

# Brookfield

India Real Estate Trust

## “Brookfield India Real Estate Trust FY'21 Earnings Conference Call”

**May 21, 2021**

### Brookfield

India Real Estate Trust



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**Moderator:** Ladies and gentlemen, good day and welcome to the Brookfield India Real Estate Trust Earnings Call for Financial Year March 31, 2021. As a reminder, all participant lines will be in the listen-only mode until the floor is open for questions. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this call is being recorded. On the call we have with the following persons; Mr. Ankur Gupta -- Managing Partner, Head of India Real Estate Brookfield Asset Management and Director, Brookprop Management Services Private Limited; Mr. Alok Aggarwal -- Chief Executive Officer, Brookprop Management Services Private Limited; Mr. Sanjeev Kumar Sharma -- Chief Financial Officer, Brookprop Management Services Private Limited; Ms. Ruhi Goswami -- Compliance Officer. We also have Mr. Rohan Ghosh, Mr. Rachit Kothari and Mr. Sarthak Patel from Brookfield. I now hand the conference over to Mr. Rachit Kothari. Thank you and over to you sir.

**Rachit Kothari:** Thank you. Good afternoon and welcome to the First Earnings Call of Brookfield India Real Estate Trust. We finished financial year 2021 with strong operating results on the back of the solid balance sheet with very low leverage. Further, we have good visibility to distribute to our unitholders Rs.12.75 a unit in NDCF over the next couple of quarters.

With the second wave of COVID-19 some momentum has been lost in decision-making for new space pick up, at the same time the supply dynamics have turned highly favorable in our gateway micro markets with the new supply adding up to only 5 million square feet over the next three years which represents just 6% of the pan India share. On the balance, we are hopeful that the government's thrust on vaccination shall help us return to normalcy sooner.

The sector that we house in our properties, that is the technology services industry, continues its secular growth with the robust outlook. The business on the books is increasing and so is India's leadership in the space.

Digital transformation is accelerating across the globe and has resulted in increased hiring for a large portion of our tenants. Our occupiers continue to see value in retaining their spaces and we remain confident that our properties will be a direct beneficiary of the post-pandemic economic recovery.

I would now like to request "Alok to provide the Business Update."

**Alok Aggarwal:** Thank you, Rachit. Very good afternoon to everyone. Financial year '21 has been unprecedented year; it tested businesses and business fundamentals and has been no different. I'm very pleased to announce that we were able to perform remarkably well during the year and emerge strong. Testament to our deep-rooted relationship with our occupiers, and the value proposition that our institutional quality properties bring to the table.

The portfolio has remained highly stable and demonstrated operating resilience throughout the last year. To highlight a few, we ended the year with 91% same-store occupancy, with 93% of

our value in completed assets. Our rental collections exceeded 99% including 9% escalation on 3.7 mn.sq.ft. of leased area. We leased and renewed almost 7 lakh sq.ft. of area, achieving 17% re-leasing spreads. We also retained 1.7 mn.sq.ft. of area which had the interim break options during the last year taking our overall tenant retention to almost 80%.

Despite the labor shortages, we advanced our ongoing development in CAPEX, delivering 4.8 lakh sq.ft. of new area in N1 and spending almost Rs.40 crores on various asset upgrades across campuses. In our two identified assets, we delivered more than 1.5 mn.sq.ft. of new area within time and budget. And with these in completion, leasing enquiry has also picked up with about a lakh square feet already leased and another 400,000 sq.ft. is in advanced stage of discussion.

From a business continuity perspective, we ensured that our properties stayed 100% operational during the lockdown by elevating our health and safety standards. A testament of that is the reputed safeguard certification scheme awarded to us by Bureau Veritas to all our properties.

We also stay highly committed to fighting COVID-19 and augment the efforts put in by the government as of May '20.

Brookfield Properties has initiated COVID-19 vaccination drive across its office campuses. This is for our employees, service providers and our tenants and we hope to work alongside the government bodies to fast track the vaccine rollout.

In Q1'21, we had seen many tenants come back to offices and space take up discussions been initiated. This gave us good insight into tenants outlook and office leasing did gain its momentum back. However, second wave which was sudden and unexpected in its intensity, the momentum has been pushed back by at least four to six months. As a result, we are also estimating certain occupiers, the lease space during the interim break option, possibly increasing our FY'22 expiries of 400,000 sq.ft. which is 40-50% renewal compared to 75% retention that we saw in '21 but still manageable and low absolute numbers.

While short-term uncertainties continue, we stay confident that the demand for quality office spaces is intact. To draw a parallel, offices in USA and rest of Asia have already started recording increase in attendances where a large part of population has been vaccinated and COVID-affected numbers have reduced. The increase in vaccination supply and imports will only help us to reach that milestone faster. With the technology service industry reporting increased revenues and headcount and highly limited supply in our markets, our fundamentals stay intact. Combining with our stability, high quality real estate and strong growth profile, we firmly believe that our business will be at the forefront of the post pandemic recovery.

Now, I would like to invite our "CFO, Sanjeev to provide Financial Updates." Thank you.

**Sanjeev K Sharma:**

Thanks, Alok, and good afternoon, everyone. Despite the current uncertainties, we continue to demonstrate a resilient financial performance and remain focused on achieving our projected

financial targets. Brookfield India REIT got registered on 17<sup>th</sup> July 2020 and acquired the SPVs on 8<sup>th</sup> of February 2021. Therefore, the financial consolidation has been done effective 8<sup>th</sup> February 2021. Consequently, our current reported consolidated financials reflect the performance during this stub period post IPO.

During financial year 2021, we collected more than 99% of our lease rentals with less than 1% being delayed or waived primarily coming from the footfall dependent amenity areas in our parks. Our operating lease rentals have gone up to Rs.6.1 billion vis-à-vis Rs.5.9 billion in FY'2020 which is driven by contractual escalations, where we have achieved an average of 9% rent increases on almost 40% of our total leased area. However, as the utilization of our parks reduced during the COVID-19 outbreak, our maintenance cost and as a result our maintenance margins witnessed a proportionate reduction, as a result our comparable NOI stayed constant at Rs.6.5 billion year-on-year.

As per our distribution policy, we would be making our first distribution post completion of one full quarter after the listing, that is along with declarations of results for the quarter ending on June 30, 2021. We are not providing annual guidance but providing a six-month view on distribution which we expect to be Rs.12.75 per unit over next two quarters.

We have also taken steps to increase tax efficiency of our distribution and make the business attractive to a wider set of investors. Effective 1<sup>st</sup> April 2021, we have converted Rs.1,010 crores of CCD held by REIT into equity share and as a result we will be able to double the tax-free portion of distribution to more than 30% of total distributions. We expect this trend to continue.

During the last six months, our net asset value has increased by 2% and now stands at Rs.317 per unit based on an approximate Rs.11,500 crores gross asset value. Our balance sheet stays strong and well capitalized to tide through any unknown challenges that these times may throw at us.

Our gross debt stands at Rs.2,100 crores which is only 18% loan to value and we believe there is 50 to 70 basis points headroom in our borrowing cost established by recent market transaction which we continue to evaluate to further enhance the distribution to our unitholders.

With that, I would hand over the "Discussion to Ankur Gupta." Thanks a lot.

**Ankur Gupta:**

Thank you, Sanjeev. Over the past fiscal, our India business have made giant strides and have emerged as the largest operating platform in India with more than 45 mn.sq.ft. of real estate in the office space. When we structured the REIT last year, we ensured that the REIT is structured with more than 93% operating area which was rent generating. We also deliberately put in a capital structure with minimal leverage. And I must say that the strategy is playing out very well. At the same time, we have positioned the REIT for outsized growth both inorganic as well as organic. Organic growth is accentuated when we talk about our average re-leasing spreads of more than 17% achieved over the last fiscal despite the challenging COVID situation. Our

inorganic pipeline of 15 mn.sq.ft. has shown giant progress towards achieving development closure of the identified assets and leasing progress across the board. With the recent addition of footprint in South India and in-house flex service operator that we have added to our repertoire in Brookfield and access to capital, our USP for the Indian commercial business remain very strong. Institutional ownership of the REIT and Brookfield's management of such vehicles globally over the past several decades puts us in a very advantageous position because we have seen such operating challenges and have the institutional knowledge for the active REIT management during challenging operating times like what India is facing right now.

As Alok, mentioned, Brookfield has been at the forefront of managing our communities, our employees, our tenants, our occupiers and the larger ecosystem and we have committed significant capital and operating resources towards fighting the current wave of COVID pandemic. We remain committed to ensure that these times are behind us very soon.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

**A Chattopadhyay:** Referring to slide #25 of the presentation which has the lease expiry schedule. You mentioned that there has been an expiry of 4 lakh sq.t. and you also mentioned that for '22 you expect to renew around 40-50% of the space. So, just to clarify, is this for 1.1, 1.4 and 1.5 of that you have 50% or it is just for FY'22?

**Rachit Kothari:** This is only for FY'22, 40-50% against the 1.1 million number.

**A Chattopadhyay:** Could you just tell us what is the nature of this discussions point to, extension in the discussions have been extended and they carry on paying the rent or so no one has vacated the space or is it going to vacate in FY'22, how should we read that?

**Ankur Gupta:** Everybody who has a current lease is paying their rent. What Rachit said the guidance that we have shown is that out of the area that expired in FY'21, when we retained 78% if we have to look forward for this fiscal today, and given the market condition, we are projecting that renewable number maybe around 50%, it may not be 78%. So, it is not something that has happened or it is not something that people have stopped paying rent. Whoever has lease, that is current is paying. And we expect as lease rollover in this year, at least looking at the market right now, we may not achieve the 78% level that we achieved last year at least in the short-term. That is the guidance that we have provided to everybody.

**Moderator:** Thank you. The next question is from the line of Punit from HSBC. Please go ahead.

**Punit:** My first question is on the 3.7 mn.sq.ft. area which saw escalation of 9%. Can you talk about why this escalation was limited to 9% and why not 12% and 15% which I thought was generally the norm?

- Sarthak Patel:** In our Mumbai asset we typically have the contracts with the 5% escalation per year and in our NCR and the Kolkata markets, we typically have 15% escalation every three years. So, we have basically had a blend of escalations in Mumbai assets and some in the NCR and the Kolkata assets and the weighted average number of that is 9%.
- Ankur Gupta:** Punit, just to clarify, this is not mark-to-market, this is contractual escalations which annualize whether it is over a 3 year period or annual, the annualized escalations are between 4% and 5% and in that context this number should be there.
- Punit:** Got it. So, basically Mumbai escalated by 5% which is why the weighted average came down to 9%, otherwise have been 12 to 15%.
- Ankur Gupta:** If you look at a straight line of escalations, they should annually be about 5%. The mark-to-market is what creates more than your inflationary trend. I just wanted to make sure that we distinguish between the two.
- Punit:** Second is you talked about the mark-to-market spread of 30% still. Like in the prospectus, can you also give some color on what is still the re-leasing spread left?
- Ankur Gupta:** A very small part of our portfolio is re-leased over the past one year as our occupancies were in the 90% and they remain in the 90%. So, the trend towards mark-to-market has not significantly changed. I would say over a five year period if all the leases get mark-to-market which also is unlikely because our weighted average term is almost seven years. If trend continues towards the mark-to-market there will still remain headroom over the foreseeable future.
- Punit:** If you can talk a bit about the tax structure change which is resulting in higher distribution in form of return of capital, if you can explain that a little more in detail?
- Sanjeev K Sharma:** Punit, what was there originally was that the CCDs were issued by K1 to the REIT at certain interest rate which was giving the cash flow upstreaming to the tune of Rs.120 crores in the form of interest. We have converted those CCDs into equity. Now to the tune of equivalent amount of that Rs.120 crores, that money will go as a repayment of shareholders loan who own in the REIT and in the hands of unit holders, it will become a tax-free return while distribution happens. Earlier, if we consider this 120 as an interest, the mix was 15% towards tax-free component and 85% towards interest and now that mix will change and 30% towards tax-free and 70% towards interest will happen.
- Punit:** So, the Rs.1,000 crores became equity and that will be returned back to unit holders but no interest will accrue on?
- Sanjeev K Sharma:** Yes, Punit.
- Ankur Gupta:** Punit, this is in line with our guidance that when we started, call it in February which was last fiscal, the portion of our distribution was about 85% in the form of interest and balance in the

form of return of capital as well as dividend. And we gave a guidance that over a period of time, this will move from 15% to a higher number. We have been able to advance that earlier. Again, that's for completeness. This impacts more the retail investors, and because we have been very enthused by the participation that we are seeing from that side, its incrementally beneficial to the retail and HNI investors.

**Punit:** Last question is on the audit opinion in your financials which you talk about. Compounding wasn't there I guess?

**Sanjeev K Sharma:** Punit, what has happened is till the time we filed our OD or FOD we have not applied for compounding of this event. I would like to highlight here that this event has happened in the era of erstwhile promoters even before when Brookfield took over these assets. So, we took advice from the legal fraternity and then decided to file compounding application and we have filed now the compounding application recently post our IPO and we expect it will only be a very insignificant outflow for this compounding application.

**Punit:** Any rough number that you have in mind?

**Sanjeev K Sharma:** Punit, as of now we cannot comment on the number, I will say very insignificant, very small number.

**Moderator:** Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

**Arun Kejriwal:** Wanted to understand for FY'22, the space that comes up for renewal any color you can throw on likely renewal, non-renewal, leasing opportunity, etc.,?

**Ankur Gupta:** We see about 75-80% tenants, some tenants who expand, some who leave, some new tenants come in. That is the normal course of business which we achieved during the last fiscal year despite the entire fiscal being under the COVID pandemic for most of the part. As we look forward, we have given a guidance that number might be lower in this fiscal and we have given a guidance between 40% and 50% compared to 75% retention. Now the absolute number if you look at that range is in a few hundred thousand square foot. So, even that number is not that significant but yes, we have said, in the interest of being conservative and realistic about the time that we are in right now where a majority of the states are in shutdown, what we have achieved over the past five years which is in the high 70 and 80, this number might look like between 40% and 50%, even then the absolute number as Alok said is fairly minimal.

**Arun Kejriwal:** What would be the average yield for this property that we are talking now, if you can give a sense of what can be an upside if a re-lease happen?

**Ankur Gupta:** Two things. One is if the tenants were to vacate, then there are two sides; one is the upside where we expect on an average across our portfolio, we have about 30% headroom, on the other side it might take a few extra quarters to re-lease that space. So, on a like-to-like basis, we may

achieve between 9% and 10% yield but it may be staggered by a few quarters, this is just to help your modeling of such area.

**Arun Kejriwal:** Second question is this CCD which is converted into equity, any impact on the balance sheet in the coming quarters as a result of this?

**Sanjeev K Sharma:** Nothing major. As of now it is being classified in the equity component, will continue to be in the equity.

**Arun Kejriwal:** So, when you are saying that the payout that would be given, from the return of equity, dividend would increase from 15% to 30%, this is factored into the distribution amount that you have mentioned for the first half of the year, is that correct?

**Sanjeev K Sharma:** Yes. Tax free will be 30%.

**Moderator:** Thank you. The next question is from the line of Rajiv Malhotra from Skanda Investments. Please go ahead.

**Rajiv Malhotra:** The question on the identified assets which is G1 and N2 which are proposed mean there is a plan for acquisition into the trust. The base value you have declared it as Rs.8,600 crores if I am not mistaken. Do we have a flavor on how we are going to flag this because the agreement date declared is by August '22, right, like about three months away, any thoughts on that?

**Ankur Gupta:** So, this is an option for the REIT, it is not an obligation, it is a very attractive option that very high quality assets of almost Rs.8,500 crores, slightly more than that, at least is available for the REIT. These two assets have achieved significant progress over the past quarters in terms of development being largely completed. And as I mentioned, we have structured the REIT so as not to put leasing or development risk inside the trust of any significant magnitude while keeping the growth prospects intact. Should this acquisition be considered by the board and further by the shareholders, we will have a mix of debt and equity, also we have kept very low leverage in the current trust at only 18%, so there is headroom to increase leverage and we believe the ideal debt levels for a REIT of this quality are around 30%. So, on an aggregate basis, there is headroom available to borrow money at an attractive rate and also if we were to go ahead with the both identified assets over a period of time, we will come back to the market if required for additional equity raise. But the guiding principle will be less operational risk and value-accretive acquisition. Both from a value basis as well as on earnings accretion basis.

**Rajiv Malhotra:** Only thing is your answer has crept up another small corollary question. You say that this is an option but all your document including the current presentation you have two different kind of assets; one, you call a ROFO or option proceed and other thing were almost an agreement or something, I do not know exactly the word you used there. So, what is the difference?

**Ankur Gupta:** So, the identified assets are the options, the ROFO assets are a first look. So, whenever the current owners decide, they will give a first look to the REIT, there is no option for the REIT to



necessarily be able to buy it which exist in identified assets, that a REIT has a 100% optionality at its discretion to buy those two high quality office parks.

- Rajiv Malhotra:** These identified assets, the base valuation of Rs.8,600 crores, we understand that G1 has almost delivered the 97% occupancy as on date at what is the declaration and N2 is still underdevelopment with 86%. So, this base price of Rs.8,600 crores is N2 what kind of occupancy because the valuation will I am sure differ a bit on that?
- Ankur Gupta:** So, the valuation will be done when the REIT is ready to transact. And G1 asset has also achieved almost full development progress now with the completion of recent buildings, the occupancy is lower than what we had when the building was under construction. Similar trend for N2. As we lease these two assets and they are ready for a transaction and the REIT is ready to exercise this option, the valuations will be updated.
- Moderator:** Thank you. The next question is from the line of Manish Agarwal from JM Financial. Please go ahead.
- Manish Agarwal:** Just a clarification on the tax portion. So, interest cost would reduce in the K1 due to subsidiary going forward and at the PBT level you would be making minimal profit or losses and hence the tax implication going forward for the next three, four years would remain same, is that the correct understanding?
- Sanjeev K Sharma:** Yes, tax will remain same because we do have MAT assets also there.
- Manish Agarwal:** For the next three, four years, you do not have to pay anything additional and later it will go to normal tax rate?
- Sanjeev K Sharma:** If other things remain same, that yes, after four, five years, there will be a change in the tax but till then it will remain in the same bracket.
- Manish Agarwal:** Interest component reduces and dividend component increases, right?
- Sanjeev K Sharma:** Dividend plus repayment of shareholder loan to that extent.
- Manish Agarwal:** Secondly, on the pipeline, you have mentioned 515,000 is the ongoing discussion. So, this is like 50% of 1.1 mn.sq.ft. or this is apart from that 1.1 mn.sq.ft. which is going to expire?
- Sarthak Patel:** This is the pipeline of the vacant area. So, this does not include expected renewals.
- Manish Agarwal:** How close are we in terms of leasing this pipeline or converting this pipeline and this would be across which asset specifically?

- Alok Aggarwal:** So, discussions are at pretty advanced stage. And of course, what had happened that all the decisions had been kind of pushed a little due to second wave, but we are confident that we should be able to close most of them.
- Manish Agarwal:** And it is possible in FY 2022 itself?
- Alok Aggarwal:** Yes, of course, FY 2022.
- Manish Agarwal:** Okay. And any specific color on which asset are these related to, is it pertaining to Gurgaon, Calcutta, anything?
- Alok Aggarwal:** Large part is in N1, of course, some is in Mumbai.
- Manish Agarwal:** Okay. And lastly, on the CAM revenue, so last year was slightly lower CAM revenue, so you expect going forward this will be the trend, or this will be slightly higher when the catch up which will happen in FY 2022?
- Alok Aggarwal:** See, last year, for various reasons, CAM revenue was lower. And of course, we were expecting that offices will start opening in maybe this quarter, next quarter, but I think that has again been pushed back to about, I would say, two quarters. So, CAM revenue would be lower again this year till the offices start to open up, and that has been deliberately kept low to support our tenants kind of as a potential approach.
- Moderator:** Thank you. The next question is from the line of Satyendra Singh from SHR Investments Limited. Please go ahead.
- Satyendra Singh:** Congratulations on a good set of numbers and complements to the management for the efforts they have taken in the last three months to raise the visibility of the REIT among the investing community. So, I have got a couple of questions around the expiries, and then maybe one more question. So, around expiries, I just wanted to understand, now this 1.1 million which is expiring in FY 2022, the expiry schedule is given on Slide 38. So, it seems about 62% of this comes from a single asset which is G2. So, just wanted to understand as to any specific action plans that the management has to address this, because this is two-thirds of the area coming under lease under renewal.
- Alok Aggarwal:** So, yes, kind of we think some expiries could happen in G2. And of course, G2 was a asset which was fairly high in terms of leasing percentage, and we have been in discussion with a number of tenants in that micro market. And we are hopeful that as discussions progress, we can probably refill some of the expiries, but that should only happen towards maybe, it can take about couple of quarters.
- Ankur Gupta:** I would also like to add that G2, by area is also the largest asset. So, the trends are quite proportionate to the area as well that we have under operations today. As the REIT expands, naturally the share of one asset will start to look different.

- Satyendra Singh:** Okay, thanks. So, a question on the identified assets, probably somebody asked the question earlier also, just one follow-up on that. Is the REIT also looking at acquiring assets one by one rather than both of them together, given the different level of stabilization that might have been achieved in G2 vis-à-vis entry like G1 as was mentioned earlier is 97% and the build out is also complete, while N2 is 86% occupancy and there's some built out which is still going to take half a year. So, are you also looking at one by one that will also handle the debt headroom issues also? Because then you don't have to look at 86 billion in a single shot.
- Ankur Gupta:** Absolutely, it's a fantastic observation and that's most likely how this will play out, it will be one by one.
- Satyendra Singh:** Okay. And Ankur, any guidance on how accretive will this be to the NAV and to the DPU? Because the values are already frozen, and the rental profile you will already be knowing, so what is the efficient one can look at on NAV and DPU.
- Rachit Kothari:** Maybe I will take that. So, I think as far as the NAV and DPU accretion is concerned, look, it's a function of, I would say, what NOI to property or the NDCF outlook of the property is, when we have finished the lease up. As you will appreciate, there is still some more to go, we are in active conversation on 400,000 square feet of area. After that there is some more balance area. So, I think it's a question that probably is best suited for the time when we are closer to the acquisition. But as a philosophy, the REIT will, as Ankur mentioned, will look for NAV accretion and DPU accretion, the quantification is something that we can only discover later.
- Satyendra Singh:** Okay. And in one of the other REIT con-calls, one of the CEOs had mentioned that Accenture, for example, which incidentally happens to be our largest tenant at 18%. So, his experience was that Accenture has kind of put a global embargo on renewing leases which come up for extension. Is that a risk we see over the next 12 to 18 months from this specific tenant? Do we have any renewals coming up? Because they have seen some losses in Hyderabad, Madhapur area.
- Alok Aggarwal:** So, we are in constant touch with most of our tenants, including the one you are talking about. There's no such kind of a discussion we have had with them. In fact, the feedback what we have is, in fact, they have floated an RFP to take more space in one of the micro markets. And this has just happened recently. And they are also saying that, probably they would come back to us by end of this year to take more space. So, I think we have a very strong relationship, their business is growing, their hiring has been phenomenal. And as soon as the lockdown kind of a better out, we feel large tenants would take more space.
- Moderator:** Thank you. The next question is from line of Karan Khanna from Ambit Capital Private Limited. Please go ahead.
- Karan Khanna:** I hope everybody's keeping safe. So, my first question is, you have partly answered that question while answering the previous participant as well. But given that top 10 tenants sort of contribute to 75% of your lease area, the exits have been minimum in your portfolio. And consequently, the

same store occupancy has largely been maintained at 91%. While we understand that large tenants sort of have not materially cut down on their office space yet, given your interactions with some of your tenants, what are we seeing in terms of expansion given most of these IT companies have been talking about sustenance of the hybrid working model even post the pandemic?

**Ankur Gupta:** Maybe I will summarize the question for everybody's benefit. Given that a lot of our occupiers are large format tenants, how do we see the outlook of these companies in the context of hybrid models? If I am not accurate you can correct me.

**Karan Khanna:** That's the question, Ankur, yes.

**Ankur Gupta:** So, I will start off and I will let my colleagues take it further. There are two parts to having large tenancies, one is that business becomes mission critical in properties like ours. That helps us when we look at consolidation. Why are companies thinking about hybrid model today? It is because a lot of the areas in the past 14 months have had various degrees of lockdown, and hybrid model was required for business continuity purpose. At the same time, none of our properties ever are had a single day of downtime, because while people were working from home, their offices were still working in terms of all the backend. As we have seen globally, as lockdown decreases, as vaccination picks up, the first trend is towards companies that are growing, for them to get their teams to return to office and grow even further in a more efficient manner. That trend is likely to happen. Having larger footprint with large tenants is an asset, because then you create more stickiness and more affinity for those tenants to grow with us and expand with us or consolidate with us.

**Karan Khanna:** Sure. And just a follow-up on that, Ankur, you have given your growth global experience also, in markets where sort of the entire COVID pandemic has been curtailed well, how are you seeing the overall leasing momentum picking up with this market having seen good amounts of vaccination or very limited number of COVID cases?

**Ankur Gupta:** We don't have to look further. In Asian countries we have signed leases, we renewed tenants, occupancy levels have been very high. In fact, we got a preview in India as well, during first quarter of this calendar year, there was a secular trend towards tenants coming back to offices. And leasing discussions had been initiated and certain leases had been signed as well. So, it's a matter of time, I believe. But we have to do the right things first, which is to ensure the current wave subsides and vaccination drive picks up.

**Karan Khanna:** Sure. And secondly talking about your expansion plan. You did talk about your call option, etc. G1 and N2. One of the other REITs in their conference call mentioned that they will also be looking at distressed sale acquisition opportunities in other markets like Bengaluru and Hyderabad. So, in that context, what Brookfield's strategy going to be, will you restrict yourselves to your core markets or will you be looking to expand outside the markets also?

- Ankur Gupta:** We are present in all gateway markets in the country, Bangalore Chennai, Mumbai, Delhi, Delhi-NCR, Kolkata, Pune. So, as a group, we are already present in all of the markets that we want to be present in, and it is a matter of time that the REIT also expands its footprint. But as I mentioned, growth has to be deliberate and growth has to be accretive, while keeping balance sheet and operating risk minimal. And that is what we bring to the table. And that's a structure which has not been put in place today in dealing with the clients, that structure has been thought through all along as we have planned the REIT. And hopefully, that is an asset today with us when the operating environment is challenging.
- Moderator:** Thank you. Next question is from the line of Arun Ranganathan, an individual investor. Please go ahead.
- Arun Ranganathan:** My question was relating to the dividend for the current financial year, how much can a unit holder expect as dividends for the whole year?
- Sanjeev K Sharma:** So, Arun, we have high visibility of next six months, and basis that only we have given a guidance that in next six months, coming two quarters, we will be distributing Rs. 12.75 per unit.
- Arun Ranganathan:** For six months it is Rs. 12.75?
- Sanjeev K Sharma:** It's from the period of issue till 30th September.
- Arun Ranganathan:** Okay. So, it is not for every quarter it is Rs. 12.75, for the whole of six months you are saying Rs. 12.75?
- Sanjeev K Sharma:** Yes, whole, it is not per quarter.
- Arun Ranganathan:** Okay. Till the September end I can expect a distribution of Rs. 12.75, that is what you are trying to say?
- Sanjeev K Sharma:** Yes, Arun. As of now, our expectation is that only, and we have given guidance according to that.
- Arun Ranganathan:** Okay. The other question was that are we planning to add any new assets into the REIT so that the whole income of the REIT can grow in a significant way or in a meaningful way this financial year, so that the dividend income also improves for individual investors like me? Are we actively looking at adding some assets and can you throw some light on the amount of square feet or the value of the assets which can be added to the REIT? And the income which it can bring about in this financial year, additional income, can you throw some light on that issue?
- Ankur Gupta:** We have talked about our growth plans earlier in the conversation, we have identified two large assets totaling more than Rs. 8,500 crores. And over the next few quarters, we will actively look towards strategic options, towards that pipeline, and also are always on the lookout for growth as long as it's accretive. So, that's been a stated strategy for us, and we are always working

towards ensuring that accretive acquisitions, not just from the identified pipeline but even others are always considered.

**Moderator:** Thank you. The next question is from the line of Hitesh Arora from Unifi Capital Private Limited. Please go ahead.

**Hitesh Arora:** I just wanted a clarification on something that you discussed earlier. So, of the 1.1 million expiries that come in, you say you expect a success rate of 40%, 50%. And when you are in advanced stage discussions around another I think 500,000 square feet. So, assuming a success rate there of, say, hypothetically speaking of 80%, so we should be looking at, roughly speaking, expiries of only around maybe 150,000 compared to actual expiry of 1.1 million square feet, would that be a correct assessment?

**Ankur Gupta:** Yes, I will just clarify. We finished a building in the last fiscal of about 400,000 square foot. So, you should also consider that we have active discussions on leasing up that building. And also there were some existing vacancy in the existing portfolio. My expectation is, the way you laid it out, if you are able to get 50% of this fiscal leasing done and are able to lease another 0.5 million square feet, I would assume that our vacancy levels or our occupancy levels will remain in the high 80s to early 90s. So, that would be accurate.

**Hitesh Arora:** Okay. Just one more question, on this Rs. 12.75, if you could clarify how much is the accretion from a listing until 31st March, of this Rs. 12.75 how much accretion comes from the listing dates as of previous financial year end, 31 March 2021? A rough number would suffice.

**Sanjeev K Sharma:** Hitesh, actually we have not given those numbers, but I can tell you that broadly the performance which is expected in next six months, the similar performance has happened in past one and a half month. And more or less, it should be evenly distributed.

**Moderator:** Thank you. The next question is from the line of Kiran Naik from Modi FinCap Private Limited. Please go ahead.

**Kiran Naik:** Sir, my question is, of the total office space we have, how much is vacant at present?

**Rachit Kothari:** So, about 1.3 million square feet stands vacant. So, on 10.3 million square feet area of which one building was recently delivered, we have about 9 million square feet which is leased.

**Moderator:** Thank you. The next question is from the line of Venket Samla from Tata Asset Management. Please go ahead.

**Venket Samla:** So, I know this has been answered before but just wanting to understand a little bit more. So, you did mention that of the 1.1 MSF that is due for renewal in FY 2020, do you expect 40% to 50% renewal rate? So, if you could add some more color, is this based on your discussion with your tenants or is this a view that you are taking a little more conservatively? And how much more downside could there be to this? I mean, how much of a pessimism have you built into this?

- Ankur Gupta:** Our projections are a result of a number of factors, which is our judgement conversations and not just with tenants but with the market participants, and the environment around us. So, I wouldn't be able to say with accurate percentages based on one or the other. But I believe that even looking at the current environment where decision making is being postponed, at least in many situations, we expect that that decision making will come back with a strong rebound. But unless that's happening, it's good to be conservative.
- Venkat Samla:** So, just as a follow-up, is there any downside risk to this? I mean to that 40% to 50% that you have guided for. I mean, as you progress through the year, or do you think that you have already built in a sufficient buffer, you would say?
- Ankur Gupta:** See, as things stand today, this is our best estimate, considering all things, in terms of this is our most accurate. If you were to run our own internal analytics, this is the best estimate. Now whether there is a downside risk or there are some surprises on the upside, I would expect that the vaccination drive picks up in India and decision making is back with a bang. But this is a more, I would say, measured view right now from our house.
- Venkat Samla:** Understood, sure. And one more thing is with respect to NDCF guidance for H1 of about Rs. 12.75, and there is some spillover since the time you have listed as well to that, right. And you did mention that that one and a half odd months' performance is similar to what you have put it in RHP, very crudely for the performance, those numbers are also similar to what you had put out in the RHP in terms of your annualized performance, right. So, just wanted to understand if your NDCF is not getting impacted in a meaningful way for H1, do we expect a higher number of expiries to take place in the mid or the second half of FY 2022? I mean, how should we look at it? Because your NDCF is not getting impacted because of the increased vacancies.
- Ankur Gupta:** We thought it was prudent for us to give guidance for six months looking at the environment, and we would look to update the guidance in three months' time when we meet again, when there is hopefully a little bit better visibility on some of the conversations that are currently happening.
- Venkat Samla:** Right. Okay. So, any color on when the expiry would happen? I mean, H1 or H2, just some color on that. And also, what is the nature of the tenants who you think would be potentially vacating?
- Alok Aggarwal:** So, expiries, some could be an H1, some could be in H2, so that's something very, very difficult to say exactly when that will happen. And when you talk about tenants, our tenants are widely kind of these are all IT companies in a very broad-based definition. And our existing set of tenants, they would be vacating, which are IT companies.
- Moderator:** Thank you. Next question is from the line of Sameer from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Most of my questions have been answered but just a couple of quick clarifications. So, first is on the projections that were given in the prospectus for three years, including fiscal 2022. Do they stand or do they not stand?

- Ankur Gupta:** Sameer, I would say, for the most part they stand as we look at things in the near term, what could happen is a shifting by quarter, and that is something which we are keeping a close watch on. But by and large, as we have discussed in the past with you, we have kept a core portfolio of assets which have less unknowns in the REIT, we don't have non-office income for the most part, we do not have a lot of lease up in our portfolio, we do not have a lot of construction risk in our portfolio. And that is why we are able to project with a certain amount of certainty. And I would expect that, even in the case of our inorganic growth pipeline, they are closer today than they were three months ago. So, I would say, in balance we are trending quite well, but none of us expected second wave of this nature to have happened. And that has pushed some of the more near-term conversations out, which we will have to measure over the coming quarters. And as I mentioned earlier, we will look to update our guidance in case we need to make any adjustments. But this is our best guess today which I believe is trending in the right direction.
- Sameer Baisiwala:** Okay. What I probably understood is, fiscal 2022 is a bit of a question mark given the second wave, and 2023-2024, hopefully things should fall back in place?
- Ankur Gupta:** Even in FY 2022 I would say, what we have near-term visibility for at least half of the year is pretty much on spot. So, if this trend continues, we should be in line with our projections.
- Sameer Baisiwala:** That would be excellent. And the second question is on the trajectory of vacancies or occupancy, I think you said that will be at high 80s or 90s. But I was thinking, if I look at not the same store, but the total committed occupancies, and that's at 87%, given the lease expiries and then the delay in the new leasing, can you first come down occupancy to 80% to 83% and then towards the later part of this year, start to climb back up again?
- Ankur Gupta:** If both the factors that you mentioned play out, which is lower renewals and delay in the buildings take up which we have completed recently, then mathematically, yes, it can come into the mid-80s. But that's the guidance that will have to update with you in the coming quarters. As Alok mentioned, our leasing inquiry had picked up significantly in the first quarter and early part of this quarter, which of course those conversations have been slower, as personnel in organizations deal with more important organization level initiatives right now, to minimize the impact on their operations of the second wave. We have joined hands with them and are ensuring that that happens first up. But again, your secular trend towards institutionally managed spaces is for all of us, we are experiencing that in the first person here. And as Alok mentioned, large tenants still want to favor consolidation initiatives.
- Sameer Baisiwala:** Okay, that's great. And one final, if I may, with your permission. See, it looks like the new deals will get signed over, maybe you have not specified, but say maybe three to six months. And then we give them a fit-out period or rent-free period, which is typically what three months, maybe more as well. So, it's pretty much eight, nine months is gone, right? So, when the cash actually starts showing up for the vacant area, etc., or the expired area, would be January, February next year for the bulk of the volumes. Would this be a correct understanding?



- Ankur Gupta:** So, in any event when we had modelled in a lease up, that model consider the free rent period as well as the three to six months that you mentioned of non-income generating areas. So, if that gets pushed out, so that year cash flows get pushed out by a similar factor. What does impact this trend on the downside is, if your renewal rates go down from 80% to lower numbers. But again, on the other side, if you do have lower renewals, you are looking at, when tenants come back, at a quicker mark-to-market that happens subsequently. So, on a value basis, actually we believe the turn out to be better in the coming fiscal. But from a cash flow perspective, there could be short-term disruption in your overall DPU. But again, we are very focused on these trends. And as I mentioned, while this is the way a typical commercial real-estate company would function, the fact that we have very little risk of non-office buildings, no income from things like hotels and stuff, and the fact that largely our area is leased up or its operating nature. And to add to that fact, our leverage levels are significantly below, it's about 18% to value. All of the levers are solid for us, that we can actually do accretive growth projects even during this time.
- Moderator:** Thank you. The next question is from the line of Vishal Khandelwal from Bajaj Allianz. Please go ahead.
- Vishal Khandelwal:** My question was also related to that tax distribution slide; I think you already answered that. So, just to understand that better, you will be utilizing the MAT credit to offset the increased cash outflow, right?
- Sanjeev K Sharma:** It's not increased cash flows, because we have MAT credit, so any difference due to non-payment of interest to the shareholder, the tax cash outflow will not be there, theoretically, tax will be there to some extent. And to some extent you are right that it will be utilized for MAT.
- Vishal Khandelwal:** Okay. Just another question I have on the LTV ratio which you mentioned. So, you calculated that based on gross debt to your gross asset value or is it net debt to gross asset value?
- Sanjeev K Sharma:** This is gross debt to gross asset value at 18%.
- Vishal Khandelwal:** Okay. And then one more thing, you mentioned that 4 lakh square feet in FY 2021 is expiring got extended to FY 2022. So, normally in other cases we are seeing cases of early expiries, whereas this is good that your tenants are asking you more time to move or they want to stay for a longer period of time?
- Alok Aggarwal:** So, what we are saying is, we are expecting some expiries, and when tenants will give us notice, there typically some notice period is there. And once you get a notice, and the tenant is not renewing the lease, that is what we are saying. And it is estimates of expiries.
- Moderator:** Thank you. My next question is from the line of Puneet from HSBC Bank. Please go ahead.
- Puneet:** Just a little clarification here. In FY 2022 you talked about 1.1 million square feet of vacancies. When I look at the prospectors, last it was filed at 0.38 million. So, does it mean that the 401,000 square feet from FY 2021 have now moved to 2022, that's also captured in 1.1 million square

feet? That's one. And second, does it capture the 415,000 square feet which you are estimating to expire? Is it there in 1.1 million square feet or not yet?

**Sarthak Patel:** Yes, Puneet, it includes both of them.

**Moderator:** Thank you very much. Ladies and gentlemen, that will be the last question for today. I will now hand the conference over to Mr. Ankur Gupta for closing comments.

**Ankur Gupta:** Thank you. And thank you everybody for participating in our call. As I mentioned, we remain committed to helping our communities in which we operate across the board. And I wish everybody safe health. And we look forward to engaging with you soon again. Thank you very much.

**Moderator:** Thank you very much. On behalf of Brookfield India Real Estate Trust, that concludes this call. Thank you for joining us. You may now disconnect your lines. Thank you.