"Mindspace Business Parks REIT Q3 FY '24 Earnings Conference Call"

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MANAGEMENT:	**MR. RAMESH NAIR – CHIEF EXECUTIVE OFFICER** **MS. PREETI CHHEDA – CHIEF FINANCIAL OFFICER** **MR. NITIN GAREWAL – ASSISTANT GENERAL MANAGER (FINANCE & INVESTOR RELATIONS)**

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

Moderator: Ladies and gentlemen, good day, and welcome to Mindspace Business Parks REIT's Earnings Conference Call for Financial Results for the Quarter ended December 31st, 2023.

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

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

Nitin Garewal: Good afternoon everyone and thank you for joining this Third Quarter Financial Year 2024 Earnings Call of Mindspace Business Park REIT.

At this point, we would like to highlight that the management may make certain statements that may constitute forward-looking statements. 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 point of 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. We will then open the call to Q&A.

I now hand over the call to Ramesh. Over to you.

Ramesh Nair: Thanks, Nitin. Hello everyone. Thanks for joining us for Mindspace REIT's Q3 FY '24 Earnings Call.

It's been five months since I joined the Company. I have got an opportunity to meet some of you. Also look forward to catching up with most of you during the site visit which we are planning in our Madhapur Business Park around the first week of March.

Calendar year 2023 has been a good year for the India office market. We saw a 12% increase in office absorption compared to 2022. If we analyze the data for the last three years, India has witnessed over 105 million square feet of net absorption. Net absorption last year being close to 42 million square feet, and this was a four-year high.

On the contrary, if you look at a market like U.S., over the last three years you have seen a negative net absorption of 200 million square feet in the commercial real estate sector. India office market has behaved very differently compared to many, most of the markets globally and especially a market like U.S. Several markets in several cities and markets like U.S. are dealing over a decade of oversupply.

Most of the stocks in the Indian office market are new buildings, cleaner buildings. I am just looking at the work from home data points. In U.S., work from office is still just around 50%. This number in India has come to 74%. So, work from office in India is at 74%. This is based on the recent research, which came out from JLL.

In India, there are no costly refinancing challenges like what we see in most parts of the Western world. Also, we haven't seen much of volatility what we saw in some of the Western world countries where we saw doubling of cap rates. Also, there are no big concerns around high real estate exposures with banks. There is no QE related troubles which we are seeing outside.

We are looking at the LTV ratios of REITs in some of the developed markets including U.S. And we realize that LTV ratios are 40 to 50% where in countries like India, it's much, much lower. Why I raise these points is we can clearly see the difference in terms of absorption, in terms of leverage, in terms of physical office utilization and age and quality of assets in India compared to rest of the world.

What we are also seeing is how the office real estate market has evolved over the years. Previously, it used to be standalone. Today, we have business parks. Previously, office buildings didn't have much of amenities. Today there are so much of integrated amenities. There are some parks of ours where we have more than 20 plus different amenities. Today tenants again constitute multiple tenant profiles, whether it's domestic companies, banks, global capability centers, tech companies.

Even today, in spite of all the positives in the office market, a lot of players in the industry still face difficulties in terms of obtaining funds for land acquisition, funds for construction, etc. I truly believe that every year there is close to 55,000 to 60,000 crores worth of commercial real estate assets which are developed in India and this is going to be more and more concentrated amongst just a few large institutional players.

So, this combined with scarcity of aggregated land in established markets, definitely rentals will go up over a period of time and we are in a clear sweet spot to make the most of these changing tenant needs, to make the most out of growing demand for quality space and to make most of what we are going to be seeing in terms of consolidations and expansions, which is quite evident over the last few three to four years.

We have also seen that in spite of we having so many commercial developers in the country, how many of them are actually pouring concrete actively for the future? That's again something which one needs to look at.

Demand for Grade A assets led by global capability centers and domestic companies. We have observed that Indian global capability centers tend to fare much better during global slowdowns. The demand today from GCCs, who occupy around 200 million square feet is expected to go to around 280 million square feet over the next three years. Again, IT majors are optimistic about demand outlook as interest grows for innovative and emerging products like Generative AI.

India continues to be cost competitive. We continue to be high on talent pools, salary of software engineers is still one tenth of that of US. It is also worth knowing that in most markets in India, rentals are still sub-dollar compared to maybe 10x more or 12x more in many developed markets across the world.

What we are also seeing is post-COVID, we are seeing that tenants are investing far more in their workspaces to bring employees back to the office. This also increases stickiness to their products with fairly strong people like us.

Given all this, our outlook remains positive. We are seeing a slowdown in churn from IT companies over the last couple of quarters. IT also, after lagging for a few quarters, has picked up. Just take the physical attendance of our portfolio that's across 65%. I remember in the last call we mentioned 60%. That's gone up to 65% now. Our embedded rental escalations will also drive growth.

Hyderabad oversupply, which was a worry a while back, hasn't impacted us because we have realized that we are very well located. The micro market where we are located is doing extremely well compared to the other micro markets where there is an oversupply situation. The vacancy in the micro market where we are located is just around 15%, while the other micro markets, the financial district, the vacancy levels are 40% plus. So, we have been beneficiaries of that.

Again, MMR where we have a significant portfolio is very India economy Company focused and this is helping our Mumbai portfolio. Current stability of interest rates and possible rate cuts over the next financial year will also help us.

I was going through the International Property Consultants, their annual year-end reports, which came a couple of weeks back and most of them seem to corroborate our view. Quoting some of JLL's, what JLL said about the last year and their outlook for this year. JLL mentioned that India truly shown us the office to the world and the global companies continue to repose their faith in India. The outlook remains bright for the real estate, commercial real estate sector backed by strong economic growth.

CBRE spoke about how high-quality investment grade supply by leading developers in institutional owners in prime locations across cities which is expected to continue drawing flight to quality absorption in the office sector. So, very relevant for us again.

Knight Frank spoke about how the rising confidence in improving economic fundamentals of India has spurred occupiers to make longer-term commitments in the office market.

Now coming to key highlights of last quarter:

We are extremely thankful to the government for coming up with the long anticipated SEZ reform. This is really a big boost for the commercial real estate industry. This will bring more tenants into SEZ spaces and also boost economic activity in these parts. One thing to be noted for all of you is 83% of our vacancy today lies in SEZs and this reform enables us to unlock these 83% of our vacancy.

On our recent performance:

We leased 450,000 square feet during the last quarter. We achieved a releasing spread of 17.1% on this area. Our commercial occupancy is now 86.1%. We achieved an average rent of Rs. 78 for the leases which we did during this quarter. This is more than our in-place rent which is at Rs. 68. This is also a year-on-year growth of 5.4%.

The other good news is our Mindspace Pocharam asset in Hyderabad is now completely vacant. This gives us an opportunity to divest this. We received Board approvals to initiate the divestment process of this yesterday. Excluding the Pocharam effect method from Q3 and Q2, our occupancy increased by 40 basis points.

Coming to financial performance of the quarter:

Our revenue from operations stood at 596 crores. If you exclude the one-off, it grew by 13.5% year-on-year. Similarly, our NOI for the quarter is at 473 crores, excluding one-off income and expenses, the growth rate is 10.4% year-on-year. Our distributions for the quarter stood at 284 crores or Rs. 4.8 per unit.

On the development side:

We are building 4.4 million square feet of new Grade A quality assets. That's 3 million square feet in Madhapur spread over two buildings. 1 million square feet in Kharadi, Pune, which will be ready later this year and 800,000 square feet in Airoli.

Our main focus is on promoting wellness. Main focus will also continue to be giving hospitality grade experiences in our parks, adding lots of new F&B outlets and providing environmentally friendly parks. We aim to set benchmarks aligned with global standards. These are crucial for driving our organic growth in the coming years.

On the acquisition front:

We received the Board nod for acquiring a floor on an area of 42,000 square feet in Commerzone Yerawada, Pune from one of the owners. This is in line with the strategy to consolidate our ownership in the park. This is the second such acquisition following the purchase of owner's area in Commerzone Porur in second quarter of this year.

We remain committed to identifying growth opportunities both within and outside our portfolio. There are many new developments happening on the sponsors' side and these have the potential to significantly contribute to the future expansion of our REIT. We will focus on value accretive acquisitions at the right time.

With regards to improving our tenant experience:

We have always stepped up our game of upgrading our park. We are investing over 450 crores on the upgrades to enhance the tenant experience. These align seamlessly with our core values of putting our clients first, embracing change and innovation and also striving for efficiency and excellence.

We are also creating a new team, called the Tenant Relations Team, which will focus on client retention and to make sure our tenants stay with us in the long run, even after the expiry of their lease terms. This team will continue to maintain regular communication with our clients, get feedback can also add to client delight and retention.

We also aim to foster top-loss engagement in our parks by offering the finest F&B choices and amenities and a lot of focus has been made on this over the last few months. We recently did a large transaction with Social, where they chose Mindspace for its first outlet in Hyderabad.

On the ESG front:

Our focus is on reducing Scope-1 and 2 emissions and increasing renewable energy consumption. It is part of our mission to provide top-quality sustainable world-class spaces. We also announced our partnership with IIT for a research project centered around climate risk assessment. As a pilot project, it currently involves setting up on-site weather stations in Mindspace Airoli West in the Mumbai region.

We worked very closely with tenants, partners and communities to lead meaningful and impactful sustainability initiatives. All this is in line with our vision, which reads as follows, which is to set benchmarks in office, real estate, building sustainable ecosystems that prioritize well-being, making us the first choice for stakeholders.

Now, I will hand it over to Preeti for Financial Updates during the quarter.

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

I am happy to present our financial performance for the Third Quarter of the Financial Year 2024:

We closed the Third Quarter with revenue from operations of INR 6 billion and NOI of INR 4.8 billion. Excluding the one-off, revenue and NOI grew at 13.5% and 10.4% Y-o-Y, respectively. Our YTD Q3 FY '24 revenue and NOI also saw healthy growth of 15.2% and 12.8% year-on-year excluding the one-off. NOI margins from the core renting stood at 87%.

We announced the distribution of approximately 2.85 billion, which is INR 4.8 per unit for the quarter. The distribution comprises approximately 89%, which is 4.29 per unit of dividend, which is not subject to tax on the hands of unit holders, approximately 10.4%, which is 0.5 per unit of interest and 0.01 of other income.

Our cost of debt stood at 7.8% at the end of Q3 FY '24. We have constantly been optimizing the mix of our fixed and variable cost date to reduce the overall interest cost.

During the quarter, we raised INR 1.5 billion through commercial paper at the REIT level. The issue carried an effective coupon of 7.72% PAPM. Our fixed cost debt is now at 52.8% of the total outstanding debt. Given that some of our fixed cost debt, which was logged in at sub-7% interest cost, shall be coming up for re-financing over the next few quarters, we expect the overall cost of debt to increase marginally. Any softening in interest rates in the coming financial year could help optimize our interest cost.

Our net debt as of December 31st, 2023, was approximately 60 billion. In addition, we have undrawn committed lines of approximately INR 8 billion from financial institutions. Our LTV continues to remain low at 21%.

We have used the strength of our balance sheet to go aggressive with the organic expansion of our portfolio through redevelopment, commencing construction of new buildings, and upgrading our existing parks to create value for our tenants.

We have constantly been engaging with third-party unit owners within our existing parks, like why are they spaced into Mindspace REIT portfolio. This is helping us consolidate our holding in the park and also enable growth. Like in the last quarter, we acquired approximately 2,40,000 square feet at Commerzone Porur, Chennai. And in this quarter, as Ramesh mentioned, we have received approval for acquisition of 42,000 square feet at Commerzone Yerawada, Pune. With our low LTV, we have the headroom for both organic and inorganic growth of the portfolio and we continue to evaluate inorganic growth opportunity.

As Ramesh mentioned, the new SEZ policy reform will be beneficial for the entire sector. In addition to the denotification of buildings applied earlier, we have now applied for demarcation of certain floors as non-processing areas. In the coming quarters, our focus shall be on demarcation of vacant SEZ spaces as non-processing areas and lease them out to potential tenants. This shall help improve the occupancies at our parks and also help in our growth.

To monetize non-core assets, we have obtained approval of the Board to initiate the process of divestment of Mindspace Pocharam, Hyderabad. We shall be running the process over the next few months.

We are hopeful that this active portfolio management, leasing flexibility provided by the SEZ policy reform, organic and inorganic growth in the portfolio shall all contribute to the growth of NOI and distributable cash flow of the portfolio.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Praveen Choudhary from Morgan Stanley. Please go ahead.

Praveen Choudhary: Great presentation. One quick question I have is, all the REITs have struggled to show the dividend growth commensurate with the NOI growth, which you have shown even in this quarter. I wanted to understand when, which quarter or which year we will start seeing dividend growth, which might be similar to NOI growth?

Preeti Chheda: Hi, Praveen. So, you are right. Our distribution growth has not come through in line with the NOI growth. There have been multiple reasons for Mindspace REIT. One, primarily in the last financial year and also in this financial year, a major chunk of NOI growth has been lost to the interest cost increase. In our case also, as we said, we have done away with any form of debt support. So, that's also resulted in our NOI growth not actually translating to distribution.

As I have already said and which is what has got demonstrated in most of this year was, we have not actually taken any debt support to meet our development. We are also hopeful that with the SEZ policy reform that's coming through, we should be able to now, over the next few quarters, start leasing up the spaces which were otherwise lying vacant. This obviously is going to add up to NOI growth and we are hopeful that there are no surprises that should translate. I am not saying there will be an exact correlation, but it should translate to our distribution growth also.

Moderator: Thank you. Next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: I had a few questions. So, firstly, Preeti, did I hear correctly? You mentioned that you have applied for the demarcation of certain floors to the non-processing area. If yes, could you quantify how meaningful or significant that number is?

Preeti Chheda: Yes. So, this is one of our buildings in Airoli. It's about 4 lakhs square feet. So, that's what we have applied for demarcation at the moment. And we are already working on demarcating a few other areas also, which will happen over the next few weeks.

Mohit Agrawal: And continuing with Airoli, Ramesh mentioned in his opening remark that an Airoli be continued to see demand from Indian economies focused companies, just trying to understand do you think the entire GCC boom will that benefit the Airoli park post the SEZ denotifications and what are your plans in terms of filling up that space the de-notified portion of the park?

Ramesh Nair: So, out of our 3.6 million square feet which is currently vacant 3 million is special economic zones, 2.3 million out of this 3 million is in Airoli East and West. If we actually look at our non-SEZ occupancy that is over 95% now and 86% of our overall recent vacancy can be floor-wise de-notified out of the 3 million square feet. So, there is great amount of opportunity to go ahead de-notify these units to non-processing areas.

To answer the second part of your question what we believe is the biggest focus area is going to be Navi Mumbai leasing. Navi Mumbai we have realized has multiple advantages which have not been kind of highlighted over the years because of competition to cities like Hyderabad or Pune or a Chennai.

We were looking at some of the studies done by some of the big four consulting firms where Navi Mumbai has been rated amongst the top three cities in terms of overall quality of living. Navi Mumbai has been rated amongst one of the cleanest in the top two, in terms of traffic index again in the top two, in terms of most competitive commercial leasing rates again in the top two along with Chennai, top three in terms of safest cities to live in and most importantly in terms of preferred talent hub for the BFSI, Media, Telecommunication and Technology again in the top two along with Mumbai.

So, those are the benefits we want to make sure these kinds of points are well heard in the market. We are making sure that all the teams are well geared up to support the leasing team. We have met all our IPC friends, we have announced bigger incentives for them, we are targeting our client for competing nearby parks, we are also proactively focused on winning BFSI telecom, media and tech clients in and around Navi Mumbai and also other cities with special focus on GCC.

Like Preeti said we are proactively working towards our floor-wise denotification strategies where we are filing in those applications and that number will go up over the next few weeks. So, we are taking weekly progress updates on that. Our asset management teams, our architecture teams, our engineering teams all the teams are supporting us for sprucing up our parks, especially the ones the floors and the buildings which are vacant today. So, it’s a team effort and multiple amounts of initiatives happening to make sure we lease these 2.3 million square feet of vacant space in Navi Mumbai.

Mohit Agrawal: Just last question on Hyderabad so in your initial remarks you mentioned that despite oversupply you have not seen any issue with demand given your location, but do you see any pressure in taking rental escalations for mark-to-market considering that some of your price sensitive tenants have more options, so any comments on that?

Ramesh Nair: Today people come to us park in Hyderabad because we are best located, but the bigger benefit than just the location is the metro connectivity. There are the metros, and which is the most used metro in Hyderabad which ends at our park which is possibly the biggest advantage we have. Like I mentioned in the financial district vacancy levels are in the mid-40s, our vacancy levels are in the mid-teens. So, that's definitely a driving force.

One thing you need to note here Mohit is to look at the most expensive space in Bangalore. We have seen rentals cross the Rs. 130 marks in parks like golf links. You look at Chennai some of the best located parks rentals across 100 bucks Rs. 105. We believe Hyderabad market would eventually reach those levels with a few years of good demand supply equilibrium.

So, definitely there is an opportunity and what we will also do is I spoke a little bit about our two new buildings which are coming up Building 1 which is 1.3 million square feet and Building 8 which is 1.6 million square feet. With both these projects coming we will offer price range starting right from the mid-70s going up to the late 80s. So, we will have different price points. So, for the cost-conscious we would have older building while the newer tenants would pay higher for the newer buildings.

Moderator: Thank you. Next question is from the line of Satinder Singh Bedi from Eon Infotech Limited. Please go ahead.

Satinder Singh Bedi: So, Ramesh on SEZ like it was mentioned with 400K we applied for, so any hurdles that you see still in terms of any government rules coming out or whatever and the time frames that you see this happening. So, for example, 12 months out from now based on the availability that we have of about 3 million square feet what is your estimate of the kind of area that we would have converted in 12 months from now?

Ramesh Nair: Again, I would like to thank the government for proactively doing this. Lot of queries which we raised over the last one month have been addressed by the government. Today we have a format which has been given by the government to the application format that is a great start.

Today, we know that non processing area tenants cannot use the SEZ facilities, in terms of common area maintenance we have to bill the full building even SEZ tenants will be charged GST. Today, we know that NPA tenants cannot be given, that area cannot be given for other uses like FnB, it can only be used for IT.

We also today know that common infrastructure including roads and parking, the duty benefits don't have to be repaid back for that for Park Infra. I think there are a few queries which will get sorted in the next few weeks, so that is definitely on the positive side. If you look at the different market sizes, we believe today the Hyderabad Madhapur area has a 3.5 to 4.5 million square feet market potential out of a Hyderabad total market size of around 7 million to 8 million square feet.

Navi Mumbai is anywhere between a 1 million to a 1.5 million square feet market potential. So, if you take all this into account we believe the SEZ vacancy which we have currently will get leased over a 2-to-2.5 year period, that's being realistic. If the Gods are kind I'm sure we will lease it faster.

Satinder Singh Bedi: And how much do we plan to apply let us say based on our assessment currently in the next 12 months for denotification because there are costs also involved and the associated question was what is the estimated per square foot of cost payback that you have to do for the benefits availed earlier?

Preeti Chheda: So, the way we would go about it, we will do this in phased runner. Obviously filing applications and all also is a process. So, we'll keep doing it in a phased manner and we'll keep releasing the SEZ spaces which are currently vacant to our leasing teams for leasing. So, it will all depend on how the leasing goes, but I would say that this is not going to become a hurdle for our leasing teams to leave the spaces. We'll ensure that if we have a tenant available these are applied for, and we get the areas demarcated as NPAs.

Ramesh Nair: Satinder I'll just add to that what Preeti said, like I mentioned 86% of the total SEZ space is eligible for floor-wise which is out of the 3 million square feet, so that's a big positive for us.

Satinder Singh Bedi: The next question was regarding the physical occupancy in the parks. So, can you give us a flavor of in your parks, business parks what is the kind of physical occupancy that you're currently seeing now?

Ramesh Nair: So, I did a check with our asset management team yesterday it's gone up to 65%. Was 60% during the last earnings call now that's gone up to 65%, which is a positive sign that it's gone up. A lot of our clients today are asking employees to come back to work at least three days a week with many clients insisting on five days a week. So, definitely looking on the positive side.

And like I said, there is a JLL study which spoke about work from office in India being 74% compared to the Western world where it's still just 50%. But if you look at some of our BFSI clients and if you look at cities like Mumbai or cities like Chennai which is very BFSI oriented we are seeing 95% plus occupancies in many financial and BFSI companies.

Satinder Singh Bedi: So, is it fair to assume that we expect no material space give ups by clients on discount now and is that part of the cycle is virtually over, is that a fair assessment?

Ramesh Nair: I think we're reaching the bottom. Churn is part and parcel of our life when you have a portfolio of 32 million square feet, there would be tenants coming in, there would be tenants going out. We are hoping that at least 70% of the terms which are expiring we're able to retain those clients.

We have a strong pipeline of leasing enquiries. I have been pleasantly surprised over the last three to four months of the amount of leasing enquiries which has increased suddenly since around the October, November timeframe and I hear this from other cities also, but the two main cities for us being Mumbai and Hyderabad, we have definitely seen the amount of leasing inquiries go up and many of these discussions hopefully will convert into actual transactions.

Moderator: Thank you. Next question is from the line of Parvez Qazi from Nuvama Group. Please proceed.

Parvez Qazi: So, I wanted to check about your leasing pipeline I mean in your assessment how would let's say be the RFP's in your relevant markets be today compared to let's say what they were two or three quarters back?

Ramesh Nair: I was doing analysis of the IPC research and last calendar year, the overall net absorption being 42 million square feet and gross absorption being 61 million square feet. The estimate today by various IPC's for this year they have predicted that 42 million square feet will go up to 46 million square feet.

So, we're seeing a good amount of office absorption increases in all the four markets where we have spaces Mumbai, Pune, Hyderabad and Chennai. The only area of concern there was also that in some markets supply is kind of going up. Because of that rentals may not climb up too much, but the demand is quite strong and almost all the IPC's, I have studied the reports of all 5 IPCs, and they all spoke about how '24 Calendar Year is going to be better than Calendar Year '23.

Parvez Qazi: My second question is I mean obviously we have heard a lot about the improvement in demand from GCCs, but apart from that which are the other sectors where you are seeing some traction in terms of inquiries and interest?

Ramesh Nair: So, a lot of demand we are seeing is coming from the domestic sector given that we have a significant amount of portfolio in Mumbai and the domestic corporations who want to save on cost from Mumbai, want to look at areas like Navi Mumbai, where they get a much lower cost option.

What we've also seen is our overall share of pie domestic previously which used to be 15% when we listed the Company today has gone to 27%. So, our dependence on just IT services has gone down and there's a lot of domestic demand which is picking up. So, that's a good sign again.

Moderator: Thank you. Next question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Just two questions from my side. Can you give us a sense on what was the area that came up for contractual leasing this quarter and what was the percentage that you gained and the second is on the presentation from Mindspace Pocharam which you've put up for sale now or decided to sell you've put zero occupancy essentially no committed occupancy that's because you've put it up for sale or that's because the tenants are vacated out?

Ramesh Nair: No, we are putting it up for sale. So, I would see that as a big opportunity. If you remember a while back when Accenture vacated some of our space in Hyderabad that was 3.5 lakh odd square feet, that is the big opportunity for us because when they vacated we decided to demolish that building and build a 1.3 million square feet new super grade A plus building, which is probably going to be the best building in Hyderabad.

I think Pocharam, obviously we are not going to build anything there, but it's been a hang on our occupancy rates for a while. It's going to give us a great opportunity to kind of monetize this, to sell it and we got the board approval like I said to sell this space. We're going to be very soon appointing our international property consultancy firm to run a thorough transparent divestment process and to sell it.

In terms of expires, coming to your first question Murtuza, we have close to 3 million square feet of expiry which is going to happen this financial year. 1.8 million in SEZ and 1.1 million square feet in non-SEZ. 90% of the non-SEZ space has already been re-leased that's definitely on the positive side and here again we need to remember the exits which are happening in Pocharam and if we exclude Pocharam and Preeti also spoke about this, our occupancy would have actually improved by 40 basis points and if you're able to exit from Pocharam that improves our occupancy by around 2%, so that's again on the positive side. Pocharam has always been a non-core asset and we'll hopefully sell it in the next one to two quarters.

Moderator: Thank you. Next question is from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Sir just one question I think and I'm not sure if I missed this. So, on the expiry front we saw a jump on the exits. So, can you give us some color on what happened here and by when can we fill up these million square feet, which is now expiring in the Fourth Quarter?

Ramesh Nair: So, the main exit was Genpact who exited Pocharam 210,000 square feet, L&T exited 100,000 square feet in Airoli East, we saw TIBCO exiting Yerawada 60,000 square feet and like I said if we exclude Pocharam the numbers look quite promising and some of the space which has been exited I'm very sure that in the next couple of quarters we will end up leasing it and there is some enquiries happening this quarter also.

There will be an addition of 500,000 square feet in Q3 Financial Year '24. So, the closing expires we hope to have more or less the same occupancy numbers at the end of this quarter.

Abhinav Sinha: Sir it should be 85%, 86% number that we have should be there at the end of Fourth Quarter as well irrespective of the exits, is that what you're saying?

Ramesh Nair: Around 86 number.

Abhinav Sinha: And broadly by when are we now expecting the pre COVID 88%, 90 odd percent numbers to be hit I mean with the SEZ rules also there?

Ramesh Nair: Over the next one-year Abhinav I think we will get back to those the early 90s and then kind of increase it further in the financial year 26.

Moderator: Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: My first question is on the SEZ part given that the denotification process is now available, is it fair to expect that the upcoming expiries of SEZ assets should have better releasing available?

Ramesh Nair: This quarter we have a tenant exiting. That tenant is paying early 40s, that tenant hasn't exited, but as soon as the tenant exits we're looking at filling up that space at late 50s. So, there are those kinds of spaces coming up and I would look at the positive side of some of these exits for us.

Kunal Tayal: Just a quick follow up you were earlier talking about physical occupancy going up to 65%. Just curious if that includes IT services companies as well, some of the larger ones have been in the news talking about return-to-office. I just wonder if you know you've seen that as a practice across all meaningful IT services tenants in your portfolio.

Ramesh Nair: It includes all types of tenants including IT services.

Moderator: Thank you. As there are no further questions, on behalf of Mindspace Business Parks REIT that concludes this conference. Thank you all for joining us and you may now disconnect your lines.