Management Discussion and Analysis

The discussion and analysis of our financial condition and results of operations that follow are based on our Audited Consolidated Financial Statements of Mindspace REIT and the Asset SPVs (together known as "Mindspace Group") for the year ended March 31, 2021 and March 31, 2020 prepared in accordance with Indian Accounting Standards and applicable REIT regulations.

The acquisition of Asset SPVs by Mindspace REIT was effected on July 30, 2020. Consequently, consolidation of financials of these Asset SPVs with Mindspace REIT has been done effective August 01, 2020. Consolidated FY21 numbers therefore reflect 8 months financial performance of the Asset SPVs while Consolidated FY20 numbers do not consider any consolidation of financial performance of the Asset SPVs. Hence, the numbers for FY20 and FY21 are not comparable. However, for comparison purpose, in the section **Comparison of Pro Forma Financial Numbers** and **Movement in revenue from operations and NOI by assets,** we have provided pro forma Revenue from Operations and Net Operating Income for the twelve month period from April 01, 2020 to March 31, 2021 and for the twelve month period from April 01, 2019 to March 31, 2020.

This discussion contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from those forecasted and projected. The 'Risk Factors' section included in this Annual Report discusses a number of factors and contingencies that could affect our financial conditions and results of operations. All the financial numbers in this section have been rounded off to the nearest million unless otherwise stated.

MINDSPACE REIT OVERVIEW

Mindspace REIT owns a quality office portfolio across four key office markets of India, i.e. Mumbai Region, Pune, Hyderabad and Chennai. The portfolio comprises five integrated business parks and five quality independent offices. With a total leasable area of 30.2 msf (23.9 msf completed; 2.1 msf under construction; 4.3 msf future development), it is one of India's largest Grade-A office portfolios. Mindspace REIT's focus is on building a community-based ecosystem to meet the demands of "new-age businesses" while maintaining high safety and quality standards. Our parks are distinguished by their scale and thus making us the preferred partner of both domestic and foreign multinational corporations.

These assets are located in the established micro-markets, with proximity and/or connectivity to major business, social, and transportation infrastructure. We have built a significant presence in the portfolio markets where we operate and have meaningfully contributed to the evolution of these markets.

30.2 msf

Total leasable area as of March 31, 2021

As of March 31, 2021, the portfolio is well diversified with 164 tenants. Our diversified tenant base comprises a mix of Indian and foreign multinationals, including affiliates of Accenture, BA Continuum, JP Morgan, Amazon, Schlumberger, UBS, Facebook, Barclays and BNY Mellon, among others. No single tenant contributes more than 7.0% of gross contracted rentals. While tenants from the technology sector have traditionally comprised and continue to comprise our largest tenant base, we have diversified sectoral mix of our tenants with increasing share of non –technology sector tenants by c. 10.4% over the last four fiscal years. Technology, financial services and telecom and media constitute our three largest sectors with contribution to Gross Contracted Rentals of 44.2%, 19.9% and 11.2%, respectively as on March 31, 2021. Approximately 82.9% and 35.0% of Gross Contracted Rentals come from leading multinational corporations and Fortune 500 companies, respectively. In furtherance of our diversification strategy, we have also forayed into offering spaces to data center operators.

Our constant endeavor is to achieve high tenant retention, growth/consolidation of our existing tenants in our portfolio via its integrated eco-system offering, active asset management, high standards of health and safety, asset enhancement programs, and delivery of uniform service experience through its in-house facility management division. Our long-standing relationship with our tenants has helped the portfolio see our tenants grow across various parks within the portfolio. Our focus on constant engagement with our existing and potential tenants, even during the current pandemic times, has helped attract new tenants to our parks as well as retain most of our existing tenants.

6.0 Years
Weighted Average Lease Expiry (WALE) as of March 31, 2021

To keep our parks energized and meet the changing needs of the millennials, we effectively used the period of low physical occupancy due to COVID-19 to accelerate our asset enhancement program at our parks in Madhapur and Airoli East. Our endeavor is to provide our tenants with a renewed experience when they get back to their workspaces after situation starts returning to normalcy.

At Mindspace REIT, sustainability is at the core of our business objectives and we strongly believe sustainable practices shall help us create long-term value for our stakeholders. At present 36 of our buildings are "Green Certified" by LEED or IGBC, including one pre-certified building. The key sustainability initiatives include a constant drive to achieve energy efficiency, improved air quality management, focus on renewable energy, water conservation and recycling measures etc.
During the year, we became the first real estate entity in India to commit to the Climate Group's EV100 initiative with a target to achieve 100% electric mobility by 2030 at all our parks. Our CSR programs endeavor to be relevant to the communities we operate in. We continue to assist government in restoration and redefining the lake front of Durgam Cheruvu, Hyderabad. Our strong belief in the power of education to change lives has helped us bring various literacy interventions to children of under-privileged communities. During the year, we partnered with "Room to Read", a literacy initiative and supported "DEEDS" trust reaching out to over 2,500 students.

Successful Listing in August 2020
Mindspace REIT was successfully listed on the Indian stock exchanges on August 07, 2020 amid the global pandemic and consequent headwinds for the commercial real estate sector. The overwhelming investor response to Mindspace REIT's IPO reflected the investor confidence in our business model and robust long-term fundamentals of the sector. The issuance garnered huge subscription from domestic non-institutional investors which is reflective of the acceptance of REITs as long-term investment instruments by these investors.

13x
IPO subscription

FY21 HIGHLIGHTS

- Leased 3.5 msf of commercial space including 1.3 msf of new area (pre-leased and committed); achieved average re-leasing spreads of 19.1% on 2.2 msf of re-leased space
- Diversified our tenant mix by leasing 0.6 msf to one of Asia's leading data center operators at Airoli (West), Mumbai Region
- Total leasable area increased by 0.7 msf primarily on account of data center development
- Increase in in-place rent by 8.0% to ₹ 55.9 psf per month primarily on account of contractual escalations, achievement of MTM potential via re-leasing of area at higher rent and leasing of new area at market rent
- Grew completed portfolio by 0.9 msf primarily by adding new space at Commerzone Porur, Chennai
- Undertook strategic asset enhancement at our Madhapur and Airoli East assets, to energize the parks, improve tenant experience, keep the parks ready to meet the changing needs of millennials
- Proactively implemented stringent safety norms and technologies for ensuring business continuity for tenants
- Received prestigious Sword of Honour from British Safety council for Mindspace Airoli, West, Mumbai Region and Commerzone Yerwada, Pune
- Committed to the Climate Action Group on its EV100 initiative, first real estate entity from India to join the initiative. Mindspace REIT offers 950+ electric vehicle charging points across its parks
- Contributed to various education initiatives including "Room to Read" and "Deeds Public Charitable Trust" benefiting over 2,500 students and 115 teachers including students with hearing impairment
- Continued effective partnership with Telangana State Industrial Infrastructure Corporation Ltd. (TSIIC) and Greater Hyderabad Municipal Corporation (GHMC) to redefining the lake front of the Durgam Cheruvu Lake, Hyderabad
- Facilitating COVID-19 relief via contributions towards CM's relief fund, Municipal Corporation Covid Hospital, Mumbai Police Foundation

₹ 848 million
Invested to upgrade/ renovate portfolio

THE CURRENT BUSINESS BACKDROP AND THE CHANGING BUSINESS DYNAMICS

Beginning March 2020, the COVID-19 pandemic brought major global economies including India to a standstill. Health and safety of our people and tenants became our primary focus. We have constantly engaged with our tenants to ensure their business continuity through the pandemic. Our parks remained operational through the lockdown following all the guidelines laid out by the central and local government authorities.

Our facility management team proactively implemented stringent safety measures, including app-based screening and monitoring, thermal scanning, and advanced technologies such as use of UV towers for disinfection, use of MERV 13 filters in all Air Handling Units (AHUs) and touch-less elevators, among others. We also utilized the low physical occupancy situation to re-energize our business parks, which makes us well prepared to meet the demand for high-quality ready-to-move-in office spaces in the new normal.

As we await moderation of the second wave, we continue to be engaged with our tenants and health and safety is our priority. The pace and efficacy of the ongoing vaccination drive and flattening of the curve of daily new infections is expected to play a crucial role in bringing back businesses to normalcy. Our business has demonstrated high degree of resilience during this disruption, and we remain confident of the long-term fundamentals of Grade A commercial real estate in India.

Accelerating digital transformation benefiting technology companies and upcoming data center demand

Technology companies provided the tools to facilitate business continuity as the world moved to a remote working environment. Demand for digital transformation services is gaining further momentum as businesses focus on strengthening their resilience and relevance.

NASSCOM research suggests the technology services industry is estimated worth $194 billion in FY21 and has seen net hiring remain robust even during the pandemic. The tech hiring outlook is expected to remain positive in 2021 coupled with growth in global tech spends. Global multi-nationals are increasingly looking at India as an innovation and knowledge centre. The Indian technology industry recovery is expected to strengthen further in 2021 due to factors including:

- Growing demand for migrating workloads (storage/processing) to public cloud
- Increased client spending for improvement in IT services
- Larger deal sizes
- Prediction of 5G-related IT spending

As a leading provider of intellectual capital globally, India remains an attractive market, backed by its deep talent pool, cost arbitrage, and sub-dollar rentals. Mindspace REIT is expected to benefit from this trend as technology companies continue to form a significant part of our occupier mix with high focus on Global Capability Centers (GCCs).

Another emerging trend has been the demand for data center spaces. NASSCOM in its report, 'India – The Next Datacentres Hub' highlights the growing potential of Indian data center market. It is expected to see investments grow at a CAGR of 5% (c. 2x the global market) reaching $4.6 billion per annum by 2025. India's benefit is driven by significant cost advantage both in construction and operations, growing online market and international connectivity, majority investments in Tier IV data centers. Mumbai, Chennai, Hyderabad are amongst the key markets for the industry. Faster implementation of the draft data center policy is expected to further enhance growth potential of the industry.

Preference for Grade A workspaces focusing on safety and well-being

Shared accommodations, smaller homes, poor infrastructure and concerns over data security are likely to remain key deterrents to the work from home model in India in the long term. Further, workplaces are important platforms to congregate and collaborate. In addition, globally, discussions around employee wellness and stringent safety norms have gained prominence, which are expected to help demand for Grade A workspaces once the normalcy returns. We are observing the new normal unfold closely. Consolidation of office market is inevitable, with annual supply contracting and tenants turning towards office spaces that rank high on safety protocols and enjoy the reputation and trust.

Business challenges and our approach to mitigating these

While economic, social, regulatory environment continues to pose challenges to every business, the Manager has a comprehensive risk management framework in place to mitigate the impact of these challenges. The Manager constantly assesses the changing business dynamics and implements appropriate measures to ensure business continuity and growth. Further, comprehensive compliance and governance structure, focus on sustainable business practices, constant stakeholder engagement shall contribute to the long-term business sustainability and value creation.

Risks and concerns

Risks and concerns affecting our operations are captured in section 'Risk Factors' on page number 95 to 98.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Please refer Basis of preparation stated in Consolidated financial Statements on page number 208 to 209.

Summary of significant accounting policies

Please refer Significant Accounting Policies stated in Consolidated financial Statements on page number 209 to 222.

Principal components of consolidated statement of profit and loss

Our revenue from operations comprises the following sources: (i) facility rentals; (ii) income from maintenance services; (iii) revenue from works contract services; (iv) revenue from power supply; and (v) other operating income.

Facility rentals

Revenue from facility rentals comprises the base rental from our properties, fit-out rentals and income from car parking and others and certain Ind-AS adjustments to reflect the impact of straight lining of leases and discounting of security deposits.

- **Base rentals:** Base rentals comprise rental income earned from the leasing of our assets
- **Fit-out rentals:** For some of our tenants, we provide customized alterations and enhancements as per the tenants' requirements. For such properties, we recover the value of the fit-outs provided through fit-out rentals
- **Income from car parking and others:** Primarily, includes income from car park, kiosks, signage, ATMs, promotional events, among others

Income from maintenance services

Income from maintenance services consists of the revenue that we receive or is receivable from tenants for the Common Area Maintenance (CAM) services provided as per the terms of agreement with the tenants, and also includes revenue from common area maintenance services provided to third parties, if any, located within the assets.

Revenue from works contract services

Revenue from works contract services includes revenue earned from construction of building for the tenants based on their specification and requirements.

Revenue from power supply

Revenue from power supply includes income from supply of power to tenants within the notified SEZ.

Other operating income

Other operating income primarily includes (i) interest income from finance lease, which comprises interest income from fit-out rentals where such leases are classified as finance leases. Leases are classified as finance leases when substantially all the risks and rewards of ownership is transferred to the lessee; (ii) income from sale of surplus construction material and scrap; and (iii) service connection charges for power supply and other charges.

Interest income

Our interest income comprises the following sources: interest income on (i) loans to body corporates; (ii) fixed deposits with banks; (iii) electricity deposits; (iv) income-tax refunds, and (v) others.

Other income

Our other income primarily comprises: (i) gain on redemption of preference shares; (ii) gain on redemption of mutual fund units; (iii) Liabilities no longer required written back and (iv) miscellaneous income.

Expenses

Our expenses primarily comprise: (i) cost of work contract services (ii) cost of power purchased (iii) employee benefit expenses (iv) cost of property maintenance services (v) repairs and maintenance (vi) other expenses (vii) finance cost (viii) depreciation and amortization expenses

Cost of work contract services

Cost of work contract services is the expenses incurred towards construction of a building, based on agreed specifications and requirements, pursuant to the works contract executed by KRC Infra with respect to the portion of land owned by the counterparty.

Cost of power purchased

Cost of power purchased is cost incurred for purchase of power, transmission charges and related expenses with respect to supply of power to tenants within the notified SEZ.

Employee benefits expenses

Employee benefits expenses primarily include salaries and wages, contribution to provident and other funds, gratuity expense, compensated absences and staff welfare expenses.

Cost of property management services

Cost of property management services primarily include expenses incurred for facility maintenance services.

Repairs and maintenance

Repairs and maintenance expenses primarily include expenses incurred on repairs and maintenance of buildings and plant and machinery and electrical installation.

Other expenses

Other expenses primarily comprise property tax, electricity, water and diesel charges, brokerage and commission, business support fees paid to the KRC group, rates and taxes, corporate social responsibility expenses and business promotion and advertisement expenses.

Earnings before finance costs, depreciation and amortization, regulatory income/expense and tax

We have elected to present earnings before finance costs, depreciation and amortization, regulatory income/expense and tax as a separate line item on the face of the statement of profit and loss.

EBITDA is generally defined as net profit before interest expense, taxes, depreciation and amortization. However, Ind AS 114 (Regulatory Deferral Accounts) requires the movement in all regulatory deferral account balances to be distinguished from other income and expenses. Hence, for the purpose of Consolidated Financial Statements, included in this Annual Report, net movement in regulatory deferral account balances has been disclosed separately in the Statement of Profit and loss after 'Profit before rate regulated activities and tax' and thus does not form part of EBITDA.

Depreciation and amortization expenses

Depreciation and amortization expenses comprise the depreciation of property, plant and equipment; depreciation of investment property; amortization of intangible assets and amortization of right of use of assets.

Finance costs

Finance costs primarily comprise: (1) interest expenses on (i) borrowings from banks and financial institutions; (ii) debentures; (iii) lease liability; and (iv) others; (2) unwinding of interest expenses on security deposits; and (3) other finance charges. We capitalize borrowing costs in relation to under construction properties. Once construction is completed, the interest cost is charged to our statement of profit and loss, causing an increase in finance costs.

Regulatory income/expense

As a deemed power distribution licensee in the SEZ area, some of our Asset SPVs charge tenants tariff on power consumption that is pre-approved by the state regulatory authority, Maharashtra Electricity Regulatory Commission (MERC). Accordingly, on an annual basis, we file a tariff petition for the succeeding year based on projected expenses and revenue for that year. MERC reviews the tariff petition and approves expenses and revenue in compliance with the tariff regulations. Subsequently, we submit our audited accounts to MERC to undertake a truing up process, wherein MERC compares the actual expenses and revenue with the approved expenses and revenue for the past year, and allows total revenue gap / (surplus) to be recovered in the succeeding year's tariff. As a result, there is an increase/(decrease) in succeeding year's tariff based on past year's revenue gap/(surplus), and this change is referred to as impact on account of true-up. Such revenue gap/(surplus) for the past year is recorded as regulatory income/expense in the financials.

Tax expense

Tax expense comprises: (1) current tax; (2) deferred tax charge (net); and (3) MAT credit entitlement.

The Indian Income Tax Act provides companies an option to discharge their income tax liability at a concessional rate of 25.17% (including cess and surcharge) subject to fulfilment of certain conditions which includes opting out of other applicable tax holiday claims/ incentives/ tax exemption and utilizing MAT credit ("New Tax Regime"). With respect to the Consolidated Financial Statements as of and for the year ending March 31, 2021, and for the year ending March 31, 2020, we have not opted for the New Tax Regime and continue to discharge our income tax liability as per the existing tax regime.

Comparison of Pro Forma Financial Numbers

Pro forma revenue from operations

(₹ million)	FY21		FY20	
	Pro forma	Share (%)	Pro forma	Share (%)
Facility rentals	13,241	81.3%	11,995	77.4%
Maintenance services	2,463	15.1%	2,838	18.3%
Revenue from power supply	460	2.8%	527	3.4%
Other operating income	129	0.8%	141	0.9%
Total Revenue from Operations*	**16,293**	**100.0%**	**15,501**	**100.0%**
Direct Operating Expenses#	2,552	15.7%	3,244	20.9%
Net Operating Income	**13,741**	**84.3%**	**12,257**	**79.1%**

*Excludes revenue from works contract services in Gera Commerzone Kharadi and Sundew

#Include net margin from works contract

Pro forma revenue from operations increased by 5.1% from ₹ 15,501 million in FY20 to ₹ 16,293 million in FY21 primarily on account of:

- an increase in pro forma facility rentals from ₹ 11,995 million to ₹ 13,241 million
- offset by a decrease in pro forma income from maintenance services from ₹ 2,838 million to ₹ 2,463 million
- offset by a decrease in revenue from power supply from ₹ 527 million to ₹ 460 million

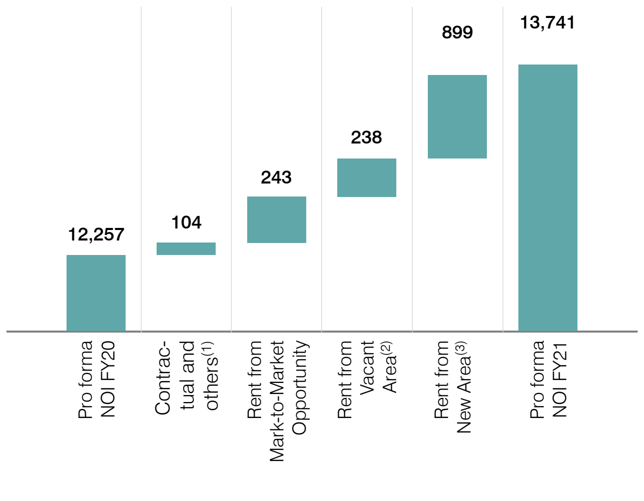
During FY21 we achieved,

- Gross leasing of 3.5 msf area
- New leasing of 1.3 msf area
- Contracted lease escalations on c. 8.2 msf area
- Re-leasing spread of 19.1% over 2.2 msf area

Pro forma direct operating expenses (including net margin from works contract) decreased by 21.4% from ₹ 3,244 million in FY20 to ₹ 2,552 million in FY21 as against an increase of 5.1% in Pro forma revenue from operations. This led to an increase in Pro forma NOI margin from 79.1% to 84.3%.

The optimization of pro forma direct operating expenses was primarily on account of higher net CAM recovery of ₹ 937 million in FY21 versus ₹ 532 million in FY20 due to a substantial reduction in CAM expenses owing to limited tenant occupancy.

Movement in NOI (in ₹ million)



This graph is not to scale

(In ₹ million)	Amount	% Explained
Pro forma NOI FY20	**12,257**	
Impact of:		
Contractual and others[(1)]	104	7.0%
Rent from Mark-to-Market Opportunity	243	16.4%
Rent from Vacant Area[(2)]	238	16.0%
Rent from New Area[(3)]	899	60.6%
Pro forma NOI FY21	**13,741**	

Notes:

1. Include contractual escalations, reduction in rent on account of area vacated; others primarily include NOI from in-house facility management division, Fit-out Income/Income from Finance Lease Receivable, Net Power Income, impact of Ind AS adjustments, downtime vacancy allowance and other direct operating expenses
2. Rent from area which was not generating rent as on March 31, 2020 and annualization impact of incremental rent from area which was not generating rent as on March 31, 2019
3. Incremental rent from new area which started generating rent for the first time

Movement in revenue from operations and NOI by assets

(In ₹ million)	Pro forma revenue from operations[(1)]			Pro forma NOI		
	FY21	FY20	% Change	FY21	FY20	% Change
Mindspace Airoli East	3,578	3,584	(0.2)%	2,823	2,603	8.4%
Mindspace Airoli West	2,040	2,269	(10.1)%	1,623	1,753	(7.4)%
Mindspace Malad	774	762	1.6%	690	654	5.5%
Mumbai Region	**6,392**	**6,615**	**(3.4)%**	**5,136**	**5,010**	**2.5%**
Gera Commerzone Kharadi	1,010	137	639.5%	846	113	650.9%
The Square Nagar Road	624	916	(31.9)%	512	745	(31.3)%
Commerzone Yerwada	1,535	1,611	(4.7)%	1,259	1,201	4.9%
Pune	**3,169**	**2,664**	**19.0%**	**2,617**	**2,059**	**27.1%**
Mindspace Madhapur	6,591	6,109	7.9%	5,827	5,095	14.4%
Mindspace Pocharam	105	130	(19.0)%	85	94	(10.1)%
Hyderabad	**6,696**	**6,239**	**7.3%**	**5,912**	**5,189**	**13.9%**
Facility Management Division[(2)]	399	-	NM	125	-	NM
Others[(3)]	20	-	NM	(48)	-	NM
Inter Company Eliminations	(383)	(17)	NM	-	-	NM
Total	**16,293**	**15,501**	**5.1%**	**13,741**	**12,257**	**12.1%**

NM = not meaningful

(1) Asset-wise revenue from operations are prior to inter-company eliminations

(2) KRC Infra has commenced facility management business from October 1, 2020 under brand name “CAMPLUS”

(3) Others include Commerzone Porur completed in June 2020 and The Square BKC

NOI came in higher at ₹ 13,741 million in FY21 as compared to ₹ 12,257 million in FY20 primarily due to following reasons:

- **Mindspace Airoli East:** Higher due to Net CAM Recovery, incremental rent generated from 0.3 msf area which was not generating rent as on March 31, 2019, escalation of 2.6 msf over FY20 and FY21, compensated by reduction in rent from 0.3 msf area vacated over FY20 and FY21, and Ind-AS adjustments[(1)]
- **Mindspace Airoli West:** Lower due to reduction in rent from 0.3 msf area vacated in FY20, Ind-AS adjustments[(1)] and reduction in Net CAM Recovery compensated primarily by escalation over FY20 and FY21
- **Mindspace Malad:** Higher due to escalation of 0.4 msf over FY20 and FY21, incremental rent generated from area which was not generating rent as on March 31, 2019 and Ind-AS adjustments[(1)] primarily compensated by reduction in rent from area vacated over FY20 and FY21
- **Gera Commerzone Kharadi:** Higher due to incremental rent generated from 1.2 msf of new area, increase in Net CAM Recovery and Ind-AS adjustments[(1)] compensated by increase in Property Tax due to building completions in FY20 and reduction in Net Power Income
- **The Square Nagar Road:** Lower on account of reduction in rent and fit-out from 0.2 msf area vacated in FY21, reduction in Net CAM Recovery, other operating income and Ind-AS adjustments[(1)]
- **Mindspace Madhapur:** Higher on account of escalation on 6.1 msf over FY20 and FY21, incremental rent generated from 0.8 msf of new area, mark-to-market rental impact on 1.2 msf over FY20 and FY21, increase in Net CAM Recovery, and Ind-AS adjustments[(1)] compensated by reduction in rent from 0.4 msf area vacated over FY20 and FY21
- **Facility Management Division:** Additional NOI on account of commencement of facility management division from October 1, 2020

(1) Ind-AS adjustments refer to fair valuation of security deposits received and straight lining adjustments with respect to lease rent

Profit and Loss statement analysis

(In ₹ million)	FY21 Consolidated	%	FY20 Consolidated	%
INCOME AND GAINS				
Revenue from operations	11,381	98.4%	-	-
Interest	133	1.2%	-	-
Other income	51	0.4%	-	-
Total Income	**11,565**	**100.0%**	**-**	**-**
EXPENSES AND LOSSES				
Cost of work contract services	274	2.4%	-	-
Cost of materials sold	2	0.0%	-	-
Cost of power purchased	341	3.0%	-	-
Employee benefits expense	115	1.0%	-	-
Cost of property management services	191	1.7%	-	
Trustee fees	2	0.0%	-	-
Valuation fees	9	0.1%	-	-
Insurance expense	57	0.5%	-	-
Audit fees	23	0.2%	1	-
Management fees	316	2.7%	-	-
Repairs and maintenance	416	3.6%	-	-
Legal & professional fees	138	1.2%	25	-
Impairment loss	176	1.5%		
Other expenses	1,039	9.0%	23	-
Total expenses	**3,099**	**26.8%**	**49**	**-**
Earnings/(loss) before finance costs, depreciation and amortization, regulatory income/expense and tax	**8,466**	**73.2%**	**(49)**	**-**
Finance costs	1,707	14.8%	-	-
Depreciation and amortization expense	1,964	17.0%	-	-
Profit/(loss) before rate regulated activities and tax	**4,795**	**41.5%**	**(49)**	**-**
Add: Regulatory income/(expense) (net)	32	0.3%	-	-
Add: Regulatory income/(expense) (net) in respect of earlier years	(33)	(0.3)%	-	-
Profit/(loss) before tax	**4,794**	**41.5%**	**(49)**	**-**
Current tax	1,033	8.9%	-	-
Deferred tax charge	628	5.4%	-	-
MAT credit entitlement	(216)	(1.9)%	-	-
Tax expense	**1,445**	**12.5%**	**-**	**-**
Profit/(Loss) for the period/year	**3,349**	**29.0%**	**(49)**	**-**
Profit for the period/year attributable to unit holders of Mindspace REIT	3,075	26.6%	(49)	-
Profit for the period/year attributable to non-controlling interests	274	2.4%	-	-

Our revenue from operations and Profit for FY21 stood at ₹ 11,381 million and ₹ 3,349 million, respectively.

Liquidity and capital resources

Overview

Our low leverage and robust credit profile offer adequate headroom for future growth.

For the year ended March 31, 2021, we,

- Completed successfully the initial public offering of 3,63,63,600 units for cash at ₹ 275 per unit aggregating to ₹ 45 billion, of which ₹ 10 billion was primary component which was utilized for:
  - *Repayment of external debt of ₹ 9.3 billion*
  - *Acquisition of Preference share in Mindspace Business Parks Private Limited of ₹ 334 million*
  - *Issue-related expenses and general corporate purposes*
- Raised ₹ 11.5 billion in fixed cost debt from financial institutions at Mindspace REIT level via issuance of series of MLDs and NCDs bearing coupon ranging between 6.42% to 6.60% on p.a.p.m. basis
  - *We strategically increased our exposure to fixed cost debt to c. 30% of our total outstanding debt, to lock our borrowing costs in the favorable interest rate environment*
- Debt raised during the year was predominantly used for refinancing existing debt and to fund capital expenditure

Our finance costs for FY21 stood at ₹ 1,707 million. Our weighted average cost of borrowings stands at 7.1% at the end of March 2021, down from 9.2% at the end of March 2020. Our weighted average term to maturity for borrowings stands at c. 6.4 years at the end of March 2021.

Financial Resources

As of March 31, 2021, our cash and cash equivalents stood at ₹ 3.5 billion. Cash and cash equivalents primarily consist of balances with banks in current accounts, deposit accounts with original maturity below three months and cash on hand. Our undrawn facilities stood at ₹ 6.4 billion. We maintain a strong liquidity position consisting of cash and treasury balances.

Summary of cash flow statement

(In ₹ million)	FY21 Consolidated	FY20 Consolidated
Net cash generated from operating activities	7,525	0
Net cash generated from investing activities	9,867	-
Net cash generated (used in) financing activities	(15,044)	0
Net (decrease)/increase in cash and cash equivalents	**2,348**	**0**
Cash and cash equivalents at the beginning of the year	0	-
Cash and cash equivalents acquired due to asset acquisition	(883)	-
Cash and cash equivalents at the end of the year (net of book overdrafts)	**1,465**	**0**

(In ₹ million)	FY21 Consolidated	FY20 Consolidated
Cash on hand	2	-
Balance with banks		
- on current accounts	3,060	0
- in escrow accounts	64	-
Deposit accounts with less than or equal to three months maturity	413	-
Cash and cash equivalents at the end of the year	**3,539**	**0**
Less: Bank overdraft	(2,074)	-
Cash and cash equivalents at the end of the year (net of book overdrafts)	**1,465**	**0**

Cash flow from operating activities

Net cash generated from operating activities for FY21 was ₹ 7,525 million. Our profit before tax was ₹ 4,794 million, which was adjusted for non-cash and items relating to financing and investing activities, by a net amount of ₹ 3,683 million, primarily for finance costs amounting to ₹ 1,707 million, depreciation and amortization expenses amounting to ₹ 1,964 million, impairment loss amounting to ₹ 176 million. Our changes in working capital primarily comprised an increase in trade payables of ₹ 543 million, an increase in trade receivables of ₹ 272 million, a decrease in other inventories of ₹ 5 million, and increase in other non-current and current assets (including financial assets) of ₹ 1,089 million, an increase of other non-current and current liabilities (including financial liabilities) and provisions amounting to ₹ 433 million. In addition, we paid income tax of ₹ 571 million.

Cash flow from investing activities

Net cash generated from investing activities was ₹ 9,867 million for FY21, primarily comprising loans repayment received from body corporates of ₹ 12,382 million and interest received on inter-corporate loans of ₹ 1,526 million which was primarily offset by expenditure incurred on investment property and investment property under construction, including capital advances, net of capital creditors, property, plant and equipment and intangible assets of ₹ 3,585 million, primarily with respect to Mindspace Airoli West, Gera Commerzone Kharadi, Mindspace Madhapur (Sundew) and Commerzone Porur, and net investment in fixed deposits of ₹ 127 million.

Cash flow from financing activities

Net cash utilized in financing activities was ₹ 15,044 million for FY21, primarily comprising proceeds from the issue of units of ₹ 10,000 million and from issue of non-convertible debentures of ₹ 11,500 which was offset by net repayment of external borrowings of ₹ 31,243 million, finance costs paid of ₹ 1,697 million, dividends paid (including tax) of ₹ 3,253 million and expenses incurred towards the IPO and issue of non-convertible debentures of ₹ 334 million.

Distributions

NDCF of Mindspace REIT is based on the cash flows generated from its assets and investments. In terms of the REIT Regulations, not less than 90% of the NDCF of each of the Asset SPVs is required to be distributed to Mindspace REIT, as the case may be, in proportion of their shareholding in the Asset SPVs, subject to applicable provisions of the Companies Act or the LLP Act. NDCF to be received by Mindspace REIT from the Asset SPVs may be in the form of dividends, interest income, principal loan repayment or proceeds of any capital reduction or buyback from the Asset SPVs, sale proceeds out of disposal of investments if any or assets directly held by Mindspace REIT or such other form as may be permitted by the REIT Regulations. Further, Mindspace REIT is required to distribute at least 90% of its NDCF to the unitholders.

The Manager is required to declare and distribute at least 90% of the NDCF of Mindspace REIT as distributions (REIT Distributions) to the unitholders. Such distributions are to be declared and made for every quarter of a financial year. The first distribution was made upon completion of the first full quarter post the listing of Units, i.e. for the quarter ending December 31, 2020. Further, in accordance with the REIT Regulations, distributions need to be made within 15 days from the date of such declarations.

For H2 FY21, we declared a distribution of ₹ 5,687 million, or ₹ 9.59 per unit comprising ₹ 8.69 per unit as dividend and ₹ 0.90 per unit as interest payment. On an annualized basis, based on the issue price of ₹ 275 per unit, the distribution yield stood at 7.0%.

7.0%

Annualized Distribution Yield for FY21

Tax implications of distributions

As per provisions section 115UA of the ITA, income distributed by REIT is taxable in the hands of the unitholders in the same manner and proportion as the underlying income stream received by the REIT.

Taxability of income based on residential status

Residential status of unitholders	Nature of income	Tax rates
Resident unitholders	Interest income	At applicable rates*
	Rental income	At applicable rates*
	Qualified dividend income	Tax-exempt (Refer note below)
	Disqualified dividend income	At applicable rates* (Refer note below)
	Other income taxable in hands of REIT	Tax-exempt
Non-resident unitholders	Interest income	5%++*
	Rental income	At applicable rates@*
	Qualified dividend income	Tax-exempt (Refer note below)
	Disqualified dividend income	At applicable rates@* (Refer note below)
	Other income taxable in hands of REIT	Tax-exempt

* The income shall be subject to deduction of tax at source

++ tax rate subject to applicable surcharge and cess.

@ Non-resident unitholders may seek to avail beneficial provisions under the applicable Double Taxation Avoidance Agreement ('DTAA') that India may have entered into with their respective country of residence

Note: Taxability of income in the nature of dividend distributed by REIT to unitholders is dependent on the taxation regime adopted by the SPV(s), which distributes the dividend to REIT. If the SPV(s) has not opted for a concessional corporate tax rate under section 115BAA of the ITA ('Qualifying SPV') dividend received from such Qualifying SPV ('Qualified Dividend') and distributed by REIT is exempt in the hands of the Unitholders. Any dividend other than Qualified Dividend distributed by REIT ('Disqualified Dividend') is taxable in the hands of the Unitholders.

Debt maturity schedule

Weighted average maturity of debt profile stands at c. 6.4 years with 6.3% and 18.5% of debt due for repayment in FY22 and FY23, respectively. Our blended borrowing costs stood at 7.1 % at the end of March 2021, down c. 210 bps from 9.2% at the end of March 2020.

Description (₹ million)	Fixed/Free Float	Total Facility	Undrawn Facility	O/S Principal	Interest Rate (p.a.p.m.)	Weighted Average Maturity (Years)	Principal Repayment						
							FY22	FY23	FY24	FY25	FY26	FY27 & Beyond	Total
At REIT Level													
MLD (Tranche 1)	Fixed	5,000	-	5,000	6.60%	1.1	-	5,000	-	-	-	-	5,000
NCD (Tranche 1)	Fixed	2,000	-	2,000	6.42%	2.7	-	-	2,000	-	-	-	2,000
MLD (Tranche 2)	Fixed	3,750	-	3,750	6.46%	3.1	-	-	-	3,750	-	-	3,750
NCD (Tranche 2)	Fixed	750	-	750	6.64%	3.1	-	-	-	750	-	-	750
At SPV Level (1)													
Term Loan - MBPPL	Floating	14,993	-	13,224	7.36%	9.3	1,514	1,231	1,432	1,627	1,868	5,552	13,224
Term Loan - Sundew	Floating	10,814	-	4,804	7.19%	7.9	421	370	427	500	600	2,487	4,804
Term Loan - KRC Infra	Floating	5,550	1,363	4,172	7.20%	8.9	332	301	368	476	566	2,127	4,172
Term Loan - Gigaplex	Floating	1,000	113	887	7.25%	2.9	119	79	689	-	-	-	887
Loan against property - Horizonview	Floating	1,000	500	500	7.20%	2.8	-	-	500	-	-	-	500
OD / LOC	Floating	7,028	4,473	2,555	7.79%	6.1	-	-	189	-	-	2,367	2,555
Total		**51,885**	**6,448**	**37,642**	**7.09%**	**6.4**	**2,387**	**6,981**	**5,604**	**7,103**	**3,034**	**12,533**	**37,642**

1. Multiple facilities, details are on blended basis

1. Corporate Rating for Mindspace Business Parks REIT: "CCR AAA/Stable" by CRISIL Ratings, "[ICRA] AAA (Stable)" by ICRA
2. Credit Rating of ₹ 3.75 billion and ₹ 5.0 billion long-term principal protected market-linked debentures: "CRISIL PP-MLD AAAr/Stable" by CRISIL Ratings
3. Credit Rating of ₹ 2.0 billion and ₹ 0.75 billion non-convertible debentures: "CRISIL AAA/Stable" by CRISIL Ratings REIT level facilities are fixed rate in nature while SPV level facilities are floating rate in nature

Key ratios

Our loan to value ratio was low at 14.0% as on March 31, 2021. We have undrawn committed facilities of ₹ 6.4 billion, which further augments liquidity. This provides us enough headroom for growth in the portfolio and cushion the near-term COVID-19 impact, if any.

Details of significant changes in key financial ratios (Consolidated)

Ratios	FY21	FY20
NOI Margin	84.8%	NM
Loan to value* (%)	14%	NM
Gross debt to NOI	4.03 times	NM
Net debt to NOI	3.66 times	NM
Return on net worth	1.9%	NM

* Adjusted for minority interest

NM=Not Meaningful

Note: The acquisition of Asset SPVs by Mindspace REIT was effected on July 30, 2020. Consequently, consolidation of financials of these Assets SPVs with Mindspace REIT has been done effective August 01, 2020. Consolidated FY21 numbers therefore reflect 8 months financial performance of the Asset SPVs while Consolidated FY20 numbers do not consider any consolidation of financial performance of the Asset SPVs. Hence, the financial numbers and ratios for FY20 and FY21 are not comparable.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contingent Liabilities

Particulars	FY21	FY20
Income-Tax matters excluding interest	936	-
Service-Tax matters	332	-
Customs duty matters	25	-
Stamp duty	65	-
Bank guarantees to Telangana State Pollution Control Board	33	-
Total	**1,391**	-

Capital expenditure and capital investments

Capital expenditure comprises additions during the financial year to property, plant and equipment, capital-work-in progress, investment property, intangible assets and investment property under construction. During FY21, we incurred capital expenditure of ₹ 3,585 million, primarily for the construction activity at Mindspace Airoli West, Gera Commerzone Kharadi, Mindspace Madhapur (Sundew) and Commerzone Porur and re-energizing out assets via upgrades and infrastructure upgrades. Out of the total capital expenditure ₹ 848 million of the capital expenditure was towards re-energizing our assets. Our capital commitments (net of advances) as at March 31, 2021 was ₹ 4,986 million towards construction and upgrade of our assets.

Planned development

Please refer to page 24 to 25 for an update on under-construction assets and upgrade activities.

NAV

Mr. Shubhendu Saha, MRICS, in conjunction with market report prepared by Cushman & Wakefield (CWI), who has been appointed by K Raheja Corp Investment Managers LLP as an independent consultant to carry out industry and market research, carried out our annual valuation as an independent valuer and valued our portfolio at ₹ 246,167 million with 92.3% of value in completed assets, underpinning Mindspace Business Parks REIT's asset quality as of March 31, 2021. NAV of the portfolio stood at ₹ 345.2 p.u. as on March 31, 2021.

Asset-wise gross asset value, along with the key assumptions

Asset	Discount Rate Completed (%)	Discount Rate Under Construction / Future Development (%)	Cap Rate (%)	Market Rent	Completed Asset Value (₹ million)	Under Construction /Future Development Asset Value (₹ million)	Total Gross Asset Value (₹ million)	% of Total Value
Mindspace Airoli East	11.75	13.10	8.00	58	40,849	1,850	42,699	17.3
Mindspace Airoli West	11.75	13.10	8.00	54	28,720	7,754	36,474	14.8
Mindspace Malad	11.75	-	8.00	86	9,569	-	9,569	3.9
The Square BKC	11.75	-	7.75	260	3,905	-	3,905	1.6
Mumbai Region					**83,043**	**9,604**	**92,647**	**37.6**
Gera Commerzone Kharadi	11.75	13.10	8.00	78	13,360	5,539	18,899	7.7
The Square Nagar Road	11.75	13.10	8.00	78	8,115	354	8,468	3.4
Commerzone Yerwada	11.75	-	8.00	78	19,606	-	19,606	8.0
Pune					**41,081**	**5,892**	**46,973**	**19.1**
Mindspace Madhapur*	11.75	13.10 / 11.75 (B22)	8.00	68	89,468	1,360	90,828	36.9
Mindspace Pocharam	12.25	13.60	8.50	22	1,177	1,568	2,746	1.1
Hyderabad					**90,645**	**2,928**	**93,574**	**38.0**
Commerzone Porur	11.75	-	8.00	63	6,993	-	6,993	2.8
Chennai					**6,993**	**-**	**6,993**	**2.8**
Facility Management Division	11.75	11.75	-	-	**5,327**	**652**	**5,979**	**2.4**
Portfolio Total	**-**	**-**	**-**	**-**	**2,27,090**	**19,077**	**2,46,167**	**100.0**

*Adjusted for minority interest held by TSIIC

Computation of NAV from GAV

Particulars	₹ million
Fair value of real estate assets[1]	246,167
Other assets at book value	7,445
Other liabilities at book value	48,906
Net asset value(A+B-C)	204,706
Number of units	593,018,182
NAV/per unit (₹)	**345.2**

[1] Includes facility management division as well

HUMAN RESOURCE

At Mindspace REIT, we believe people are our biggest assets. We place strong emphasis on investing in and nurturing talent. Our talent pool of 184 permanent employees (including the Manager and Asset SPVs) and our focus on people-centricity has helped us create a high-performance work environment.
We have inculcated people-centricity in our work culture with the help of several initiatives to align the goals of our resources with that of the organization through upskilling, structured trainings, performance management and behavioral assessment, among others.

FY21 was marked by a global pandemic and 'social distancing' became the new normal. Amidst these turbulent times, we focused extensively on engaging incrementally with our employees. Mental and physical well-being for our employees was our priority and towards this we organized multiple engagement sessions with our employees, made available access to experienced psychologists, nutritionists and life coaches, organized medical consultations via our in-house app, etc.

Our 'Back to office employee guidebook' has been designed to ensure smooth and safe transition to working from office when the normalcy returns, and government guidelines permit.

c.90%
Retention rate

INTERNAL CONTROL SYSTEMS

Mindspace REIT has internal control systems commensurate with its size, scale and complexity to manage its operations, financial reporting, and compliance requirements. These systems have been designed to provide reasonable assurance with respect to recording and providing reliable financial and operational information in timely manner, prevention and detection of fraudulent practices, compliance with applicable laws, safeguarding assets from unauthorized use, executing transactions with proper authorization, and ensuring compliance with internal policies. The Manager has clearly articulated roles and responsibilities for all functional heads. Functional heads are responsible to ensure compliance with the policies and procedures laid down by the Manager.

The systems, standard operating procedures, and controls are implemented and reviewed by the leadership team. Based on the findings, process owners undertake corrective measures in their respective domains, thereby strengthening the controls. DELOITTE HASKINS & SELLS LLP, who are our statutory auditors, audited the financial statements for each of the Asset SPVs as at March 31, 2021. They have expressed an unqualified opinion on the effectiveness of each Asset SPVs' internal controls over financial reporting as of March 31, 2021.

Industry structure and developments

Industry structure and developments affecting our operations are captured on pages 52 to 57 of the Annual Report.

OUTLOOK

Global businesses and economies have not remained immune to the disruption caused by the ongoing pandemic. Commercial real estate saw demand softening through FY21 which is expected to extend further for at least 3-4 quarters. Volatility in the spread of the pandemic and its intensity, restrictions on business activities and people movement, consequent remote working, etc. is expected to have near-term impact on demand for office spaces. The pace and coverage of COVID-19 vaccination drive shall be critical in navigating the pandemic in the coming quarters.

While we deal with these challenging times, the Manager has been constantly assessing the changing situations and implementing appropriate mitigating measures. We continue to diversify the tenant mix at our portfolio, build on our tenant relationships to retain our existing tenants and attract new tenants to our parks, digitize our operations and re-energize our parks to support the business and growth needs of our tenants, implement latest technologies and adherence to stringent social-distancing norms to protect the health and safety of our employees and tenants

Even in the given environment, with the help of cutting-edge technology, India has been on the forefront of delivering services which has enabled growth pick-up and rise in employment for such services. The pandemic has also brought about a renewed focus on digitization which has changed the way businesses function. India being an effective provider of these solutions with bandwidth of intellectual capital for technology services, stands to benefit from this trend. The technology hiring outlook is expected to remain positive in 2021 coupled with growth in global tech spends. Global multi-nationals are increasingly looking at India as an innovation and knowledge centre.

Once the global environment recuperates and office occupancies rise, India's Grade A offices are anticipated to be the foremost beneficiaries of the demand surge. In the meantime, we continue to invest in enhancement of our assets and putting in place robust health and safety measures to keep them future ready. Our business has demonstrated high degree of resilience during this environment, and we remain confident of the long-term fundamentals of Grade A commercial real estate in India.