# 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, 2023 prepared in accordance with Indian Accounting Standards and applicable REIT regulations.

## Forward Looking Statement

This discussion contains forward-looking statements that describe our projections and expectations based on reasonable assumptions, past performance, and the projected movement of the global and Indian economy. Such statements can be generally identified by words like "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "shall," or other similar words. Such projections are subject to change in risks and uncertainties related to the impact of changes in general economic and capital market conditions, including continued inflation, increasing interest rates, supply chain disruptions, labor market disruptions, dislocation and volatility in capital markets, and potential longer-term changes in tenant behavior resulting from the severity and duration of any downturn in the India or global economy. No forward-looking statement that we make will be updated or changed by us, whether because of new information, upcoming events, or other factors.

All the financial numbers in this section have been rounded off to the nearest million unless otherwise stated.

## Executive Summary

Mindspace REIT is one of India's leading providers of dynamic urban cluster of Grade A integrated business campuses, independent standalone office buildings and data centers across premium office submarkets of the Mumbai region, Hyderabad, Pune, and Chennai. Our portfolio comprises five integrated business parks and five quality independent offices, with a total leasable area of c. 32.0 msf (25.8 msf completed; 2.5 msf under construction; 3.7 msf future development). The portfolio has inherent growth drivers in the form of potential re-leasing spread, contractual escalations, vacant area leasing, on-campus developments, and re-development opportunities across select assets. We also stand to benefit from the ROFO agreement with the KRC group, which gives us an opportunity to acquire certain projects being developed or proposed to be developed, subject to the terms of the ROFO agreement.

Our strategic focus is to target right set of occupiers and become their partner of choice and undertake proactive asset management and enhancement initiatives. We continue to forge enduring relationship with our tenants, providing them with customised real estate solutions. Our parks are distinguished by their scale and thus making us the preferred partner of both domestic and foreign multinational corporations.

25.8 msf

Completed Area

8.6 msf

ROFO Pipeline

## Tenant Profile

We currently have an unparalleled base of over 200 tenants, and are home to high-quality tenants such as Accenture, Qualcomm, Cognizant, L&T, Wipro, IDFC, Smartworks, Amazon, Verizon, Barclays, UBS, BNY Mellon, Bank of America, and Schlumberger. While tenants from the technology sector have traditionally comprised to be our largest tenant base, we have diversified our tenant base to Non-IT sectors as well. Over 53.7% of our gross contracted rentals come from sectors such as BFSI, Telecom and Media, Engineering & Manufacturing and Healthcare and Pharma. Some of the marquee tenants from these sectors include HDFC Bank, Axis Bank, ADP, Dow Chemicals, Springer Nature and Hitachi etc. Technology, financial services and telecom and media constitute our three largest sectors with contribution to Gross Contracted Rentals of 46.3%, 18.7% and 8.2%, respectively as on March 31, 2023. Approximately 75.4% and 31.2% of Gross Contracted Rentals come from leading multinational corporations and Fortune 500 companies, respectively. No single tenant contributes more than 5.3% of gross contracted rentals as on March 31, 2023. We have added 33 new tenants in the portfolio during the year.

Our commitment to building trusting tenant partnerships, and our concerted efforts to retain existing tenants and attract new occupiers have been reasons for our consistent growth. We are proactive when it comes to understanding tenant needs as this helps us curate customized services and deliver a wholesome experience. Our tenants associate huge value with our offerings, choosing us as the partner

for their expansion plans, and the expansion of marquee tenants such as Accenture, BA Continuum, and L&T within our portfolio is a testament to this. Further, our in-house facility management division and regular tenant engagement activities enable us to maintain high tenant retention.

75.4%
Foreign Multinationals

33
New tenants Added

11 years
Average years of association of Top 10 tenants

## Strong leasing amidst global uncertainty

Mindspace REIT has recorded second consecutive year of gross leasing of over 4 million square feet amidst volatile global economy and capital markets. On the back of strong leasing activity, we have recorded sharp improvement in committed occupancy. We started the year with a committed occupancy of c.84.3%, which has risen by c. 470 bps during the financial year and touched c.89.0%. Our all 3 assets in Pune and the assets at BKC and Malad are almost fully leased with near 100% committed occupancy. Our parks at Madhapur and Porur are recording c.95% committed occupancy. The strong demand for our offerings at Pune and the dearth of space availability, has encouraged us to bring forward the timelines of future development in Pune. Also, we are strategically bringing in incremental supply in markets which are optimally occupied, by undertaking another redevelopment opportunity at Madhapur which we announced during the year. We continue to undertake such strategic calls to bring in additional supply within our existing portfolio in our quest to create long-term value to our stakeholders.

4.1 msf
Gross Leasing

89%
Committed Occupancy

## Capturing demand for Grade A offerings

Grade A occupiers are increasingly looking at institutionally managed campus style offerings. Attractive GCC outlook and IT hirings in last 2 years, return to office are expected to support the near to medium term demand outlook, As a result, we are strategically bringing in supply in our micro-markets. During the course of the year, we expect to have c. 4.3 msf of total leasable area at various stages of development pipeline subject to regulatory approvals. The key projects in the pipeline include potential redevelopment buildings at Mindspace Madhapur (c. 2.9 msf), Building no. 4 at Commerzone Kharadi (1.0 msf), data center building at Mindspace Airoli, West (0.3 msf) amongst other projects.

## Rejuvenate our offerings

We place a strong emphasis on upgrading our assets to offer best-in-class experience to our tenants. Between FY19-FY23, we have spent a cumulative of ₹ 3,023 Mn on upgrading assets. Our asset-enrichment initiatives include elevated boardwalks, re-energized lobbies, added open spaces for breakouts within building, adding amenities with the buildings & parks, refurbishment of lift lobbies & common restrooms, remodeling landscapes, improving connectivity to MRTS, well-spread F&B spaces, revamping facades, using energy efficient lighting, installing signages, and wall art. We are also adding premium experiential, recreational and dining zones in the form of high street retail at some of our assets.

We also actively undertook technological improvements in the areas of building management and sustainability, and this included the design and re-engineering of our sewage treatment plants and weather modelling based on predictive analytics for electricity consumption in our buildings. We were able to carry out this complex task seamlessly during the downtime with minimum discomfort to our tenants.

These continued investments ensure that our assets are differentiated from that of competition and offer the value our occupiers look for. The pandemic has invigorated the trend of shift to quality office spaces, and we have benefitted as a result and have leased over 12 msf since April 2020. The upgrades have also helped us record higher MTM during re-leasing as our assets are benchmarked with the best in the market.

## FY23 – Business and Performance

Mindspace REIT reported a strong year of leasing amidst an uncertain global macro and capital market environment. Indian Grade A office demand has demonstrated resilience and India's structural advantage remained intact. We continued to focus on our leasing efforts throughout the year, while also fortifying our balance sheet to be well-positioned to support our day-to-day operations and drive future growth. Key financial and operating performance highlights for the year ended March 31, 2023 include:

| Signed over 4.1 msf across 83 tenants | Grew Gross Rentals by 16.6% | Placed into service over 1.9 msf |
|---|---|---|

**Progressed on our 2 under-construction projects totalling 2.5 msf**

In addition to the above highlights, other key performance indicators of our 2023 success include:

1. Expanded the total leasable area of the portfolio by 1.6 msf primarily via on-campus developments
2. The committed occupancy of the portfolio rose to 89.0%, increase by 470 bps
3. Same store committed occupancy stood at 89.1%
4. Leased c. 4.1 msf of which c.1.61 msf was re-leasing and c.2.5 msf was on account of new and vacant area leasing
5. Achieved average re-leasing spreads of 26.3% on 2.2 msf of re-let space (includes vacant area leasing)
6. The average rent achieved on the c. 4.1 million square feet leasing was ₹ 66 psf pm
7. Increase in in-place rent by 5.7% to ₹ 65.2 psf per month primarily on account of contractual escalations, MTM realization via re-leasing of area at higher rent, leasing of new area at market rent and advancing our MTM realizations
8. Handed over the first phase of our Data Centre in Airoli W to Princeton Digital Group
9. Portfolio is now further diversified with over 200+ tenants, compared to 175+ tenants at the end of FY22
10. Commenced construction of 1.3 msf re-development building 1A-1B in Mindspace Madhapur
11. Generated NOI of ₹ 17 billion, registering a growth of c. 13.2% YoY
12. Raised ₹ 15.4 billion through non-convertible debentures (NCDs) at attractive rates
13. Raised ₹ 5.5 bn through India's First REIT level Green Bond issuance
14. Distributed ₹ 11,327 million during the year, representing 6.9% yield on IPO issue price
15. The weighted average cost of debt stands at c. 7.6%
16. Unitholder return of 13.1% during the year including distributions
17. Undertook strategic asset enhancement at our Madhapur and Airoli East assets, to energize the parks and improve tenant experience to meet the changing needs of millennials
18. Received 9 Prestigious 'Sword of Honour' awards from British Safety Council across seven business parks
19. Received WELL Health & Safety Ratings for 41 buildings across our portfolio

## Evolving Business Dynamics

The Indian office market has shown considerable resilience. While many developed markets are yet to cross pre-COVID levels of absorption, the Indian office market in CY22 made a sharp rebound from the pandemic-induced lull to clock the second-highest transaction volumes ever. There is a plethora of factors that have contributed to this resilience – the vast availability of STEM talent in India, the strong IT industry, offshoring capabilities, cost arbitrage, growth of BFSI industry and overall economic growth of the country.

### Change in Occupiers' Definition of Grade A

Over the past five years, India has witnessed an on-going transition, from unorganized segments to organized segments, and this has only accentuated post the pandemic. We see this trend playing out in real estate as well. Strata-sold assets are now no-longer considered Grade A by a significantly large segment of top-notch occupiers. Occupiers are keen to shift out of strata-sold assets, given the challenges like negotiating with multiple landlords to implement health and safety protocols. They are willing to pay a premium for a single portfolio owner Grade A building. The focus on quality is more prominent in the occupier segments that we target, and, as a result, we have recorded a second consecutive year of 4 msf of leasing. This has helped committed occupancy in our portfolio rise by c. 470 bps during the year to 89.0%.

### Challenging Economic Conditions Developing Globally

The rise in interest rates by most central banks across the globe to tackle inflation is leading to uncertain macro-economic conditions. Several companies have slowed their expansion and hiring plans anticipating weaker economic growth ahead. This may have a bearing on office demand in India in the near term. Several large RFPs which were active in the market for the past few years have gone on hold and occupiers are now focusing on taking incremental space near existing office for expansion.

We expect the large ticketed demand to remain soft in H1 FY24, although the impact on office demand will be short lived as advantage of India remains unaffected. Historically, cost pressures have led to offshoring to India.

Further, Indian tech companies and GCCs/GICs have hired a record number of people over the past few years and their space takeup has not been commensurate with their hiring. With the employee now returning to the office, there is increased pressure on companies to take up new spaces which is likely to provide a fillip to expansion demand in the coming quarters.

### Upcoming Supply in our Micro-markets

The rise in interest rates and high inflation coupled with challenging macro-economic environment is leading to construction of speculative supply. Strong residential demand is also leading to re-alignment of some commercial supply to residential.

We are using this gap to bring forward strategic supply in the micro-markets where our assets are operating at optimum occupancy. During the year, we announced our decision to undertake another strategic redevelopment opportunity at Mindspace Madhapur, Hyderabad which currently has committed occupancy of over 95%.

We will be demolishing two erstwhile buildings 7 & 8 of 0.36 msf combined and would be constructing a single building of 1.61 msf. This is in addition to the earlier redevelopment of buildings 1A-1B which is currently underway.

During FY22, we had similarly decided to bring in strategic supply by bringing forward the construction timelines of our future development at Gera Commerzone Kharadi from July 2022 to January 2022. We had anticipated a shortage of space at our parks in Pune. With our parks in Pune recording 100% committed occupancy (at the end of FY23), this upcoming supply would give us leverage to hold on to our existing tenants who are looking for expansion as well as attract new tenants.

We continue to explore value accretive opportunities to bring forward strategic supply in our markets where our assets are operating at almost full capacity thereby creating value to our unitholders.

### Highlighting the Importance of Office Spaces

While working from home offers flexibility and comfort, it cannot replace the collaborative atmosphere and social interactions a physical office space provides. Employees and employers have come to realize that permanent remote work could lead to a blurring of work-life boundaries and missed opportunities for mentorship and office camaraderie. Many companies have started asking employees to return to office. If we refer to the FY23 results of Indian IT companies, several companies have indicated that they have started calling employees back to office in phases. While the number of days a week that an employee is required to attend office is still being evaluated, it has become evident that office spaces are going to be the center of future workplace models.

Our conversations with tenants and on-ground park attendance have indicated a significant ramp up in physical occupancy at our parks as we head into the new financial year. We expect to see further improvement if there is no resurgence of infections. With IT companies and GCCs having hired a record number of people, there is a need to expand office spaces.

## Growing Emphasis on Asset Quality

Given our ability to understand the business better and stay ahead of competition, there are two major trends that we see unfolding:

1. **Active asset management with regular upgrades of building**

   The role of a developer constructing an office asset has evolved today. Developers can no longer construct the asset and manage it passively post leasing and push the responsibility of maintenance on the tenant. Occupiers are expecting developers to partner with them by actively manage the asset – by carrying out regular maintenance, ensure necessary repairs, upgrade the support infrastructure, add recreational spaces, ramp up procurement of renewable power supply, add newer amenities, and implement robust health, wellness, and safety protocols. Occupiers want to provide their employees to enjoy an experiential office ecosystem which they would look forward to visit everyday and such assets usually command a premium.

2. **Emphasis on occupying sustainable assets that score high on ESG metrics**

   Organizations across the globe are working towards achieving their net zero emission targets, and there is an increased preference in occupying assets that score high on ESG benchmarks. For companies in the services industry, real estate is a significant contributor to their environmental footprint and there is increased pressure to reduce their environmental footprint.

   With our in-house facility management division, regular asset upgrades, and unwavering commitment to creating sustainable asset ecosystems that are benchmarked with the best in the world, we remain on top in both areas. Apart from constantly striving to increase our share of renewable energy, we also actively undertook technological improvements in the areas of building management and sustainability; this included the design and re-engineering of our sewage treatment plants and weather modeling based on predictive analytics for electricity consumption in our buildings thereby reducing the environment footprint.

   We forsee actively managed assets and assets that score high on ESG benchmarks garner increasing share of leasing in respective markets leading to growth in rents.

## Risks and Concerns

Risks and concerns affecting our operations are captured in section 'Risk Factors' on page number 116 to 119.

## Basis of Preparation of Consolidated Financial Statements

Please refer Basis of preparation stated in Consolidated financial Statements on page number 295 to 296.

### Summary of significant accounting policies

Please refer Significant Accounting Policies stated in Consolidated financial Statements on page number 296 to 311.

### 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 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
- **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 providing the services of construction of building for the customer 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 as per the tariff regulations stipulated by Maharashtra Electricity Regulatory Commission (MERC).

### 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 and (iv) anycompensation received from customer.

### Interest income

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

### Other income

Our other income primarily comprises: (i) gain on redemption of investments; (ii) Liabilities no longer required written back, and (iii) miscellaneous income and (iv) Foreign Exchange net gain

### Expenses

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

### Management Fees

Management Fees is the fees paid to the Manager in relation to the services provided under the property management services (net of the employee expenses directly incurred by the Asset SPVs) and support services agreement.

### 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, assets written off /demolished 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 borrowings from banks and financial institutions; debentures; bonds; (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 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, as per the Multi-Year Tariff (MYT) regulations, we file a tariff petition for the control period based on projected expenses and revenue during the period. 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 years tariff. As a result, there is an increase/(decrease) in succeeding years tariff based on past years revenue gap/(surplus), and this change is referred to as impact on account of true-up. Such revenue gap/(surplus) for the past years is recorded as regulatory income/(expense) in the financials.

## Tax expense

Tax expense comprises: (1) current tax and (2) deferred tax charge (net)

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, 2023, and for the year ending March 31, 2022, 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 financial numbers:

| | FY 23 | | FY 22 | |
|---|---|---|---|---|
| | Amount (₹ Million) | Share (%) | Amount (₹ Million) | Share (%) |
| Facility rentals | 16,047 | 69.9% | 14,185 | 80.7% |
| Maintenance services | 3,478 | 15.2% | 2,635 | 15.0% |
| Revenue from power supply [(1)] | 731 | 3.2% | 516 | 2.9% |
| Revenue from works contract services | 2,277 | 9.9% | 0 | 0.0% |
| Interest income from finance lease | 160 | 0.7% | 189 | 1.1% |
| Sale of surplus construction material and scrap | 83 | 0.4% | 52 | 0.3% |
| One time Compensation | 186 | 0.8% | 0 | 0.0% |
| **Revenue from Operations [(2)]** | **22,962** | **100.0%** | **17,577** | **100.0%** |
| Cost of work contract services | 2,181 | 9.5% | 0 | 0.0% |
| Direct Operating Expenses | 3,680 | 16.0% | 2,637 | 15.0% |
| **Net Operating Income [(2)]** | **17,101** | **74.5%** | **14,940** | **85.0%** |

1. Include Regulatory Income/ (Expense) from the power business
2. Represents 100% of the SPVs including minority interest in Madhapur SPVs

Revenue from operations increased by 30.6% from ₹17,577 million in FY22 to ₹ 22,962 million in FY23. Excluding revenue from works contract services which is accounted only in FY23 and not recognized in FY22, the Revenue from Operations grew by 17.7% y-o-y. The increase in revenue from operations in FY23 primarily on account of:

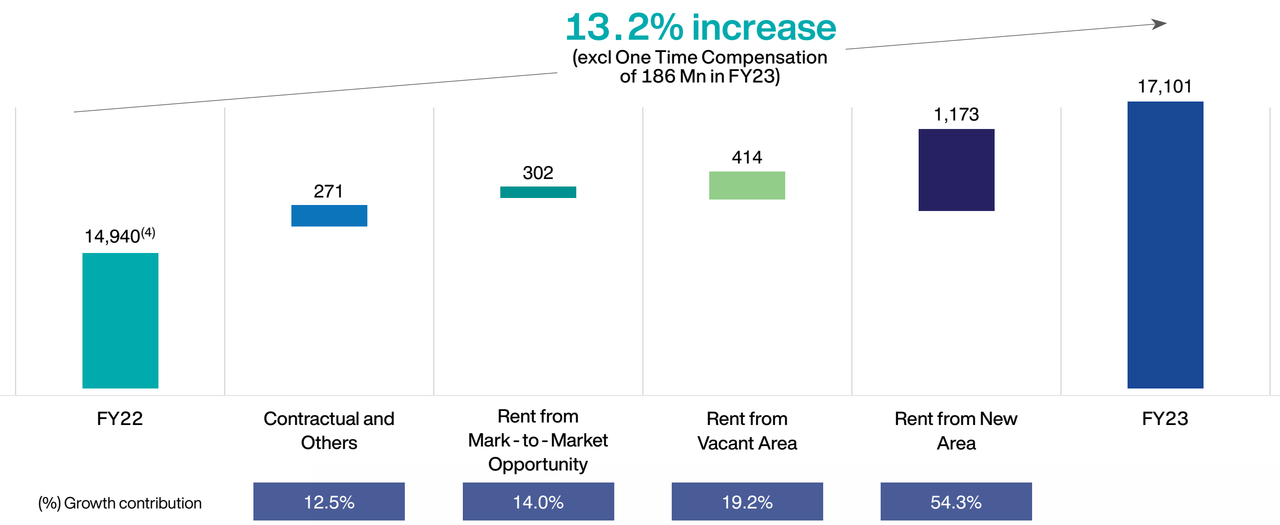
- an increase in facility rentals by 13.1% from ₹ 14,185 million to 16,047 million primarily due to escalations, increase in rentals from mark to market opportunity and lease up of new and vacant area
- an increase in income from maintenance services by 32.0% from ₹ 2,635 million to ₹ 3,478 million on account of increase in occupancy in our parks as well as increase in the expenses towards common area maintenance due to increase in physical occupancy as companies implemented back to office mandates
- One time compensation of ₹ 186 million received from tenant in FY23 on account of cancellation of lease during lock-in period at The Square BKC

During FY23 we achieved

- Gross leasing of c. 4.1 msf
- New and vacant leasing of c. 2.5 msf
- Contracted lease escalations on c. 4.4 msf area
- Re-leasing spread of 26.3% over 2.3 msf area (incl. releasing and vacant area leasing)

Direct operating expenses (excluding cost of works contract services) increased in line with the increase in revenue from operations and maintenance services. The NOI Margin excluding works contract services is 82.2%.

## Movement in NOI (in ₹ million)




| (INR mn) | Values |
|---|---|
| **NOI for FY22** | **14,940** |
| Contractual & Others[1] | 271 |
| Rent from Mark-to-Market Opportunity | 302 |
| Rent from Vacant Area[2] | 414 |
| Rent from New Area[3] | 1,173 |
| **NOI for FY23** | **17,101** |
| Contractual Escalations | 9.4% |

1. Incremental NOI from contractual escalations, reduction in rent on account of area vacated; income from in-house facility management division, Income from Finance Lease Receivable, Net Power Income, impact of Ind AS adjustments, and other direct operating expenses
2. Incremental rent from area which was not generating rent as on 31 Mar 22
3. Incremental rent from new area which started generating rent for the first time
4. FY22 NOI revised by adding the regulatory receivables of FY22

## Movement in revenue from operations and NOI by assets:

| Assets | Revenue from operations [1] [2] [3] | | | NOI [2] [3] | | |
|---|---|---|---|---|---|---|
| | FY23 (₹ Million) | FY22 (₹ Million) | Change (%) | FY23 (₹ Million) | FY22 (₹ Million) | Change (%) |
| Mindspace Airoli East | 3,779 | 3,571 | 6% | 2,841 | 2,881 | -1% |
| Mindspace Airoli West | 2,552 | 2,088 | 22% | 1,805 | 1,601 | 13% |
| Mindspace Malad | 885 | 813 | 9% | 784 | 714 | 10% |
| The Square BKC | 611 | 72 | 749% | 588 | 59 | 896% |
| **Mumbai Region** | **7,826** | **6,544** | **20%** | **6,018** | **5,254** | **15%** |
| Gera Commerzone Kharadi | 1,653[4] | 1,336 [4] | 24% | 1,398 | 1,140 | 23% |
| The Square Nagar Road | 700 | 478 | 46% | 540 | 368 | 47% |
| Commerzone Yerwada | 1,813 | 1,625 | 12% | 1,421 | 1,337 | 6% |
| **Pune** | **4,166** | **3,440** | **21%** | **3,359** | **2,845** | **18%** |
| Mindspace Madhapur | 8,315 | 7,378 | 13% | 7,192 | 6,503 | 11% |
| Mindspace Pocharam | 80 | 91 | -12% | 47 | 61 | -23% |
| **Hyderabad** | **8,395** | **7,469** | **12%** | **7,239** | **6,565** | **10%** |
| Commerzone Porur , Chennai | 265 | 93 | 185% | 136 | 23 | 493% |
| Facility Management Division | 1,134 | 821 | 38% | 350 | 253 | 38% |
| Inter Company Eliminations | (1,101) | (790) | 39% | - | - | 0% |
| **Total** | **20,685** | **17,577** | **18%** | **17,101** | **14,940** | **14%** |

NM = not meaningful

1. Asset-wise revenue from operations are prior to inter-company eliminations
2. FY23 revenue and NOI is post including Regulatory Income/ (Expenses). FY22 published revenue and NOI has been reclassified post adding the Regulatory Income/ (Expenses).
3. Represents 100% of the SPVs including minority interest in Madhapur SPVs
4. Revenue in Gera Commerzone Kharadi is prior to revenue from works contract services

NOI came in higher at ₹ 17,101 million in FY23 as compared to ₹ 14,940 million in FY22 primarily due to following reasons:

- **Mindspace Airoli East:** Marginally lower primarily due to lower Ind AS income in FY23 and lower power margin due to reversal of power income in FY23 pursuant to MERC order
- **Mindspace Airoli West:** Higher primarily due to increase in gross rent and higher Ind AS income majorly due to new area leasing of ~ 0.5 msft across FY22 and FY23
- **Mindspace Malad:** Higher due to increase in gross rent which is primarily due to rent from vacant area leasing of ~0.2 msf across FY22 and FY23 and higher CAM margin in FY23
- **Mindspace Pocharam:** Lower on account of exits of 0.05 msf over FY22 and lower net CAM recovery
- **Commerzone Yerwada:** Higher primarily on account of increase in gross rent pursuant to escalations over 1 msf over FY22 and FY23
- **The Square BKC:** Higher primarily due to rent for 0.1 msf building starting from Apr '22. Further the SPV has received a one time compensation of ₹ 186mn in Q3 of FY23
- **Commerzone Porur:** Higher on account of increase in gross rent primarily due to leasing of new area of 0.8msf over FY22 and FY23
- **Gera Commerzone Kharadi:** Higher on account of higher gross rent and higher Ind As income due to leasing of new area of ~0.7msf and escalations on ~0.9msf area over FY22 and FY23. Further, in FY23, revenue from works contract has contributed to growth in NOI
- **The Square Nagar Road:** Higher on account of full year realisation of Gross rent in FY23 due to leasing of vacant area of ~0.2 msf in FY22
- **Mindspace Madhapur:** Higher on account of increase in gross rent pursuant to leasing of new area of 0.2 msf, 1 msf leasing of vacant area, re-leasing of 2.0 msf area over FY22 and FY23 and escalations as well as increase in CAM margin
- **Facility Management Division:** Additional NOI on account of higher margin due to increase in CAM expenses pursuant to an increase in occupancy across the parks

Note:
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

| (₹ Million) | For the year ended March 31, 2023 (Audited) | For the year ended March 31, 2022 (Audited) | % Variance |
|---|---|---|---|
| Revenue from Operations | 22,821 | 17,501 | 30% |
| Interest Income | 157 | 107 | 47% |
| Other Income | 63 | 88 | -28% |
| **Total Income** | **23,041** | **17,696** | **30%** |
| Expenses | | | |
| Cost of work contract services | 2,181 | - | - |
| Cost of materials sold | 15 | 6 | 133% |
| Cost of power purchased | 817 | 444 | 84% |
| Employee benefits expense | 285 | 226 | 26% |
| Cost of property management services | 594 | 398 | 49% |
| Trustee fees | 5 | 2 | 112% |
| Valuation fees | 7 | 9 | -22% |
| Insurance expense | 87 | 86 | 1% |
| Audit fees | 25 | 19 | 32% |
| Management fees | 565 | 500 | 13% |
| Repairs and maintenance | 682 | 539 | 27% |
| Legal & professional fees | 180 | 113 | 59% |
| Other expenses | 2,002 | 1,510 | 33% |
| **Total Expenses** | **7,445** | **3,853** | **93%** |
| **Earnings before finance costs, depreciation and amortisation, regulatory income / expense, exceptional items and tax** | **15,596** | **13,843** | **13%** |
| Finance costs | 3,431 | 2,644 | 30% |
| Depreciation and amortisation expense | 3,554 | 3,289 | 8% |
| **Profit before rate regulated activities, exceptional items and tax** | **8,611** | **7,910** | **9%** |
| Add : Regulatory income/ (expense) (net) | 205 | 76 | 170% |
| Add : Regulatory income/(expense) (net) in respect of earlier periods | (64) | - | - |
| **Profit before exceptional items and tax** | **8,752** | **7,986** | **10%** |
| Exceptional Items | (1,368) | (843) | 62% |
| **Profit before tax** | **7,384** | **7,143** | **3%** |
| Current tax | 1,895 | 1,767 | 7% |
| Deferred tax charge / (income) | 2,404 | 903 | 166% |
| **Profit for the period/year** | **3,085** | **4,473** | **-31%** |
| **Profit for the period/year attributable to unit holders of Mindspace REIT** | **2,836** | **4,238** | **-33%** |
| **Profit for the period/year attributable to non-controlling interests** | **249** | **235** | **6%** |

Our revenue from operations and Profit for FY23 stood at ₹ 22,821 million and ₹ 3,085 million, respectively.

### Cost of work contract services

Cost of work contract services of ₹ 2,181 mn is the expenses incurred towards construction of a building for Gera Developments Private Limited in Gera Commerzone Kharadi, Pune

### Cost of power purchased

Cost of power purchased has increased by ₹ 373 mn on account of increase in consumption of power as tenants staff returned to offices in FY23 and increase in power purchase costs.

### 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 has increased by ₹ 59 mn

### Cost of property management services

Cost of property management services primarily increased by ₹ 196 mn primarily on account of increase in cost of engineering services, security expenses, AMC expenses and house keeping services

### Repairs and maintenance

Repairs and maintenance expenses on buildings and plant and machinery and electrical installation increased by ₹ 143 mn in FY23 compared to FY22

### Management Fees

Management Fees which is paid to Manager as a percentage of lease rent, license fees, car park charges, any other compensation and fitout rentals, increased by ₹ 65 mn in line with the increase in aforementioned revenue streams.

### Other expenses

Other expenses has increased from FY22 to FY23, primarily due to

- ₹ 252 mn increase in electricity, water and diesel charges
- ₹ 114 mn increase in assets written off/ decapitalization in various parks due to replacement with newer installations as part of upgradation
- Increase in miscellaneous expense by ₹ 76 mn

### Financial Resources

As of March 31, 2023 our cash and cash equivalents stood at ₹ 4,062 million. 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 ₹ 13,704 million. We maintain a strong liquidity position consisting of cash and treasury balances.

### Summary of cash flow statement

| Particulars | FY 23 Consolidated | FY 22 Consolidated |
|---|---|---|
| Net cash generated/(used in) from operating activities | 13,930 | 11,618 |
| Net cash (used in) / generated from investing activities | (7,506) | (4,558) |
| Net cash generated used in financing activities | (4,563) | (7,543) |
| **Net increase/(decrease) in cash and cash equivalents** | **1,861** | **(483)** |
| Cash and cash equivalents at the beginning of the period/year | 982 | 1,465 |
| Cash and cash equivalents acquired due to asset acquisition | - | - |
| **Cash and cash equivalents at the end of the period / year (Net of book overdraft)** | **2,843** | **982** |
| **Cash and cash equivalents comprises of** | | |
| Cash on hand | 3 | 2 |
| Balance with banks | | |
| - on current accounts | 3,176 | 3,046 |
| - in escrow accounts *** | 3 | 0 |
| Deposit accounts with less than or equal to three months maturity | 880 | 430 |
| **Cash and cash equivalents at the end of the period / year** | **4,062** | **3,478** |
| Less : Bank overdraft | (1,219) | (2,496) |
| **Cash and cash equivalents at the end of the period / year (Net of book overdraft)** | **2,843** | **982** |

### Cash flow from operating activities

Net cash generated from operating activities for FY23 was ₹ 13,930 million. Our profit before tax was ₹ 7,384 million, which was adjusted for non-cash and items relating to financing and investing activities, by a net amount of ₹ 8,489 million, primarily for finance costs amounting to ₹ 3,431 million, depreciation and amortization expenses amounting to ₹ 3,554 million. Our changes in working capital primarily comprised an increase in trade payables of ₹ 4 million, an increase in trade receivables of ₹ 708 million, a decrease in other inventories of ₹ 46 million, increase in other non-current and current assets (including financial assets) of ₹ 1093 million, an increase of other non-current and current liabilities (including financial liabilities) and provisions amounting to ₹ 361 million. In addition, we paid income tax (net of refund) of ₹ 1,736 million.

## Cash flow from investing activities

Net cash used in investing activities was ₹ 7,506 million for FY23, primarily comprising interest received of ₹ 46 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 ₹ 7,660 million, primarily with respect to Mindspace Airoli West, Gera Commerzone Kharadi, Mindspace Madhapur (Sundew) and Commerzone Porur, and net investment in fixed deposits of ₹ 50 million.

## Cash flow from financing activities

Net cash utilized in financing activities was ₹ 4,563 million for FY23, primarily comprising proceeds from issue of non-convertible debentures of ₹ 15,400 million which was offset by net repayment of external borrowings of ₹ 3,988 million, finance costs paid of ₹ 3,871 million, distribution to unitholders and dividend to Non-Controlling Interest holder (including tax) of ₹ 12,009 million and expenses incurred towards the issue of non-convertible debentures of ₹ 81 million.

## 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 FY23, we incurred capital expenditure of ₹ 7,660 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 1,130 million of the capital expenditure was towards re-energizing our assets. Our capital commitments (net of advances) as at March 31, 2023 was ₹ 5,173 million towards construction and upgrade of our assets.

## Liquidity and capital resources

### Overview

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

For the year ended March 31, 2023, we,

- Raised ₹ 10.5 billion in fixed cost debt from financial institutions at Mindspace REIT and via issuance of NCDs bearing coupon ranging between 7.95% to 8.02% % on p.a.p.q. basis
- Raised ₹ 4.9 billion via issuance of variable coupon NCD at MBPPL level
  - We strategically increased our exposure to fixed cost debt to c. 47.5% of our total outstanding debt, cushioning us against the raising of rates by central banks globally.
- Debt raised during the year was predominantly used for refinancing existing debt and to fund capital expenditure

Our finance costs for FY23 stood at ₹ 3,431 million. Our weighted average cost of borrowings stands at 7.6% at the end of March 2023, higher by c.100 bps from 6.6% at the end of March 2022 and c.50 bps higher than 7.1% at the end of March 2021. Our weighted average term to maturity for borrowings stands at c. 5.4 years at the end of March 2023. The increase in cost during the financial year FY23 is on account of increase in repo rates by 250 bps by Reserve Bank of India.

## Debt maturity schedule

Weighted average maturity of debt profile stands at c. 5.4 years with 10.3% and 27.5% of debt due for repayment in FY24 and FY25, respectively.

| Description (₹ Mn) | Fixed/ Floating | Total Facility | Undrawn Facility | Principal O/S | Interest Rate (p.a. p.m.) | Wt. Avg. Maturity (Years) | Principal Repayment | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 & Beyond | Total |
| At REIT Level | | | | | | | | | | | | | |
| NCD (Tranche 1) | Fixed | 2,000 | - | 2,000 | 6.4% | 0.7 | 2,000 | - | - | - | - | - | 2,000 |
| MLD (Tranche 2) | Fixed | 3,750 | - | 3,750 | 6.5% | 1.1 | - | 3,750 | - | - | - | - | 3,750 |
| NCD (Tranche 2) | Fixed | 750 | - | 750 | 6.6% | 1.1 | - | 750 | - | - | - | - | 750 |
| NCD (Tranche 3) | Fixed | 5,000 | - | 5,000 | 6.3% | 1.8 | - | 5,000 | - | - | - | - | 5,000 |
| NCD (Tranche 4) | Fixed | 5,000 | - | 5,000 | 7.9% | 4.3 | - | - | - | - | 5,000 | - | 5,000 |
| Green Bond | Fixed | 5,500 | - | 5,500 | 8.0% | 3 | - | - | 5,500 | - | - | - | 5,500 |
| At SPV Level | | | | | | | | | | | | | |
| TL - MBPPL | Floating | 13,530 | 2,972 | 8,449 | 8.5% | 9.6 | 682 | 794 | 894 | 1,031 | 1,179 | 3,870 | 8,449 |
| NCD - MBPPL | Floating | 4,900 | - | 4,851 | 8.2% | 4.2 | 98 | 147 | 196 | 245 | 4,165 | - | 4,851 |
| TL - Sundew | Floating | 4,750 | 2,760 | 1,249 | 7.6% | 10.1 | 63 | 85 | 97 | 107 | 130 | 769 | 1,250 |
| NCD - Sundew | Fixed | 4,000 | - | 4,000 | 6.1% | 1.2 | - | 4,000 | - | - | - | - | 4,000 |
| TL - KRC Infra | Floating | 7,590 | 1,540 | 5,400 | 8.1% | 7.6 | 458 | 523 | 609 | 732 | 830 | 2,249 | 5,400 |
| LAP - Horizonview | Floating | 3,250 | 750 | 2,498 | 7.8% | 8.5 | 1,009 | 16 | 22 | 29 | 44 | 1,378 | 2,498 |
| TL - Gigaplex | Floating | 2,600 | - | 2,136 | 8.4% | 7.3 | 849 | 34 | 51 | 108 | 115 | 978 | 2,136 |
| TL - Avacado | Floating | 3,000 | - | 2,943 | 7.4% | 11.3 | 91 | 99 | 118 | 145 | 178 | 2,312 | 2,943 |
| OD / LOC | Floating | 6,901 | 5,682 | 1,218 | 8.4% | 8.1 | 464 | - | - | - | - | 754 | 1,218 |
| **Total** | | **72,521** | **13,704** | **54,744** | **7.6%** | **5.4** | **5,713** | **15,198** | **7,487** | **2,396** | **11,641** | **12,309** | **54,744** |
| Repayment (%) | | | | | | | 10.4% | 27.8% | 13.7% | 4.4% | 21.3% | 22.5% | 100.0% |

Corporate Rating for Mindspace Business Parks REIT: "CCR AAA/Stable" by CRISIL Ratings, "[ICRA] AAA (Stable)" by ICRA

MLD – Market Linked Debentures

TL – Term Loan

NCD – Non-Convertible Debentures

LAP – Loan Against Property

Note: As on March 31, 2023

- **Credit Rating of ₹ 3.75 billion long-term principal protected market-linked debentures:** "CRISIL PPMLD AAA /Stable" by CRISIL Ratings Limited
- **Credit Rating of ₹ 2.0 billion and ₹ 0.75 billion nonconvertible debentures at REIT level:** "CRISIL AAA/ Stable" by CRISIL Ratings Limited. Both facilities are fixed rate in nature.
- **Credit Rating of ₹ 5.0 billion and ₹ 4.0 billion nonconvertible debentures at REIT level and SPV level, respectively:** Dual ratings of "CRISIL AAA/Stable" by CRISIL Ratings Limited and "[ICRA] AAA (Stable)" by ICRA Limited for both facilities at REIT and SPV level. Both facilities are fixed rate in nature.
- **Credit Rating of ₹ 4.9 billion non-convertible debentures at REIT level:** "[ICRA] AAA (Stable)" by ICRA Limited. Facility is variable rate in nature.
- **Credit Rating of ₹ 5.0 billion non-convertible debentures at REIT level:** Dual rating of "CRISIL AAA/Stable" by CRISIL Ratings Limited and "[ICRA] AAA (Stable)" by ICRA Limited. Facility is fixed rate in nature.
- **Credit Ratings of ₹ 5.5 billion non-convertible debentures at REIT level:** Dual rating of "CRISIL AAA/ Stable" by CRISIL Ratings Limited and "[ICRA] AAA (Stable)" by ICRA Limited. Facility is fixed rate in nature.
- **Credit Ratings of ₹ 2.5 billion Commercial papers at REIT level:** Dual rating of "CRISIL A1+" by CRISIL Ratings Limited and "[ICRA] A+" by ICRA Limited. There are no CPs outstanding as of March 31, 2023.

## Key ratios

Our loan to value ratio was low at 17.9% as on March 31, 2023. We have undrawn committed facilities of ₹ 13.7 billion, which further augments liquidity. This provides us enough headroom for meeting the growth needs in the portfolio

## Details of significant changes in key financial ratios (Consolidated)

| Particulars | FY23 | FY22 |
|---|---|---|
| NOI Margin | 82% | 85% |
| Loan to value* (%) | 17.9% | 15.7% |
| Gross debt to NOI | 3.2 times | 3 times |
| Net debt to NOI | 2.93 times | 2.62 times |
| Return on net worth | 1.98% | 2.72% |

* Adjusted for minority interest

## Off-Balance Sheet Arrangements

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

## 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 FY23, we declared a distribution of ₹ 11,327 million, or ₹ 19.1 per unit comprising ₹ 17.5 per unit as dividend and ₹ 1.6 per unit as interest & other income payment. On an annualized basis, based on the issue price of ₹ 275 per unit, the distribution yield stood at 6.9%.

## 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 joto 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.

## Asset wise gross asset value, along with key assumption

| Asset | Discount Rate (%) | Discount Rate Under Construction / Future (%) | Cap Rate (%) | Market Rent (psf pm) | Completed Asset Value (₹ million) | Under Construction /Future Development Asset Value (₹ million) | Total Gross Asset Value (₹ million) | % of Total Value |
|---|---|---|---|---|---|---|---|---|
| Mindspace Airoli East | 11.75% | 13.00% | 8.00% | 59 | 43,446 | 1,767 | 45,213 | 16% |
| Mindspace Airoli West | 11.75% | 13.00% | 8.00% | 55 | 42,951 | 1,915 | 44,865 | 16% |
| Mindspace Malad | 11.75% | | 8.00% | 92 | 10,582 | 0 | 10,582 | 4% |
| The Square BKC | 11.75% | | 7.75% | 275 | 4,653 | 0 | 4,653 | 2% |
| **Mumbai Region** | | | | | **101,631** | **3,681** | **105,313** | **38%** |
| Gera Commerzone Kharadi | 11.75% | 13.00% | 8.00% | 81 | 22,164 | 3,998 | 26,162 | 9% |
| The Square Nagar Road | 11.75% | 13.00% | 8.00% | 81 | 8,891 | 331 | 9,223 | 3% |
| Commerzone Yerwada | 11.75% | | 8.00% | 78 | 19,389 | - | 19,389 | 7% |
| **Pune** | | | | | **50,444** | **4,330** | **54,774** | **20%** |
| Mindspace Madhapur[1] | 11.75% | 13.00% | 8.00% | 71 | 91,927 | 10,729 | 102,656 | 37% |
| Mindspace Pocharam | 12.25% | | 8.50% | 22 | 1,740 | 587 | 2,327 | 1% |
| **Hyderabad** | | | | | **93,667** | **11,316** | **1,04,983** | **37%** |
| Commerzone Porur | 11.75% | | 8.00% | 63 | 8,205 | 0 | 8,205 | 3% |
| **Chennai** | | | | | **8,205** | **-** | **8,205** | **3%** |
| Facility Management Business | 11.75% | 13.00% | 13x | | 5,936 | 1,055 | 6,991 | 2% |
| **Portfolio Total** | | | | | **2,59,883** | **20,382** | **280,265** | **100%** |

Note: 1. The Market Value of Mindspace Madhapur is with respect to 89.0% ownership of the respective Asset SPVs that own Mindspace Madhapur

## Balance & Planned Capital Expenditure as of March 31, 2023

| Assets | Building | Region | Area (msf) | Pending CAPEX (mn) | Estimated Completion |
|---|---|---|---|---|---|
| Under Construction Projects | | | | **11,102** | |
| Commerzone Kharadi | B4 | Pune | 1.0 | 3,658 | Q3 FY25 |
| Mindspace Madhapur | B1 | Hyderabad | 1.3 | 5,945 | Q3 FY26 |
| Mindspace Airoli (East) | Highstreet | Mumbai Region | 0.05 | 417 | Q1 FY24 |
| Others | | | | 1,081 | |
| Completed Projects | | | | **1,308** | |
| Mindspace Airoli (West) | B9 | Mumbai Region | 1.1 | 211 | |
| Mindspace Airoli (West) | B10 - DC | Mumbai Region | 0.3 | 75 | |
| Commerzone Kharadi | B5 | Pune | 0.7 | 672 | |
| Mindspace Pocharam | B9 | Hyderabad | 0.2 | 45 | |
| Others | | | | 306 | |
| Future Development Projects | | | | **9,129** | |
| Mindspace Madhapur | B7&8 | Hyderabad | 1.6 | 7,411 | Q3 FY27 |
| Mindspace Airoli (West) | B8 - DC | Mumbai Region | 0.3 | 1,718 | Q4 FY25 |
| Upgrade Capex | | | | **3,105** | |
| Fit-out & General Development | | | | **1,011** | |
| **Total** | | | | **25,656** | |

## NAV

KZEN Valtech Private Limited, has been appointed as the independent valuer by the Governing Board of the Manager, K Raheja Corp Investment Managers LLP on March 14, 2023. In addition, Jones Lang La Selle (JLL), has been appointed by the Governing Board as an independent consultant to carry out industry and market research. As per the independent valuation exercise carried out, our portfolio is valued at INR 280,265 million with 92.7% of value in completed assets, underpinning Mindspace Business Parks REIT's asset quality as of March 31, 2023. NAV of the portfolio stood at 371.9 p.u.

### Statement of Net Assets at Fair Value

| Sr. No. | Particulars | March 31, 2023 (₹ million) |
|---|---|---|
| A | Fair Value of Real Estate Assets [1] | 280,265 |
| B | Other Assets at Book Value | 7,900 |
| C | Other Liabilities at Book Value | 67,602 |
| D | Net Assets Value (A+B-C) | 220,563 |
| E | No. of Units (Mn) | 593 |
| | NAV | ₹371.9 p.u. |

**Note:**

1. Includes Real Estate & Facility Management Division

| Particulars | As at March 31, 2023 | As at March 31, 2022 |
|---|---|---|
| **Contingent liabilities** | | |
| Claims not acknowledged as debt in respect of | | |
| - Income-Tax matters excluding interest | 936 | 936 |
| - Service-Tax matters | 367 | 367 |
| - Customs duty matters | 34 | 34 |
| - Stamp duty | 65 | 65 |
| **Total** | **1,402** | **1,402** |

## Improving occupancy

We started the year with a committed occupancy of c.84.3%, which has risen by c. 470 bps during the financial year and touched c.89.0%. Our all 3 assets in Pune and the assets at BKC and Malad are almost fully leased with near 100% committed occupancy. Our parks at Madhapur and Porur are recording c.95% committed occupancy. The back-to-office momentum is strengthening for large companies, and we are optimistic that the smaller ones will follow soon, thereby increasing takers for vacant spaces.

## Growing the portfolio

We are constantly evaluating opportunities to grow the portfolio both organically and inorganically. Looking at the space take up in our under-construction assets on account of robust demand from large occupiers, we have decided to advance the construction timelines of our future developments. FY23 marked another strong year of development achievement. During the year, we completed and placed into service 1.9 msf of developments that were 83% leased. At present, we have an under-construction footprint of 2.5 msf at various stages of development. In addition, we also anticipate shortly commencing work in redeveloping buildings 7&8 at Mindspace Madhapur and the B8 data center at Mindspace Airoli (West). As a result of these initiatives, the total leasable area of the REIT portfolio now stands at 32.0 msf, up from 30.2 msf at the end of FY21.

On acquisitions, as we had intimated in our stock exchange filings dated 14 March 23, given the volatility in the market conditions over the past few months, the Sponsor has decided to defer the opportunity offered to the REIT to acquire ROFO asset – Commerzone Raidurg for now and have agreed to re-offer the ROFO opportunity as and when the market stabilizes. The shareholders of the SPV that holds the other acquisition opportunity - 'The Square Avenue 98' situated in BKC Annexe have also decided to defer the opportunity offered to the REIT to acquire the asset for now and have agreed to re-offer the acquisition opportunity to the REIT first as and when the market stabilizes.

We are constantly evaluating a number of opportunities to acquire assets from the market. However, the opportunity must be NAV and yield accretive to our unitholders.

## Human resource

We are proud to announce that Mindspace has been recognized as 'Great Place To Work' for the second consecutive year. We have inculcated people-centricity in our work culture with the help of several initiatives which is reflected in the survey.

Promoting gender diversity has been at the core of our hiring policies and we have made significant strides in this regard. Women comprise of 32% of our managerial workforce, which is amongst the highest in industry. Key portfolios of Finance, Accounts, Structural Engineering, Marketing, Human Resources, Corporate Communications have women at leadership roles. We have initiated a new encouraging hiring of personnel who had taken a break from career to return to corporate world through our 'Relaunch' program and we expect women to be major beneficiaries of the initiative. This will help further improve our gender diversity.

Across all levels, women have made substantial contributions to the continued success of Mindspace. We believe that women can make an impact in leadership roles, and to further this, we introduced a 4-month program called 'Sheroes' that will serve as a platform for women to take the next step up in their careers with us. The program grooms select women employees to support them in making an impactful transition into leadership roles. Also, launched a year ago, 'Shikhar' program which aims to build a vibrant pool of talented performers who can take up leadership positions across different group companies. The program focuses on building areas of expertise that are relevant across the group companies despite the diverse business interests.

We always believe in giving equal opportunities and unbiased work employment to all our employees. We have conducted special workshops to sensitize our workforce towards LGBT community as we intend to provide more employment opportunities to people from these groups. During the year we have welcomed our first LGBTQ employee, a transgender woman. She proudly represents our diverse workforce and manages the Front Office Desk at our Corporate Office.

### 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 applicable laws, 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, 2023. They have expressed an unqualified opinion on the effectiveness of each Asset SPVs' internal controls over financial reporting as of March 31, 2023 environment, and we remain confident of the long-term fundamentals of Grade A commercial real estate in India.

### Industry Structure and Developments

Industry Structure and Developments affecting our operations are captured on pages 64 to 69 of annual report

## Outlook

Indian office market has shown remarkable resilience. While many developed markets are yet to cross pre-COVID level of absorption, Indian office market in CY22 has rebounded sharply from the COVID induced lull and has clocked second highest transaction volumes ever. A plethora of factors have contributed to this resilience - the vast availability of STEM talent in India, strong IT industry, offshoring capabilities, cost arbitrage, growth of BFSI industry and overall economic growth of the country.

The momentum continued in Q1 CY23 as well. However, the sailing may not be smooth in the coming months as there are choppy waters ahead. The much talked about recession in the West has made companies put their large RFPs on hold and focus on taking office spaces only for expansion. There is pressure on companies to cut costs and they are going slow on incremental hirings. Having said that, a record number of people were hired by IT companies and the GCCs/GICs over the past 2 years and the office space take up was not commensurate with their hiring. With employees returning back to their offices, there is increased pressure on companies to take up new spaces. This coupled with the trend of premiumization and the desire to aspirational office ecosystems to the returning employees would help us alleviate the impact of global headwinds.

The shift to quality is more prominent in the occupier segments that we target and as a result we have recorded second consecutive year of 4 msf of leasing. This has helped committed occupancy in our portfolio rise by c. 470 bps during the year to touch 89.0%. Our in-place rents have grown by c.5.7% from ₹ 61.7 psf pm to ₹ 65.2 psf pm. Our NOI has grown by 13.2% to reach ₹ 17.1 billion.

REITs have continued to receive support of Government and Regulator. They acknowledge the importance of this asset class for unlocking value for their National Monetization Pipeline (NMP). We are hopeful that they would come out with a policy under the existing SEZ Act to permit partial denotification of SEZ spaces soon. This would help us ramp up our occupancies further by leasing the vacant SEZ spaces in our parks.

The awareness of REIT as an asset class that delivers stable returns is increasing and helping us attract a wider gamut of investors both on the equity as well as debt side. Our equity unitholder base has more than doubled during the financial year to cross the 50,000 mark and has grown 6.3x since our listing in August 2020. We expect this to grow further the coming years.

With our low loan-to-value of 17.9% and conservative debt strategy of having a well staggered book we have been able to target insurance companies and pension funds to our debt book.

We continue on our journey of becoming a leader in ESG. After completing our maiden green bond issuances in March, we intend to do more such issuances in the future. This money would go into creating green assets that would help mitigate the impact of climate change. We will continue to increase our share of renewable energy in our parks in line with our commitment towards the RE100 initiative.

With rising interest rates, there would be pressure on landlords and PE funds to exit bringing more opportunities in the market. The low LTV ratio would help us undertake such opportunities as and when they arise.

We have a Senior Management that has been in this industry for over 2 decades having experienced multiple cycles. This experience will help us navigate any choppy waters and create long term value to our unitholders.