"Mindspace Business Parks REIT Q4 & Full Year 2024 Earnings Conference Call"

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(This document has been edited for clarity and accuracy wherever required)

Moderator: Welcome to the Mindspace Business Parks REIT Earnings Conference Call for Financial Results for the Quarter-ended March 31st, 2024.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Garewal. Thank you. And over to you, sir.

Nitin Garewal: Good evening, everyone, and thank you for joining the Q4 and Full Year Earnings Call of Financial Year 2023-24 of Mindspace Business Parks REIT.

At this point, we would like to highlight that the 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. Mindspace REIT does not guarantee these statements or results and is not obliged to update them at any time.

I would now like to welcome our CEO – Ramesh Nair and our CFO – Preeti Chheda. They will first walk you through the "Business Update and the Financial Performance during the Quarter and Financial Year." We will then open the Call to Q&A. I will now hand over the call to Ramesh.

Ramesh Nair: Thanks, Nitin. Hi, everyone. A very good evening to all of you.

The India office market continued its strong performance in the previous quarter, which is the 1st Quarter Calendar Year '24. At Mindspace REIT, we demonstrated a very resilient business performance. As market conditions continue to improve, we are very well positioned to deliver strong and profitable growth. I would like to highlight some key IPC reports on the Indian commercial real estate sector that I came across over the last month or so. I was looking at the JLL report, which stated that gross leasing reached 15.16 million square feet in Q1 2024 calendar quarter, which is an increase of 14% year-on-year. This is the second highest gross leasing ever recorded in the 1st Quarter of any year as per JLL. This also marks the third consecutive quarter where gross leasing has crossed the 15 million square feet mark. Net absorption also went up 11% year-on-year. The main forces behind this according to JLL have been domestic occupiers. The quarter set a tone for India's office market to reach and even surpass the past peak levels witnessed in 2023.

JLL report also stated that India continues to be the office to the world. The report also said that the domestic occupiers contributed approximately 53% to the gross leasing activity. The report also spoke about how over the next three to four years, JLL expects market activity levels of over 60 million square feet which was witnessed in 2019 and 2023, and this would become the new normal.

Also, in the second half of 2024, the pace of space take up is anticipated to be significantly better because of the general elections. It also spoke about how gross leasing is estimated to potentially surpass 63 million square feet recorded last year.

I was also checking the CBRE report and the CBRE report spoke about how: 1. Consistent with the trends from the last six quarters, domestic firms dominated quarterly leasing with the share of 47%, 2. Strong demand is expected to persist throughout 2024 and 3. GCCs continue to be demand drivers for the office market.

The Knight Frank report also spoke about how Q1 of calendar year 2024 saw a sustained momentum with transaction volumes growing at a robust 43% year-on-year to 16.2 million square feet. Transaction volumes in Hyderabad as per Knight Frank have scaled up consistently over the last four quarters of 2023 and reached the post-pandemic high of 3 million square feet in Q1 2024. Hyderabad and Bangalore accounted for 75% of all the GCC transactions as per Knight Frank.

The Cushman report spoke about how demand is set for continued strength in 2024. Rental growth is coming back. 2024 is likely to see continued improvement in Indian market conditions, with GCCs and Indian firms anchoring growth. So, all the four big IPC, Cushman, Knight Frank, JLL and CBRE have spoken about a very robust market for Q1 and for the rest of the year. So, good positive outlook for the Indian office sector for the rest of the calendar year 2024.

In March, we hosted an Analyst Meet at Mindspace Madhapur in Hyderabad. Some of you were present there, but for the interests of the larger audience, let me quickly recap some key takeaways. Hyderabad is the second largest tech hub in India. 60% of Hyderabad leasing between calendar year 2020 to 2023, those four years is to GCC. I will just repeat it, 60% of the Hyderabad leasing was to GCCs over the last four years. The average annual net absorption in the last five years in Hyderabad was 7.7 million square feet. This is the second highest average annual absorption in the last five years across India in terms of cities. Hyderabad has a strong GCC presence with more than 180-plus GCCs located there, of which 72% are located in the SBD HITEC City Madhapur area where our park is located. Within Hyderabad, the Madhapur HITEC city area is the preferred office market with the highest absorption. It's incidentally the second largest micro market across India and it also sees the highest rental and share of net absorption across all micro markets in Hyderabad.

And one thing which was quite surprising to note was that there is no further land available within a Hi-Tech City Madhapur area for new development. Mindspace REIT Madhapur Business Park is the largest park in Hyderabad with an occupancy of over 96.4%.

Our park has achieved a 7.6% rental CAGR since listing. It has (100+) large occupiers with 57% of the area leased to GCCs. We have infused modern design elements to not only meet tenant expectations, but also to exceed them. The range of F&B outlets within our park creates a very dynamic environment for our occupiers. Our experience center, which will be ready by mid next year, will be an inclusive ecosystem for all lifestyle needs and is expected to be best-in-class in the country. We're unlocking value through strategic redevelopment projects, which will add 3 million square feet in the park.

We also highlighted our potential ROFO asset, which is 1.8 million square feet opportunity for us, again located in the Madhapur area and is fully leased to Qualcomm. Our Mindspace Madhapur asset was very well appreciated by all the analysts who witnessed it and joined us in Hyderabad.

We also highlighted our growth drivers in the Analyst Meet. For our next wave of growth, we have an organic opportunity of approximately 9.3 million square feet. This includes vacant area lease up of 2.4 million square feet finishing our 4.4 million square feet under-construction projects and future development opportunities of 2.5 million square feet within the portfolio. Of the completed portfolio, our non-SEZ asset portfolio has already reached pre-COVID committed occupancy levels at 96%. Of the balance vacancy of 2.4 million square feet which excludes Pocharam, 1.9 million square feet is in SEZ.

The new floor-wise demarcation guidelines are definitely aiding us in the take up of this vacant space. Last quarter, we demarcated a building called B5 with 4 lakh square feet SEZ space in Airoli. We had already recently completed the upgradation of this asset over the last few months, and we ended up leasing it to a large BFSI tenant in last quarter. So, upgradation, demarcation and leasing, all done. This clearly highlights the strong performance for modern buildings and non-SEZ spaces within the country right now. We have further applied for demarcation of 1.5 million square feet across both our parks in Airoli.

Navi Mumbai is fast becoming a preferred IT and GCC destination with a very accessible talent pool. We expect to lease this vacant space in the next 1.5 years. We looked at what makes Navi Mumbai such an attractive location for occupiers. There is obviously good connectivity, lot of infra developments happening like the Trans Harbor link, the new airport, the new Airoli Katai Naka Road, which is nearing completion, the new metro line, the Kalwa Bridge, all helping in better connectivity to Navi Mumbai. Navi Mumbai is also rated among the top three cities in terms of overall quality of living. It's ranked the third cleanest city, second time in a row as per the survey by Ministry of Housing and Urban Affairs. It also ranked the best in terms of traffic index, which means lesser traffic. It is also one of the most preferred talent hubs for talent availability for BFSI, telecom, media and tech sectors in the country. Navi Mumbai obviously has competitive commercial leasing prices and was also rated amongst the safest cities to live in, in India. We're also looking to divest our non-core asset in Pocharam. This is about 600,000 square feet.

Apart from the 9.3 million square feet organic growth, we also have inorganic opportunity supported by a strong balance sheet. In addition to the Commerzone Raidurg in Hyderabad which is leased fully to Qualcomm and Square BKC 98 in Mumbai which is leased to J.P. Morgan, we also have other ROFO assets which we could consider for acquisition at an appropriate time when offered by the sponsors. Our sponsor also has, I am repeating this, our sponsor also has 15 million square feet of pipeline in the form of assets which are completed or at various stages of development. This is again our potential growth opportunity for us. In addition to sponsor assets, we keep also exploring third-party inorganic opportunity.

Our under-construction assets within the REIT, such as the R2 building in Pune which is a 1 million square feet will be ready by the end of this year. B1 in Hyderabad, which is 1.3 million square feet asset is expected to be ready by mid-2026. B8, which is 1.6 million square feet asset is expected to be ready by 1st Quarter 2027. The second data center in Mindspace Airoli West which is 300,000 square feet. is expected to be ready by early 2025. B17, the mixed-use development in Mindspace Airoli East is 800,000 square feet. asset, again, expected to be ready by early 2027. Our 9.3 million square feet of growth opportunity even at current in-place rents, this is current rents what we're getting, has the potential to generate rentals of another Rs.800 crores. This will be fully done in the next three to four years.

This is my third Earnings Call and in the previous two calls I had given certain guidance which I will share a quick update on. I had said that the occupancy has bottomed out. We can clearly see this and the occupancy has now gone from 86% to 88.6% and excluding Pocharam is 90.6%.

I said that the IT demand is picking up. The last quarter saw a large deal in our Mindspace Airoli East Park with an IT giant this IT services.

I'd also said that the Airoli leasing will pick up, and SEZ reforms will help in this demand. We lease more than 1 million square feet in Airoli in the last quarter, I will repeat it, we lease more than 1 million square feet in Airoli in the last quarter, and we demarcated space of 400,000 square feet. and leased it fully to a BFSI tenant.

Work from office is increasing, which is clearly visible from the physical occupancy. For our portfolio, physical occupancy today stands at 70%. Last quarter I remember mentioning it was 65%.

Now, coming to “Key Highlights of the Quarter and the Full Financial Year ‘24.” On our operating performance, our performance this quarter has been very, very strong. We leased 2 million square feet during the quarter, which is the highest ever quarterly leasing since our listing. Cumulative leasing for FY'24 was at 3.6 million square feet. Excluding Pocharam, our committed occupancy is at 90.6%. Six out of the nine parks have occupancy of more than 95% Gera Commerzone Kharadi, where our occupancy is at 100%, Square BKC occupancy is at

100%, Square Nagar Road, Pune occupancy is at 100%, Mindspace Malad occupancy is at 98%, Mindspace Madhapur occupancy is at 96.4%, Commerzone Yerawada occupancy is at 96.1%.

We achieved a re-leasing spread of 17% on 1.9 million square feet of area re-leased during Q4 FY'24 and 14% on 3.4 million square feet of area re-leased during full Financial Year ‘24. This increased our in-place rent to Rs.69 per month.

We are one of the first commercial businesses to receive approval for demarcation of SEZ space. Navi Mumbai, specifically Airoli, has emerged as the data center hub of India. We are strongly exploring if we can get more data centers into our park using our expertise and experience.

Coming to “Financial Performance of the Quarter,” our financial performance also was very strong with FY'24 NOI excluding one-offs growing at 12% year-on-year and NOI for Q4 FY'24 growing at 9% year-on-year. Our distributions for the quarter stood at 2,829 million or 4.77 per unit. Cumulative distribution for FY'24 stood at INR11.4 billion.

On the improving tenant experience part, I mentioned in the last earnings call that we are also creating a new team called the “Tenant Relations Team.” The head of tenant relations has also just joined us. This team actively engages with our clients, gathers feedback, and refines our offerings to deliver client delight and also works very closely with our asset management team and our engineering team. This aligns perfectly with our values of customer-centricity, change and innovation, efficiency and excellence and being responsible.

We continue to add the finest F&B choices in our parks. We hosted the Mindspace Premier League across all our business parks which kicked off with the cricket tournament, which saw a remarkable participation by 142 client teams. We aim to keep improving our environmental efforts and working closely with tenants, partners and communities on various sustainability projects.

We have achieved 28.9% green energy in the total energy consumption mix for FY'24 of common areas and HVAC for areas controlled by us. Our green building footprint today stands at 99%. Our green certification for existing buildings under operations and maintenance is at 86%. We will invest further in key areas like sustainability and diversity along with equity and inclusion.

As the year 2024 progresses, we expect market conditions to further improve giving the industry a boost. Mindspace REIT will be in the forefront helping define the bright future of work, maximizing stakeholder returns, promoting sustainability, working with communities, and creating rewarding careers for our people. We as an organization are working collaboratively towards our vision, which is **“to set benchmarks and office real estate building sustainable ecosystems that prioritize well-being, making us the first choice for stakeholders”.**

On behalf of our team, we greatly appreciate your faith in Mindspace REIT. Thank you for your continued interest and support.

I will now hand over the call to "Preeti for the Financial Updates during the Quarter."

Preeti Chheda: Thank you, Ramesh. Good evening, everyone.

I am happy to present our "Financial Performance" for the Quarter and Financial Year-Ended 2024.

We closed the 4th Quarter with revenue from operations of INR5.9 billion and NOI of INR4.8 billion. Excluding the one-off quarterly revenue and NOI grew YoY by about 11% and 9.3% respectively. Our FY'24 revenue and NOI also saw healthy growth of 13.7% and 11.9% YoY excluding the one-off. Our NOI margin from the core renting stood at 86%. We announced a distribution of approximately 2.83 billion, which is about Rs.4.77 per unit for the quarter. Cumulatively, for the Financial Year '24, we distributed INR11.4 billion which is INR19.2 per unit. Since our listing in August 2020, we have distributed a cumulative amount of INR39.3 billion, which is INR66.3 per unit. As we had guided, our distributions for FY'24 were made entirely from operating cash flows supported by growth inorganic cash flows.

The new NDCF framework announced by SEBI shall be effective April 1st, 2024. The new NDCF format is not expected to have any impact on the quantum of distribution, though we do expect certain changes in the composition of distribution going forward. During the year, we raised about 14.9 billion through NCDs and commercial papers at the REIT level and also at SPV.

Our cost of debt stood at 7.8% at the end of FY'24. Our aim is to have an optimum mix of fixed and variable cost loans. Our fixed cost debt is now 55% of the total outstanding debt. We shall see some marginal increase in the cost of funds due to refinancing of low-cost debt in the next few quarters.

Our balance sheet remains robust with LTV at 21.1%. Our net debt as of March 31st, 2024 was approximately INR63 billion. Of the INR20 billion debt due for refinancing, we have already refinanced INR3.2 billion with the REIT level NCD which we raised at 7.83% PAPM coupon, and we are in the process of refinancing another 11 billion of the debt due for refinancing by June 2024.

We also have undrawn committed lines of approximately 9 billion. We are seeking an enabling approval from a unitholder for borrowing beyond 25% LTV, which is required under the REIT regulations to create headroom to pursue our portfolio expansion strategies, both organic and inorganic.

As of today, we are developing. 4.4 million square feet of new workplaces and constantly upgrading our existing parks to create value for the tenant. With the robust demand from domestic occupiers and GCCs alike, we are dedicated to deploying capital efficiently and expediting our development projects to capitalize on this demand.

As Ramesh mentioned, the new SEZ policy reform has been a big positive. We had received approvals for conversion of about 4 lakh square feet of SEZ spaces into NPA and have also applied for approval of another 1.5 million square feet. We are waiting BOA approval for that. As these SEZ spaces, when converted to NPA start leasing, they shall start adding to our NOI. We expect all these positive developments to contribute to healthy NOI and DPU growth in FY'25.

With this backdrop, I hand over the call to the operator to open the floor for questions. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: First question is on the demarcation that you indicated 1.5 million square feet which you have already applied. Can you share your experience in terms of timelines and how is it split between your Airoli assets and Madhapur asset or is it fully in Airoli and what should we consider as a timeline in terms of getting the approvals and when will we start marketing that?

Ramesh Nair: So, almost all the demarcation we have applied is for Airoli. There is some amount of decent interest for SEZ in Hyderabad, Madhapur. So, there is no area which we asked for demarcation there. So, we have applied like Preeti also mentioned 1.9 million square feet and we were the first ones to get the approval for 400,000 square feet. out of that. The government has issued certain clarifications, and we expect approving the remaining area very, very soon.

Pritesh Sheth: So, this fully takes care of the 1.9 million square feet SEZ space, which is vacant or out of that 1.9, 1.5 is what we have demarcated for and .04 is in Madhapur is my understanding correct on that?

Ramesh Nair: No, out of 1.9 million square feet, 1.5 is where paperwork is happening, 400,000 is where we have already demarcated in Navi Mumbai and not full floors are vacant, there will be some floors which are partially vacant. As per the rules only full floors can be demarcated. So, in some cases. those floors will lie vacant, which is half. But given the overall portfolio size, that would be a negligible number even if half the floor is lying vacant.

Moderator: The next question is from Kunal Tayal, who is an individual investor. Please go ahead.

Kunal Tayal: Ramesh, my first question is if I observe around Q4 your renewal rate was actually very healthy. Is that something you would expect going into FY'25 as well?

Ramesh Nair: So, renewals have been quite strong given the fact that we're spending a lot of money on upgrades. So, the typical upgrades include improving the lobbies, changing the lifts, changing the facade and some conditions, making double height lobbies, spending a lot of money on upgrades. So, all that is happening. So, for this year for the expiry feature coming up, we already have a 70% visibility of the 2 million square feet of expiry. So, we are already engaging 1.4 million square feet of tenants will most probably stay back with us. And what we are also doing is proactively identifying which are the tenants where there is attendance levels are less than 30% and we are proactively engaging with them at least 18 months before the lease comes up for expiry to make sure we try and retain them at the best possible way. So, a lot of strategies are going on in the background to retain client, but there are times when I will give you an example like last year when we lost Qualcomm 300,000 square feet. because they wanted more than 1 million square feet. But finally, we managed to get them in one of our ROFO assets, 300,000 square feet. went to 1.8 million square feet in Hyderabad. Sometimes we lose some clients because of other factors beyond our control. But we then keep engaging with them to make sure they stay back.

Kunal Tayal: Just given that your FY25 demand should remain healthy and probably improve through the course of the year. Is there some sort of an occupancy target that you would set for yourself as to what you could exit the year at or through the course of the year, so any thoughts that would be great?

Ramesh Nair: See, in a park like Hyderabad, which is probably the second largest IT park, business park in the country, vacancy levels are at less than 4 lakh square feet. which we will anyway lease the next 2-3 lakh square feet. and then balance 1 lakh square feet. is structural vacancy which is some floor, half a floor there and here which will remain vacant. So, for more than 10 million square feet, that's hardly a number. The biggest challenge is going to be the 1.8 million square feet which was the biggest challenge till December 6th of last year when the government's denotification floor wise policy came up. That gives us a lot of confidence and you saw how we leased 1.2 million square feet in Airoli and that 1.8 million square feet is going to be the focus, the balance 1.8 million square feet, which is vacant in Airoli, and like I said in my opening speech, we expect to lease that in the next 1.5-years, which is a fair, reasonable timeframe given that the market conditions are. Navi Mumbai is a great market, but definitely not as big as Hyderabad or Bangalore as market size. So, there are market size limitations also there.

Kunal Tayal: And then the final one for Preeti. Preeti, you said that the composition of distribution could change. Would this be between the taxable and the tax distribution? And if that is what it is, how significant a change could it be?

Preeti Chheda: So, we are working on the numbers, but directionally, it would be more in nature of ROC. So, I think tax wise, it should still continue to be efficient, but ROC doesn't have any immediate tax impact.

Moderator: Thank you. The next question is from Parvez Qazi from the Nuvama Group. Please go ahead.

Parvez Qazi: So, couple of questions from my side. First, I believe we have about 3 million square feet vacant space if one has to go by committed occupancy. So, of this 3 million square feet vacant space, how much would be SEZ versus non-SEZ?

Ramesh Nair: So, this vacancy, now that we have decided to sell Pocharam as an asset, that brings our vacancy down to 2.4 million square feet, out of which 1.9 million square feet is SEZ and 0.5 million square feet is non-SEZ. Our non-SEZ occupancy, like I mentioned, stands at 96.2%. SEZ occupancy excluding Pocharam asset nearly 86%.

So, if you look at park wise breakup, Square asset is 100% occupied. Malad is nearly 100% occupied, Kharadi is 100% occupied, Nagar Road is 100% occupied, Yerwada is 98% occupied, Madhapur is more than 96% is occupied. So, six out of our nine parks are more than 95% occupied.

So, like in Chennai, for example, which has around 180,000 square feet space which is vacant, that's like one or two deals and the park will be leased off. 400,000 square feet in Hyderabad and different pockets will also get leased and that 400 will become like 150 in the next two months most probably. So, that way, not really worried of it much, unlike the situation before the floor-wise denotification rule was passed on December 6th.

Parvez Qazi: And is my understanding correct that of the 1.9 million square feet vacant SEZ space, we have applied for denotification of 1.5? I mean, out of this 1.9 and after that, only about 0.4 million square feet will be left with us in terms of vacant SEZ space?

Ramesh Nair: That's right, Parvez.

Parvez Qazi: Second question is on the expiry. So, in FY'25, we have about 0.6 million square feet coming up for expiry in Airoli. So, what are our thoughts there? I mean, how confident we are of releasing them within the year itself or maybe in a short period of time?

Ramesh Nair: So, we saw nearly 300,000 square feet of expiries getting deferred from the last quarter, which is Q4 FY '24 to FY'25. There were incremental expiries of close to 900,000 square feet. We also see a 70% releasing visibility for these expiries like I mentioned before, and this also provides a good mark-to-market potential of close to 16%. We are not very worried on this and hence we anticipate by end FY'25 with a higher occupancy level which is next March. By then the occupancy levels will definitely go up. One or two quarters here and there, things may move up and down, but overall, for the year, we feel occupancy levels will go up.

Parvez Qazi: And last question, I mean, we do expect that borrowing rates might go up for maybe next couple of quarters. When do we expect NOI growth to convert into like-to-like NDCF?

Preeti Chheda: Next year should be seeing that because we do expect both NOI as well as NDCF to show healthy growth. I can't give numbers, but directionally both of them should see a growth, and you should be seeing NOI translating to NDCF.

Ramesh Nair: We also, Parviz, we spoke about how the R2 building in Pune is getting ready. We spoke about how the data centers; second data center is getting ready. So, all that will have an impact.

Moderator: Thank you. The next question is from Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Sir, good to see the uptake in occupancy on the committed side. I just wanted to check that on the actual side we have seen a decline and for three parks, the two Airolis and in Porur, the gap is now 8 to 10 percentage points. So, is it like what pre-commitment which will execute in 12 months or something or when will it narrow?

Preeti Chheda: Sorry Abhinav, which one are you talking about?

Abhinav Sinha: No, sir, I am talking about the gap between committed and actual occupancies in Airoli East, West and also in Commerzone Porur.

Preeti Chheda: Yes, correct. So, these are the ones where the rent has to start, which should happen in the next few quarters.

Abhinav Sinha: And you will expect the NOI growth to also sort of pick up in the next couple of quarters because this quarter we are flattish now, Q-o-Q?

Preeti Chheda: Yes, we should start seeing NOI growing in a quarter or two. We don’t need to wait long. I think in the next quarter or two you should start seeing the growth coming in.

Abhinav Sinha: And on the interest side, what is roughly your expectation of blended cost to rise by approximately in basis points?

Preeti Chheda: It should not be material, Abhinav. It should be not, according to me, not more than I would say 20 odd bps.

Abhinav Sinha: So, roughly 20 bps. That then doesn't mean, I mean, major gap between DPU and NOI?

Preeti Chheda: Yes, it's not very material. We will try to minimize as much as we can, but 20 is what we estimate.

Abhinav Sinha: And when the R2 and the data center also open up, are we looking at like significantly higher P&L interest cost or again, that is also not very large?

Preeti Chheda: No, in the overall scheme of things, I don't think that's too large a hit on our P&L. And we will have enough of other rental also, which will start coming in because of the leasing which has happened and that shall happen in the quarters to come. So, that should more than offset any of those interest rates.

Abhinav Sinha: That's good to know. I know you cannot give guidance, but what does healthy mean? I mean, is it like double digits?

Preeti Chheda: I can't say that. All I can say, directionally we are headed to a good healthy number. I wouldn't be able to put a number to that. But with all the leasing which has happened, and also lot of those leasing translating to rentals in the coming quarters, you should see a healthy growth. That's where I would stop. Yes.

Abhinav Sinha: So, let me ask one question on the overall rental trends as well we see some bit of pickup in the market trend this quarter. Just wanted to understand from you, which markets do you see doing better next year? Is it the Mumbai ones or Hyderabad? And what is the extent of rental jumps that we can see in FY'25?

Ramesh Nair: So, the main thing there, Abhinav, is, if you look at the country today, we have 12,000 developers in India, out of which I think less than 20 developers today in the country have a multi city commercial strategy. So, there is not, people talk about supply, but a lot of supply in the next 2-3 years is going to be highly consolidated amongst a select list of developers. So, that's something we should definitely keep in mind, because of which rentals will start going up.

I was looking at the future RFPs city-wise. This is the JLL data. As per them, there is around 16 million square feet of RFPs floating around in the top four, in the four cities where we have a presence. MMR has RFPs of around 4.5 million square feet. Pune has an RFPs of around 4.5 million square feet again. Hyderabad has RFPs of around 6 million square feet and Chennai has RFPs around 1.3 million square feet.

So, healthy pipeline in these cities. Especially Hyderabad, there are two new buildings are coming, the building 1, which is 1.3 million square feet, and building 8, which is 1.6 million square feet. I would have heard or discussed with clients at least five clients who in the last three four months have spoken about a million square feet plus RFP coming. I will just repeat it. At least five clients were talking about a million square feet. So, the typical worry which people had about Telangana government change and all is behind us or five clients wouldn't have floated the RFPs or talking about RFPs in the last 3 months, right. So, I think RFPs look quite promising, Abhinav.

Moderator: Thank you. The next question is from the line of Sumit Kumar from JM Financial. Please go ahead.

Sumit Kumar: My first question would relate to the under-construction assets. If you could help us, you know, what is the pre-leasing status here of that 4.4 million square feet that is under construction?

Ramesh Nair: So, there are three assets, million square feet, Pune, 1.3msf which is getting ready end of this year. 1.3msf in Hyderabad which is mid of '26, and 1.6msf again in Hyderabad which is mid of '27. So, all these three assets typically would start seeing enquiries around six to nine months.

I wouldn't worry too much about pre-commitment, because if you pre-commit when the building is a year away, you don't get the rental upside. The DC, which is 300,000 square feet, which is getting ready early next year, that's already pre-leased. And from a track record point of view, our Commerzone Kharadi, where we have 3 million square feet, is being fully pre-leased over the year.

So, I wouldn't worry too much given that we have another 9 to 10 months for the building to get ready. And like I mentioned, Pune RFPs of close to 4.5 to 5 million square feet as per JLL data, and we being the best located, best business park with the highest best quality, I don't see that as something of a worry.

I wouldn't get desperate and start leasing a Building 8, which is getting ready in early to mid-27 today, because then I will not be able to get the upside in Hyderabad, given that I mentioned this during my first speech, that there is not a single, even a half an acre land available in the Madhapur High-Tech City area to develop further.

So, I will need to time it. So, make a decision, should I lease now and feel comfortable, or wait for a couple of quarters and then lease it. So, that shouldn't be a worry at all, Sumit.

Sumit Kumar: And sir, my second question was on the demarcation. So, could you give us an idea on what was the cost for this demarcation? I mean, what is the duty give back or any other costs that you had to incur?

Ramesh Nair: So, the current cost is around the Rs. 300 mark and it may go up a little bit or go down a little bit, but around the Rs. 300 mark is a good thumb rule to assume today.

Moderator: Next question is from Kunal Tayal, who is an individual investor. Please go ahead.

Kunal Tayal: As we think about the slowdown from NOI to NDCF, seems like interest expense won't be much of a drag this time around. Typically, working capital might also sort of move favorably amidst higher occupancy. Is there any other parameter you would want us to consider?

Preeti Chheda: You are saying for the next year, you are talking about?

Kunal Tayal: F25.

Preeti Chheda: As I said, Kunal, I don't see interest as a challenge to deliver NDCF growth because we will have the top line, which will grow because of all the rentals also coming in and the leasing also happening. So, that should be more than enough to offset your interest increase. An interest increase that we are talking about is not very material to really change things too much. So, therefore, I think we are comfortable on the NDCF growth as well.

Kunal Tayal: No, just to sort of make sure I put that across right, I do copy that interest expense will hardly be a challenge. I was also thinking that working capital might move in your favor with rising occupancy.

Preeti Chheda: Yes.

Kunal Tayal: So, is there any other factor which might be an offset because this would otherwise indicate that maybe we are headed for NDCF growth to be better than NOI in the coming year? So, that's what I was just trying to clarify.

Preeti Chheda: No, I don't see any other surprises coming in.

Ramesh Nair: I think, Kunal, from leasing of vacant spaces, which you saw mark-to-market, which is still healthy and escalations all happening, I think it should be a healthy growth.

Kunal Tayal: Yes, absolutely.

Moderator: Thank you very much. That was the last question. As there are no further questions, on behalf of Mindspace Business Parks REIT, that concludes this conference. Thank you for joining us.