Mahalaxmi, and other areas, is one of those markets where we could see a little oversupply. But again, our exposure there is 100% occupied. There are 6 or 7 such micromarkets.

Over the years, Abhinav, what I have seen is that in the last 25 years, I have seen supply being significantly greater than demand in only 4 years. Otherwise, demand has always been greater than supply, or demand has been the same as supply. Those 4 years were one year after the dot-com bust, one year after the GFC, and the 2 COVID years.

Otherwise, we have always seen this situation, and developers typically slow down supply if they see a lot of supply coming up. They do so, and that again helps neutralize the market. I would not worry about supply too much right now.

Abhinav Sinha – Jefferies: Great. Thanks, and all the best to the team.

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Operator: Thank you. We will take our next participant. We have Sumit Kumar of JM Financial. Sumit, you can go ahead now.

Sumit Kumar – JM Financial: Good morning. Am I audible?

Operator: Yes, sir.

Sumit Kumar – JM Financial: Thanks for the opportunity. My question is on the income support mentioned in the presentation. If you could give us the quantum of income support for the quarter. Given that leasing in Chennai has typically happened at or above the underwritten rate, we do not see any risk there. But is there a possibility that this winds down and there is a loss of NOI, perhaps in Mumbai? How do you see that situation?

Management: Sumit, on the income support, the quantum for this quarter is about 17.5 crores. As you may recall, we had taken income support for the Porur asset for two of the buildings, and also in the JP Morgan asset in Kalina, which is below the current market rent. So, the income support is coming from these two assets and amounts to 17 crores during the quarter.

Ramesh: In terms of leasing, I do not see much risk there, Sumit, given that there is hardly any supply in the preferred micromarket in Chennai. So, I do not see any risk. For B1, again, we are starting to see decent inquiries—100,000 and 200,000 square feet kinds of requirements from headquarters we are talking to, so there is not much to worry about.

Chennai, unlike Hyderabad, is not a pre-leasing market. The teams have done a good job of finishing the building earlier. Hopefully, we will get the OC by January and then actively start pushing it in the market.

Sumit Kumar – JM Financial: That is helpful. My second question would be on the LTV. It stands at close to 30%. The capex we have over the next 2–3 years is quite considerable. How do we see that moving? Do we expect significant additions from the deliveries we make over the next 12 months? How will that LTV number move?

Preeti: Factoring in the capex, I believe it will still be around these levels. I do not see it moving because portfolio values also keep increasing and we will keep developing. The developments will start completing. So, we do not see that happening unless we are doing an acquisition. Then, of course, it can move to that extent, but otherwise it should remain at these levels.

Sumit Kumar – JM Financial: Understood. One last question: what would be your target end-FY27 occupancy for the portfolio?

Ramesh: We are looking at target occupancy of around 97%. B1, again, was originally expected to be ready around April, but it now looks like the OC will come in January–February. So, there will be a little drag on occupancy in the last quarter, but that will not have any reflection on NOI growth or DPU growth.

Sumit Kumar – JM Financial: Thank you for your patience, and all the best. Happy Diwali to you.

Ramesh: Thank you.

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Operator: Thank you, Sumit. We will take our next question. We have Satyender Bedi of {? Eon Info Investments ?}. Satyender, you can unmute your microphone and go ahead now.

Satyender Bedi – Eon Info Investments: Thank you for the opportunity. Congratulations on another set of great results. Preeti, I must appreciate the data book that you put out in Excel form. I think that is great corporate governance. Congratulations for that.

I have a couple of questions. First, Ramesh, you said that 3.7 million square feet of the 6 million square feet under development is pre-let, so there is not much risk there. I wanted to understand the commitment from the lessee in terms of the pre-let. What kind of security deposit or commitment has the lessee put on the table for us to feel comfortable that, should market dynamics change quickly, the lessee has enough skin in the game? That is one question.

Ramesh: Satyender, typically what we do is charge around 6 months of security deposit. We ensure that tenants pay 3 months when we sign a binding MOU, and the balance 3 months come at the time of the lease agreement, which is the final contract when they register the lease deeds and so on.

It is not just about signing contracts, Satyender. We do a lot of due diligence on our tenants and their financial capability. We study their pattern of growth. I was shocked recently. There is a huge 900,000 square feet deal that we did in B8, and I had not heard of that company. But when we checked, it was a $100 billion company. Another deal we did in Hyderabad was with a company I had not heard of; it is a $60 billion company. Another deal we did in Hyderabad was with a company I had not heard of; it is a $50 billion company.

We check many things. For every tenant we deal with, our finance team conducts a detailed check. Only after that do we enter into a contractual commitment. These are all large global corporations, and it is not just the security deposit that is at play.

Satyender Bedi – Eon Info Investments: That helps. Second, you have done very well in terms of setting a pace of double-digit DPU growth, which is a good aspiration for a REIT product. Given that there is enough development pipeline in buildings and data centers, which will keep us busy and probably assist this double-digit growth for the next 12 to 24 months, would it be a good idea to go slow on acquisitions given that interest rates are expected to remain higher for longer? From a timing point of view, this might not be the best thing to do, especially since we already have a lot of organic, high-IRR activity going on.

I also wanted your thoughts on whether there is any particular micromarket that you would like to be in where we are not currently present. You have entered the right markets, including the Pune micromarkets, but is there any one micromarket where Mindspace would like to be present?

Ramesh: Satyender, that is a good question on double-digit DPU growth. I was just checking the numbers. This quarter, obviously, DPU growth was 14.4%. But in the 3 quarters before that, we again delivered 20%, 16%, and 18%. Over the last 1 year, if you look at DPU growth across all the quarters, it has been around 14%. Over the last 3 years, we have again delivered absolute DPU growth of 39%.

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On acquisitions, we do not want to acquire just for the sake of acquiring. It has to be accretive on all fronts. We are actually looking at expanding our footprint in the 4 markets where we already have a presence. We look at quality, tenants, and whether it will help unit holders from a distribution and DPU growth point of view. We typically discuss mainly with institutional sellers where there are good infrastructure improvement opportunities within the micromarket as well. Those are the things we typically look at. But it is a good point that you have mentioned about looking at future acquisitions.

Satyender Bedi – Eon Info Investments: Thanks. Finally, Preeti, what are the components of the working capital change of 103K million in the NDCF waterfall? Could you amplify that?

Preeti: That is largely security deposits. There is, of course, routine working capital, with current assets and current liabilities that keep moving. That is how the composition works.

Satyender Bedi – Eon Info Investments: What component is security deposits, approximately?

Preeti: That is almost 50 to 60 crore.

Satyender Bedi – Eon Info Investments: Fine.

Preeti: Then, of course, there is some advance payment of property taxes and so on.

Management: Satyender, interestingly, this correlates to the question you asked. Some of the deposits are coming from the pre-commitments that the tenants have made.

Satyender Bedi – Eon Info Investments: I understand. This does provide a tailwind to DPU growth. The way you are growing is a great thing. Thank you. You have delivered great execution. My only point is that the execution has been so good that sustaining 15% growth for this kind of a product is not easy. All the best to you. Thank you.

Preeti: Thank you so much, Satyender.

Operator: Thank you so much. Ladies and gentlemen, we will take that as the last question. I will now hand it back to management for closing remarks and the vote of thanks. Over to you.

Ramesh: Thank you, everyone, for attending the call, and a very happy Diwali.

Preeti: I wish you all a very happy Diwali. Thank you so much for joining.

Operator: Thank you so much. Ladies and gentlemen, as we take your leave, on behalf of Mindspace Business Parks REIT, that concludes today's conference call. Thank you all for joining us. You can now click on the leave icon to exit the meeting. Thank you all for your participation.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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