"Mindspace Business Parks REIT's Second Quarter & Half Year FY 2021 Earnings Conference Call"

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(This document has been edited for clarity wherever required)

Moderator: Ladies and gentlemen, good day. And welcome to Mindspace Business Parks REIT's Second Quarter & Half Year FY 2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Aswani – General Manager, Corporate Finance and Investor Relations. Thank you and over to you, sir.

Deepak Aswani: Thank you and good evening, everyone. Welcome to the Second Quarter and Half Yearly FY 2021 Earnings Call for Mindspace Business Parks REIT. As this is the first earnings calls for Mindspace Business Parks REIT, we would like to highlight that management may make certain comments on this call that one could deem forward-looking statements. Please be advised that our actual results may differ from these statements. Mindspace Business Parks REIT does not guarantee these statements or results and is not obliged to update them at any time.

On the call today, we have Mr. Vinod Rohira, the CEO; and Miss Preeti Chheda, our CFO. Mr. Rohira would share his views on the macro environment, commercial real-estate in general, and business update. Miss Chheda would share the update on the financial performance. We will then open the call to Q&A. I now hand over the call to Vinod.

Vinod Rohira: Thank you, Deepak. Good evening, everyone. Thank you for taking time out to join us on this call today. As the pandemic continues to keep the environment challenging, we hope you and your families are safe and healthy. Mindspace REIT has stayed relentlessly focused, delivering to our clients services that meet their business requirements. The agility and commitment of our teams on ground continues to ensure a seamless working environment for our occupiers. It gives us pleasure to share with you our first results after the successful listing.

We delivered an NOI of INR 6,584 million for H1 financial year 2021, a 7.4% growth in annualized terms over financial year 2020. Our leasing for the first half of financial year 2021 has largely been in line with our projections. On the key macro trends in the first half of the financial year, there were several unanswered questions around how organizations will function in this pandemic affected environment. However, against all odds, Indian businesses are now getting back on their feet, while some sectors demonstrated deep resilience and have emerged even stronger. This is well represented by the fact that our existing tenants have continued to deliver their pre-COVID performance.

The challenging work environment across the world has dynamically changed the way we work. Digitalization and technology are at the forefront of this change. As the world moves towards digitization, India is poised to play a pivotal role, taking a dominant position. Highly skilled human capital and significant cost advantages, backed by a demonstrated track record, is expected to position India as the preferred destination for expanding upon the large technology footprint, especially of GCCs and GICs.

As envisaged, in the first half of this financial year, we have seen large occupiers focusing on business continuity and ensuring seamless delivery of services for their global clients, while following a cautious approach to committing to larger areas. Although there have been small spurts of demand from multinationals seeking spaces for their immediate needs, we see the same cycle of continuity for the next few quarters at least. Demand revival is likely to be a gradual process, with normalcy expected to return after a few quarters. The need for de-densification is expected to take deepened consideration in designing new workspaces.

Today, the definition of Grade A asset selection is changing rapidly. Health and safety, compliance and governance, active asset management, client engagement and the overall experience are key drivers in the selection criteria. We are seeing a considerable slowdown and pausing of many projects under construction in all the micro markets we operate. Single building projects, speculative construction, strata title assets have lost flavor with prospective tenants. Without adequate capital closure, these projects are expected to be significantly delayed. And the overhang of prospective supply is likely to recede.

Rents across most micro markets where Mindspace REIT assets are present, have remained stable. In line with our strategy, we continue to focus on credible clients, ensuring continuity and stability in the occupancy of our parks. Overall, the reduced supply, sub-dollar rentals, increased preference for high-quality and safe office spaces, and de-densification augurs well for large players like us.

Talking about our micro markets, Mumbai region has seen large BFSI clients evaluate the possibility of relocating a portion of their workforce to secondary business districts, closer to large residential clusters. We continue to offer our Parks in Airoli to meet these requirements, given their excellent connectivity, proximity to residential catchments, and significant rental savings. With data security and localization gaining prominence, we continue to receive inbound interest from large data center operators for setting up data centers. Mumbai region has emerged has a preferred location for setting up hyper scale data centers due to the availability of requisite infrastructure and uninterrupted power supply.

In the markets of Hyderabad, Madhapur continues to be the largest and most active micro market. Hyderabad is expected to continue to see large RFPs being floated by potential tenants, seeking consolidation of their existing workspaces and planning for extensions. Hyderabad, with its fast developing infrastructure, continues to be one of the preferred destinations of choice.

Pune, in the Eastern quadrant, has attracted large MNCs who are looking at setting up their global capability centers, given the large workforce availability and the quality of infrastructure. We shall evaluate acquisition opportunities that we believe could be value accretive to the REIT, and assets that are fundamentally right for our portfolio.

I would now like to take you through the developments for the first half of financial year 2021 for Mindspace REIT portfolio.

- As of September 30, 2020, our portfolio had 23.9 million square feet of completed area, which constitutes 94% of our portfolio value. This portfolio is leased to more than 165 marquee clients with an average in-place rent of INR 54.4 per square foot and a weighted average lease expiry of 5.6 years. ~84% of the portfolio is leased to foreign multinationals.
- As on date, we have collected 99.4% of the gross contractual rentals for the period.
- We achieved a gross leasing of 1 million square feet across 17 clients at an average rent of INR 70 per square foot in the first half of the year.
    - Gross leasing, including area re-leased and extensions of 0.6 million square feet at a re-leasing spread of 33.1%.
    - 44% of our gross leasing was to our new clients while the balance was to existing clients. New clients added to the portfolio include marquee names such as BP Global, Mindcrest, Model N, etc.
    - We continue to actively engage with our tenants. While most have deferred large ticket strategic decisions, we are in continuous interactions with them to accommodate their specialized business and growth needs.
- In the last 12 months, we have achieved completion of additional 4 million square feet across projects in Hyderabad, Chennai, Pune and Mumbai. Our committed occupancy of the enhanced portfolio stands at 89%, as we continue to lease these completed spaces. On same store basis, our occupancy stands at 94.7%.
- While physical occupancy remains low at less than 10% across the parks, our tenants continue to consume more than 50% of their power requirements from these offices and ensure their delivery targets are met.
- Work has resumed on under construction assets. We continue to be largely on track as per our stated timelines. The activity levels are back to more than 75% pre-COVID-19 levels across our projects.
- We have undertaken comprehensive upgrade activities across our parks to put in place strengthened health and safety protocols, while being constantly engaged with our clients. We are using this time to reenergize our parks by further enhancing all spaces for recreation and engagement. We have spent more than INR 1,050 million on park upgrades till 30th of September, 2020, as has been provided for.
- We are happy to announce that Mindspace REIT has received the British Safety Council's COVID-19 Assurance Assessment or validation of our robust protocols and strong commitment to deliver safe workspaces. We are also the first real-estate entity from India to join the Climate Group's EV100 initiative, committing to 100% electric mobility by 2030.

I now hand over to Preeti for our financial update.

Preeti Chheda: Thank you, Vinod. Good evening, everyone. On the financial update, while we navigate through uncertain times, we have continued to remain focused on delivering our projected financial performance through effective cost and revenue management. As Vinod has already shared, we collected 99.4% of our gross contracted rentals through the first six months of the financial year, despite COVID-19 challenges. This is reflective of the quality of our portfolio and a long standing tenant relationships.

Less than 1% of our revenue is from COVID-19 impacted industries like hospitality, education and entertainment. Our revenue from operations for H1 2021 stood at INR 7.9 billion. Revenue from operations for Q2 FY 2021 was approximately 4.3% higher than Q1 FY 2021, mainly on account of rent commencement for certain areas, contractual escalations kicking in, and re-leasing spread being achieved.

Our NOI for the portfolio for H1 2021 remains healthy at INR 6.6 billion, which is in line with our projections. Our Q2 FY 2021 NOI has been 4.6%, higher than our Q1 FY 2021 NOI, largely driven by higher revenue from operations. We continue to maintain NOI margin at 80% plus.

The acquisition of Asset SPVs by Mindspace REIT was affected on 30th July, 2020. Consequently, consolidation of financials of these Assets SPVs with Mindspace REIT has been done effective 1st August, 2020.

As laid out in the final offer document, we commence the Facility Management Business under the brand name CAMPLUS, in the portfolio effective 1st October, 2020. On the funding side, we successfully reduced our debt cost by about 100 basis points over March 2020 cost. Our average debt cost is around 8.1% at September 2020. We are expecting further reduction in the interest rate by the banks that we are dealing with, which would help reduction of our debt cost by another 50 to 75 basis points over the next few months of this financial year.

We completed INR 5 billion AAA rated market linked debenture raise at the REIT level, proceeds of which were used to pay down some of the SPV debt. We place the MLDs at a competitive annual coupon of 6.8% with a 19-month maturity. We will continue to evaluate refinancing opportunities, both at the REIT ate and SPV level, to optimize our debt cost. As a strategy, we would like to deploy a combination of short to medium term debt with different maturities and long term debt.

Our LTV remains low at 13.6%, with further undrawn limits in excess of INR 5.3 billion. This gives us enough headroom for growth in the portfolio. Our portfolio's gross value, as estimated by the independent value, was INR 240 billion as at 30th September, 2020, a modest growth of 1.5% over March 2020 valuation, mainly because the independent valuer has assumed softening of rents in few of the micro markets, longer time to lease the existing vacant area or area coming up for renewal or under construction area facilitated.

Further, in the books of the SPVs, we have impaired the value of one of the assets in the portfolio i.e. The Square, BKC, to reflect the impact on value of the revised rental assumption based on our ongoing discussions with few potential tenants. Basis the independent fair valuation, including valuation of Facility Management Business, our NAV at September 2020 stood at INR 338 per unit versus INR 326 per unit as at March 2020. As disclosed in the final offer document, our first distribution shall be for full quarter post listing, which is Q3 of FY 2021, which shall be paid out in Sept 2021. And therefore, since the listing was on 7th August 2020, there are no distributions being made for this quarter.

With this, I thank you all for the patient hearing. And I hand over to Vinod to conclude this briefing. Over to you, Vinod.

Vinod Rohira: Thank you, Preeti. Understanding the evolving dynamics of demand and supply, we remain focused on our current tenants, their occupancy, and completions of under construction projects. We continue our engagement with tenants to cater to new grassroots of demand that we may start seeing within a few quarters. We remain optimistic about the needs of our clients to get back to the workspace sooner than later. India continues to be the preferred destination for global multinationals looking for their technology and digitization needs in this rapidly changing global workspace.

Q&A

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Just a couple of questions on the operational front, you have classified that as opposed to 1.8 million square feet, you have got some early expiries of about 0.7 million square feet for the financial year 2021, and another 0.2 million square feet for the next financial year. First, if you could give us some more colour on that. Second, as a follow-up to that, has there been any financial impact of that, both positive and negative just yet, in terms of does the first half rentals still account for the revenues from this 0.7 million square feet? Or that impact is still to be seen? The secondary part of that, has there been any compensation for the early retiree? And the third part to the question is that against 1.8 million square feet, you have re-leased about 0.6 million square feet. Is there any risk that you foresee on the remaining 1.2 million square feet in terms of early discussions?

Vinod Rohira: Thanks. The first part of your question was with regards to giving you some colour on the early expiries. These are tenants who were building their own campuses or build-to-suits within the vicinity of our parks. And they were scheduled to move to those facilities when they were ready. For example, we have Deloitte who was building a large facility for themselves in Hyderabad, and when their facility got ready, they moved prior to their contractual ultimate expiry date. Similarly, for Capgemini, they were building a campus right opposite our park, which is actually approximately 3.5 million square feet campus, and this was 130,000-odd square feet which they were occupying and waiting to move to their campus. Similarly, for Barclays, we were building the 1 million campus for them in our Kharadi project, and we had given them an incubator in The Square at Nagar Road, so they moved from The Square into our facility at Kharadi. So that's the colour of most of those occupants who have actually vacated early.

Murtuza Arsiwala: Vinod, would it be fair, just at this point, that you would have considered that in the foreseeable future they would anyways be moving out, it's just that they have moved out maybe a few months earlier?

Vinod Rohira: That’s right.

Murtuza Arsiwala: Okay. And the second part of the question was, in the first half results, have full rentals been earned from that or they have already baked in the impact of the no-rentals? Number two, has there been any compensation for early retirement?

Vinod Rohira: These leases were outside of their lock-ins, and have served their notice periods. They continue to pay their rent for the notice period. And they will vacate in periods of time after their notice period expires.

Preeti Chheda: So Murtuza, just to add to what Vinod said, it's not that the entire early expiries have terminated right now. The number which we gave you was for full year. So not everybody out of that have actually exited. It's only about a part of it which has exited, and the exits have also happened close to the end of the first half. So this has not actually in any material form impacted revenues for this first half.

Vinod Rohira: And the third part of your question was, how much of the visibility do I have on the remaining 1.2 million square feet which is to be leased. We have re-leased c. 600,000 square feet, we are in advanced discussions for another c. 400,000 square feet and have visibility on another c. 400,000 square feet thereafter. So for c. 1.4 million square feet out of the 1.8 million square feet of contractual expiries, we are already engaged with tenants.

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

Manish Agarwal: If you could throw some colour on the discussions happening in Airoli, you have indicated that BFSI clients are looking to move over there. Since a large part of our next two year growth will come from Airoli, if you could throw some colour as to what is happening in Airoli with respect to data centers and BFSI clients?

Vinod Rohira: Sure. So two things happening, like we had thought of this even a few quarters ago, we are seeing a lot of interest of large companies that are on the island in Mumbai, wanting to shift their support services infrastructure, and go closer to the residential catchments. And a lot of clients are looking at Airoli in that direction for setting up their support services for their domestic and international operations. So that's one key change that we are seeing in the marketplace happening.

Secondly, on data centers, Mumbai is actually becoming a winner in the selection criteria for large hyperscalers and data center operators because of the resilient infrastructure Mumbai has. We are seeing a lot of traction of inquiries of data centers and that continues to be an exciting opportunity for us going forward. We are quite engaged with a lot of prospective tenants.

Manish Agarwal: So if you could throw some numbers in terms of prospective leasing over the next six months, 12 months, how much that could be?

Vinod Rohira: We had projected for two years' time for leasing the space in Airoli. We have built that volume of supply fully knowing that the shift will take place with the shift in infrastructure and we are seeing that move towards the mainland from the island**.** The faster we see that infrastructure being visibly operational, you will see a massive shift and that is what we are preparing for.. However the traction for data centers is going in a much faster trajectory than we would have imagined.

Manish Agarwal: And second question would be in the form of when would the Parks start operating, so you have indicated only 10% employees are currently there, but power consumption is around 50%. So by when should you expect the recovery? Would it be Q4, Q1 FY22?

Vinod Rohira: It could be anyone's guess. In our view, you would see occupancy start slowing creeping back in the first quarter next year and then you would see them come back because what is happening is you are seeing retail spaces open up, restaurants open up and if you can find people visiting those spaces, they certainly can come to safe environments in the workspace. So that is a good sign for us. And we will see them come back to the workspace soon.

Moderator: Thank you. The next question is from the line of Shashank Savla from Somerset Capital Management. Please go ahead.

Shashank Savla: I had two questions. One was on the dividends or the distributions. So you mentioned you would not be distributing anything this quarter. Would the next distribution be for 4.5 months of available cash and then going forward, what would be the policy between 90% to 100%, how much are you going to distribute? And the second one was more general one, I wanted to understand in terms of the NAV, how it moves? As I understand the NAV at the moment is building in some rent escalation and re-leasing for the future as well. So over time and given that you pay out most of your cash flows through distributions, how would the NAV be growing over time?

Preeti Chheda: Shashank, thanks for that question. First, let me address the dividend question. As we have already laid out in our final offer document, we would be paying our first dividend for the third quarter which is the first full quarter post listing. We are not going to pay for 4 to 5 months and the dividend will be for 3 months for the period October to December 2020. Going forward, as a policy, we have already stated, it will be quarterly dividend payout and of course since the first one will start from Q3 FY21. So that is on the distribution bit. On the second question that how do you see the NAV moving - The REIT regulations require us to distribute at least 90% of net distributable cash flows and our endeavor would be to distribute closer to 100%. In terms of how the NAV is going to behave going forward, NAV of course is going to be a function of valuation. Valuation factors in contractual terms such as escalation etc. various other parameters like leasing traction.

Shashank Savla: I could not find this figure in the presentation, but have you calculated what the distributable income would have been for this quarter?

Preeti Chheda: No, because we are not making distributions this quarter, we have not calculated our NDCF for this quarter. We have made a specific disclosure in our financials also.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, my question is on the recent debt raise which we have done, 500 crores from the market-linked debentures. You mentioned the funds have been utilized to refinance the debt. So to give us some color broadly, which SPVs these have gone to?

Preeti Chheda: These have essentially gone to pay existing debt in three SPVs namely Avacado, Gigaplex and MBPPL.

Adhidev Chattopadhyay: And because of this exercise like in terms on an annual basis, what would be the sort of interest cost, I am talking from a portfolio level versus before the fund raise and after the fund raise. What will be the overall interest cost saving? We have given in the presentation, but in terms of absolute numbers, any number you would like to share?

Preeti Chheda: As we have already laid out in our presentation, we have disclosed about 100 basis points reduction in terms of our interest cost already. As we go along, there are some banks which have reduced interest rates and there are some more confirmations to come. Basis that, we do expect another 50 to 75 bps reduction for the rest of this year. Overall basis, if we look at this year, we are hoping to save somewhere approximately INR 15 to 20 crores in terms of our interest cost versus what we are projecting.

Adhidev Chattopadhyay: 15 to 20 crores?

Preeti Chheda: Yes, somewhere around that. But this number will broadly depend on when and how much exactly the other banks reduce. We also intend to do some more refinancing in course of this year. So the interest cost that we achieve and those refinancing also will decide, but I would say broadly that is the number we are looking at for this year because most of the reductions have happened towards the end of this half year. There is not much of interest rate reduction benefit which we have realized in this half year. So almost all of that is going to flow in the second half.

Moderator: Thank you. The next question is from Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Sir, the question is of the total 24 million square feet, your occupancy is above 89%. So 11% is not occupied. Does that make about 2.5 million square feet, which we are having currently is the vacant area? And second what is the key bottleneck in filling this area, is this the travel restrictions so these multinational corporates cannot fly down to do due diligence or is it something else?

Vinod Rohira: So there are different assets in different cities, Sameer. Having said that, yes, the cumulative traction for demand generally you see towards the last quarter of the year. Having an environment just following what we have seen in the last 2 quarters, we see this traction to begin second quarter next year and that is where we see demand grassroots shooting out for each of these micro markets. Having said that, for our Pune and Hyderabad assets, we have almost leased out all of what was completed this year. For the Airoli assets, we are beginning to see traction from the BFSI tenants and for our Chennai asset, we completed the project in June right in the middle of COVID. We have done one lease of approximately 45 thousand square feet and we are just about seeing early enquiries come there. We have given ourselves few more quarters to lease that space and that is what we had projected as well.

Sameer Baisiwala: When you say first or second quarter next year, you are referring to the calendar 2021?

Vinod Rohira: Calendar year, that is right.

Sameer Baisiwala: But still it is not fully clear. What could be the trajectory of recovery? Is it like we are going to have 89% vacancy for the next 2 or 3 quarters? And counting in the fit out time and rent free time so it is only from June, July next year that the rental cash inflows will start happening for this vacant area.

Vinod Rohira: We are pretty much matching our projection numbers. We are seeing the demand trajectory in that direction as well. We had given ourselves that extra time even when we came to the markets and we are just following that trajectory.

Sameer Baisiwala: Of course, I am not saying that you are doing any different from that, but from a real market point of view, does that hold good?

Vinod Rohira: Yes, that is what is visible, that is right.

Sameer Baisiwala: And just one more question. You talked about this earlier but any take on supply side, is there anything changing? I remember your view was that people are putting some brakes over there. So if you can update us especially in and around your Hyderabad asset and Mumbai assets?

Vinod Rohira: Sure. So there has been a dramatic slowdown in the way we see supply in both these micro markets and we are watching that space really closely. All of the speculative supply that we would have envisaged to have come traditionally from the projections if you looked at it 6 months or 9 months ago has all slipped away. So we are not seeing real completions even close to 30% or what was projected earlier for this financial year. And that is going to push it all out to 2022 and 2023 and in our view, which is continuing to be visible in both of these markets.

Moderator: Thank you. The next question is from the line of Chandrasekhar Sridhar from Fidelity. Please go ahead.

Chandrasekhar Sridhar: I had a few questions. One was you made a point in your presentation that there is about 40 crores of additional tenant capex which has been requested. Could you just tell me some more color on this and is this sort of a general tendency wherein your clients are asking you a little more onus on you to do some of the capex. Second, you spoke on the data centers. I am just trying to understand does the existing facilities cater to these or am I getting this completely wrong? Third is, is it fair to assume that the cash flow from operations and your eventual distributions will be higher than EBITDA minus taxes when the occupancy is rising and conversely if for some reason the occupancy is falling, that should have a negative impact?

Vinod Rohira: Let me address first part of your question. There are some tenants who we have done fit-out for, that is the reason why you are seeing these 40 crores capex, and we continue to do that for our marquee tenants. This is an extension of our relationship in service that we can offer. We amortize it over the tenure of 5 years or 10 years depending upon what we contractually agree with tenants. The second part of your question, data centers continue to see demand in these micro markets where we are present, especially in Mumbai. These will be traditionally built to suit because their product is different from the standard office space that you build. These are customized build-to-suit. Traditionally, shell and core assets where they bring in a lot of their own capex for the rest of the equipment and infrastructure and these are generally long leases of 30 years unlike the regular office leases which are 10 years.

Chandrasekhar Sridhar: Are you sort of doing a build-to-suit on this or for anybody because I am sorry, I am not aware of it.

Vinod Rohira: So what I mentioned to you is there is a lot of demand in that micro market. If we are fortunate to get that demand come our way, then yes, it will end into building build-to-suit for them to be leased.

Chandrasekhar Sridhar: And just on the tenant capex, is this a trend which you are seeing that you are going to sort of at this point of time have to incur slightly higher capex than what you normally incur?

Vinod Rohira: We continue to do that for our quality tenants across of our portfolio, and we see that as an opportunity now going forward because if tenants want the push out of their capital expenditure and they are more happier with an opex model and if we are comfortable with the credit risk we want to take with the tenant, we are more than happy to actually extend that service because we see it as a value addition to our portfolio.

Preeti Chheda: And Chandra to answer your last question, all these lease expiries or extensions that you were talking about, we have already factored to a large extent these in the projections that we had given. Therefore, we do not see any material impact of this on the distributions or the cash flows that you spoke of.

Chandrasekhar Sridhar: Specifically, because now you have an additional 0.7 million square feet, versus pre-IPO when it was about 1.8 msf, does that give you any reason to alter the DPU which you had projected earlier?

Preeti Chheda: Not really.

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

Hitesh Arora: Sir, I have two questions. First one on the projections of next year, you have already clarified that, but just on second one, are you seeing any pressure on lease renegotiation or changing terms etc. in favor of the tenant, any light if you could kindly throw?

Vinod Rohira: No. Because in most of the micro markets, the in-place rents are far lower than what the market rents are. So we are not seeing that challenge.

Hitesh Arora: Or any negotiations by way of rent-free period etc.?

Vinod Rohira: So those are traditional to the standard leasing negotiations that take place. We are not seeing anything dramatically different. See if the client at this point in time is taking space, he has a resilient business model firstly. Real estate is 3% of his operating cost. So if he is taking a decision to continue or scale up, he is very clear about his revenues coming in at this point in time and it is a smaller discussion to have because he is far more clearer. He wants to be in a Grade A asset which is well managed whether health and safety protocols are looked after, densities are under control, asset management is active and aggressive, that is what they are really looking for. So actually, there is a disproportionate shift we are seeing towards the quality of grade A asset classification moving towards far more institutional developers and landlords who can offer them all of that at 24/7 basis. When you put all of these considerations together, they do not really sit down and hard negotiate rents when your rentals are sub-dollar between 55 and 65 across the portfolio.

Moderator: Thank you. The next question is from Piyush Thakkar from Kotak Investments. Please go ahead.

Piyush Thakkar: My question partly got answered in the previous question, but still do you anticipate any change in distribution number for the current and future year because of the drop in occupancy numbers?

Preeti Chheda: As I said previously, we do not see any material impact on the distribution number, which we had projected for this financial year. The situation is evolving because of COVID, but based on our current estimate, we do not see a material variation from what we had projected for the next financial year. We are going to make every effort to get as close as possible to our projections.

Moderator: Thank you. The next question is from Shashank Savla from Somerset Capital Management. Please go ahead.

Shashank Savla: I had a follow up question. So in this environment, though your rental collections have been 99%., if there is a situation where some tenant is finding it difficult to pay rent, what sort of security or advances do you have to guard against bad debt?

Vinod Rohira: Generally you have a 6-month deposit on an average that customers pay you and that is there to guard against bad debt.

Shashank Savla: You mentioned that re-leasing spread of 33% which seems quite high, would that have been even higher if not for COVID?

Vinod Rohira: It has actually been in line with our expectations.

Preeti Chheda: So we have broadly been in line with the market. So therefore, this would have been similar even otherwise. It is not that we feel any drop in rentals because of the current situation.

Shashank Savla: But were these contracts signed pre-COVID or after COVID?

Vinod Rohira: No, this has all been in the last 2 quarters.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to Mr. Deepak Aswani for closing comments.

Deepak Aswani: Thank you all for your patient hearing. On behalf of Mindspace REIT team, we wish you a happy and a safe Diwali. Thank you.

Moderator: Thank you very much. On behalf of Mindspace Business Parks REIT that concludes this conference call. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.