

# **Valuation Report: Mindspace-Madhapur (Intime), Hyderabad**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

## Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ( "Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*




*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020 The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

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## Executive Summary

Mindspace Madhapur (Intime), Madhapur, Hyderabad			
Valuation Date:	30 September 2020		
Valuation Purpose:	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014		
Location / Situation:	The subject property (Buildings 5B, 6 and 9 which are part of Intime Mindspace) is part of Raheja Mindspace IT park located in Madhapur, Hyderabad. Raheja Mindspace Madhapur a major IT park in Hyderabad spread over 110 acres comprises of SEZ and Non-SEZ commercial office space. It enjoys good accessibility and connectivity with other parts of the city. Hitech City –Durgam Cheruvu road and Hitech City internal road connecting to Mumbai highway abuts the subject IT Park. Subject property is accessible through 120 feet internal road with in the Raheja Mindspace IT park. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapurua Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Qualcomm, CSC, Bank of America, IBM, Verizon and Accenture etc		 Bldg 6 in the Subject Property
Description:	<p>Mindspace – Madhapur (Intime) forming part of Mindspace IT Park located in Madhapur, comprises of Non- SEZ buildings. The subject property has one component i.e. completed component.</p> <p><b>Completed Buildings – Building 5B, 6 and 9</b></p> <p>The completed buildings with occupancy certificate collectively admeasure ~1.7 million sq. ft. of leasable area. Of total 3 buildings all are Non- SEZ buildings. The subject property is accessible through 120 ft Mindspace internal access road and enjoys good frontage and visibility on the access road.</p>		 Bldg 5B in the Subject Property
Total Area:	Total Plot Area: 8.52 <sup>1</sup> Acres Completed Leasable Area - 1,729,877 sq. ft. Total - 1,729,877 sq. ft.		 Bldg 9 in the Subject Property
MARKET VALUE OF THE SUBJECT PROPERTY BASED ON			
Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 16,061 Million	India Rupees Sixteen Billion and Sixty One Million Only
<i>Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 18,046 million for as on 30 September 2020.</i>			
<i>This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report</i>			

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** Intime buildings forming part of Mindspace  
Madhapur (Intime), Madhapur, Hyderabad

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer. except as valuer under the SEBI (REIT) Regulations, 2014

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the "Market Value" of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In '**Market Approach**', the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a 'normalized' single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the

property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is mentioned below:

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted Assumptions, Departures and Reservations

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected on by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and wilful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for

any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.



## **B HYDERABAD CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Hyderabad City Overview

Particulars	Hyderabad City	Madhapur*	Gachibowli	Peripheral East*
<b>Total completed stock Q3 2020 (msf)</b>	63.7	44.4	15.3	2.1
<b>Current occupied stock Q3 2020 (msf)</b>	58.3	41.5	13.9	1.4
<b>Current Vacancy Q3 2020 (%)</b>	8.5%	6.5%	9.3%	32.7%
<b>Avg. Annual Absorption - 2014 – Q3 2020 (msf)</b>	5.3	3.7	1.4	0.1
<b>Future Supply – Q4 2020 – 2022 (msf)</b>	21.5	8.8	12.2	0.0
<b>Market Rent – Q3 2020 (INR psf / month) (approx.)</b>	66.5	69.9	61.9	39.0

Source: Cushman & Wakefield Research

\*Mindspace REIT's micro markets

Hyderabad is the capital city of Telangana and India's fourth most populous city. Hyderabad Metropolitan Area (HMR) is spread over 7,229 sq.km. Affordable cost of living, rapid infrastructure development and a proactive government have driven the corporate activity and investments in the city. Hyderabad has emerged as 2nd largest IT exporter. Hyderabad is home to global captive centres of renowned technology companies such as Apple, Microsoft, Uber, Google, Facebook, Infosys and Cognizant, institutions (such as Centre for Cellular and Molecular Biology, Centre for Good Governance, Insurance and Regulatory Development Authority) as well as prominent educational institutions (such as Indian School of Business, Indian Institute of Technology, NALSAR University of Law and Agha Khan Academy). The physical infrastructure of the city is well developed with excellent road, rail and air transport networks. Madhapur and Gachibowli economic corridor houses most of the commercial office space establishments in Hyderabad. In Madhapur and

Gachibowli economic corridor, Madhapur is an established micro market with presence of renowned technological, financial services and professional services companies.

The key drivers of demand for office space in Hyderabad are as follows:

- **Technology Sector:** Technology services are the primary demand driver for the office space demand in Hyderabad. Hyderabad houses over 1500<sup>2</sup> technology companies and provides direct employment to approximately 540,000<sup>2</sup> people. Major technology companies operating from Hyderabad include Apple, Accenture, Google, IBM, Cognizant, Qualcomm, Facebook and others. In addition to the tenanted commercial office spaces, Hyderabad also houses several large size campuses of companies like Infosys, Wipro, Amazon, Cognizant, Cyient, Cap Gemini, Virtusa and Hitachi Consulting amongst others.
- **Financial and Professional Services:** Financial and Professional services companies are the key demand drivers for office space in Hyderabad after the technology companies. Major financial services Companies in Hyderabad include JP Morgan, Wells Fargo, Bank of America, DBS, HSBC, Synchrony and others. Major professional services companies / knowledge centers in Hyderabad include Invesco, E&Y, KPMG, OMICS and others.
- **Social Infrastructure:** Hyderabad has established educational institutions and colleges (International Institute of Information Technology, Indian School of Business, Tata Institute of Social Sciences), shopping malls (Inorbit, Forum, GVK One, City Capital, Central, etc.), hospitals (Apollo, Sunshine, Care etc.), hotels (ITC, Westin, Park Hyatt, Novotel and Taj Krishna) and MICE centers (HITEX Exhibition Centre and HICC Convention Centre).
- **Physical Infrastructure:** Hyderabad is well connected to the rest of the country by National Highways – NH-7, NH-9 and NH-202. Outer Ring Road encircles the city and acts as nodal connecting point with the city and other town located within the state. The city has India's 6th busiest airport which connects Hyderabad to major international hubs and is currently being expanded to handle 343 million passengers. The city has a combination of light rail transportation system and metro.

Hyderabad enjoys relatively superior physical infrastructure facilities as compared to other metro cities in India. Integrated infrastructural facilities like outer ring road, metro rail, MMTS, radial roads and arterial roads provide faster and easier connectivity to Madhapur- Gachibowli economic corridor. To sustain the existing developments and grow the technology sector in Hyderabad, Government of Telangana has initiated several steps including the enhancement of physical infrastructure through strategic road development program and establishment of incubation center to promote value added technology initiatives and entrepreneurship.

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<sup>2</sup> Telangana Socio Economic Outlook-2020

<sup>3</sup> GMR Hyderabad International Airport Limited

## **2 Mindspace REIT's Micro-Market (Madhapur)**

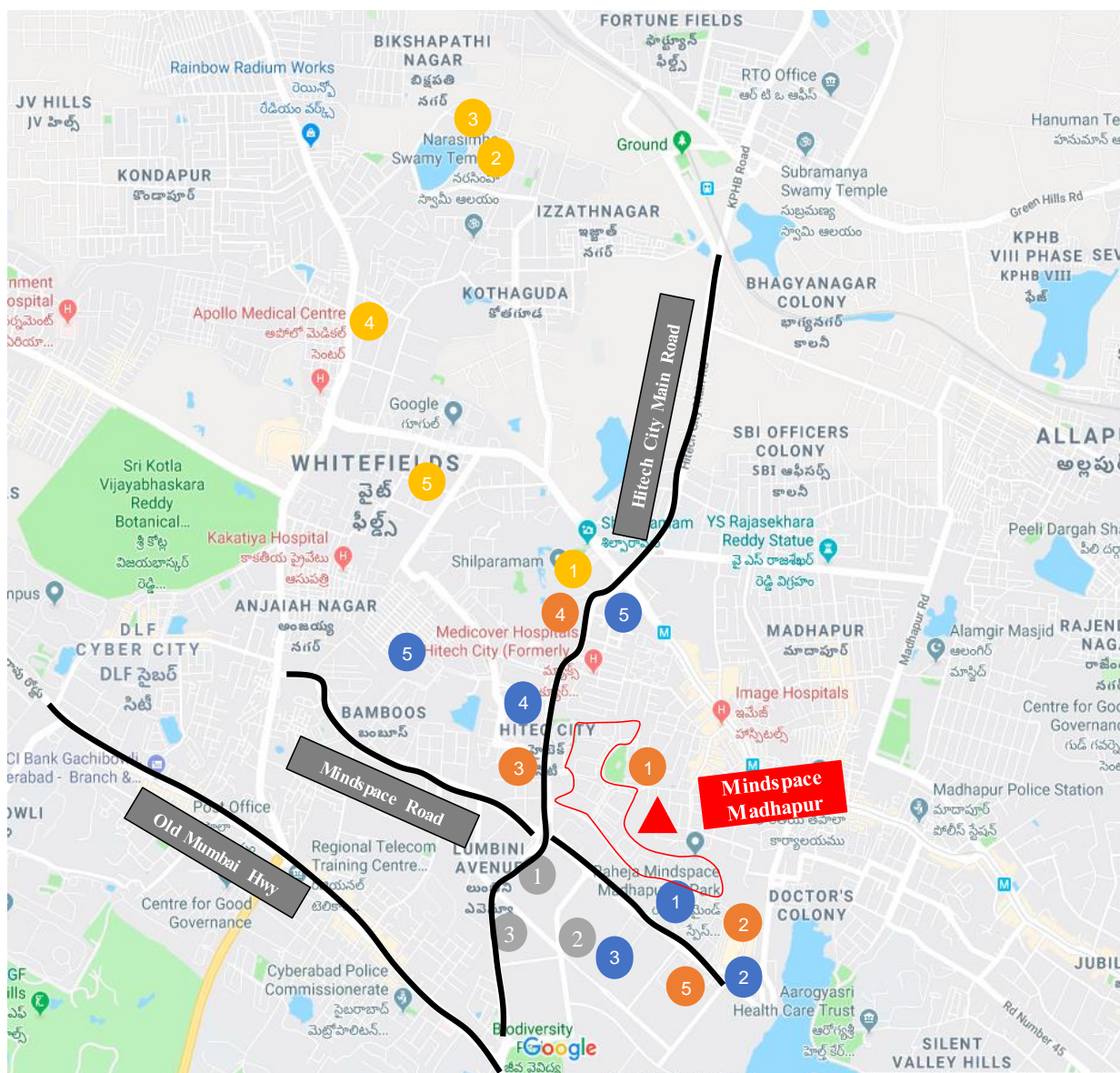
### **2.1 Overview**

Madhapur is an established office space micro market in Hyderabad and is home to large scale commercial developments such as Raheja Mindspace, The V, Cyber Pearl, I-Labs, Divyasree Orion, Salarpuria Sattva Knowledge City as well as TCS and TCL campuses.

In addition to office space, Madhapur also consists of several retail, hospitality and entertainment developments such as HITECH Exhibition Centre, HICC Convention Centre, Inorbit mall, L&T Next Galleria Mall and Shilpa Kala Vedika. Prominent hospitality developments in the micro-market include ITC Kohenur, Westin and Novotel.

Madhapur enjoys excellent physical infrastructure with direct connectivity to the airport and connectivity with other parts of the city via the metro rail, MMTS rail network and road networks. Ongoing infrastructure projects in Madhapur include hanging bridge on Durgam Cheruvu and flyover at Old Mumbai highway. These developments are expected to be completed over the next one year and are expected to ease traffic congestion, thereby providing easier and faster access to other parts of the city.

Madhapur is the most preferred office space micro market in Hyderabad due to the presence of existing office space infrastructure, superior physical infrastructure and social infrastructure. In last decade, Madhapur dominated the other office space micro markets in Hyderabad doubling its office space to 44.4 msf in Q3 2020 from 20.61 msf in 2014 and represents 68.6% of total office absorption in Hyderabad since 2014. The vacancy levels have been at sub 5% levels in during 2014 to 2019 and for Q3 2020 vacancy levels stood at 8.5%. Produced healthy CAGR rental growth of 6.9% during 2014 to Q3 2020.



(Map not to Scale)

● Key Commercial Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure 
 ● Propose Commercial Developments

Key Office Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Office Space Development s
1. The V IT Park	1. Shilparamam	1. Westin Hotel	1. Aurobindo Galaxy
2. I-Labs	2. Hitex Exhibition Centre	2. Inorbit Mall	2. Salarpuria Knowledge Park
3. Salarpuria Sattva Knowledge City	3. HICC Convention Centre	3. Lemon Tree	3. Aurobindo Orbit
4. Cyber Pearl	4. KIMS Hospital	4. Trident Hotel	
5. Cyber Tower	5. Rainbow Hospital	5. ITC Kohenur	
6. Avance Business Hub			

Mindspace is the largest and integrated IT park strategically located in Madhapur, Hyderabad. It has very good connectivity through Hyderabad metro rail, MMTS, outer ring road and other key arterial roads. Mindspace IT park has mix of commercial, retail, hospitality and residential developments

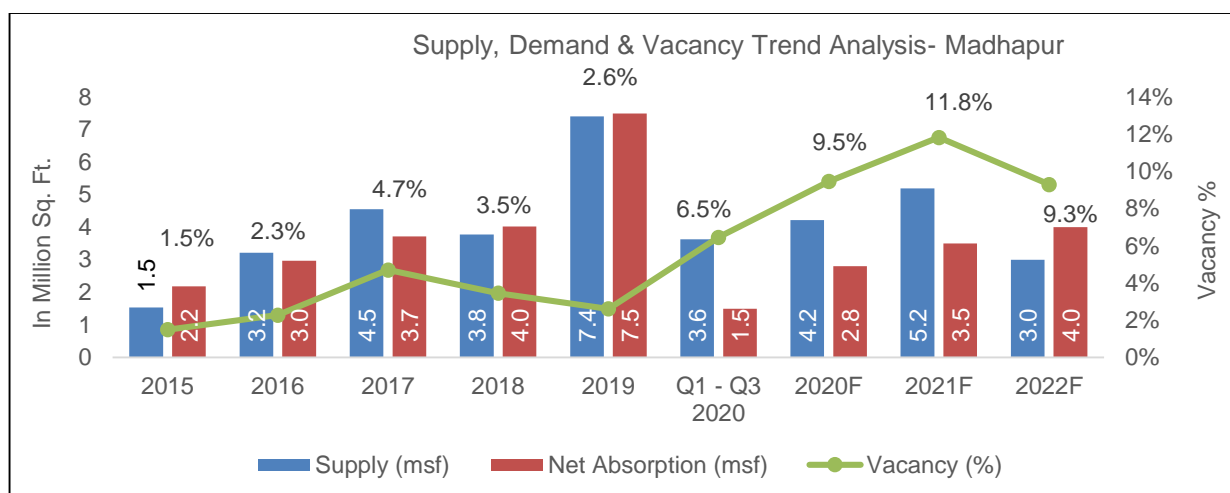
## 2.2 Key Statistics

Particulars	Details
<b>Stock (Q3 2020)</b>	Approximately 44.4 msf
<b>Current Occupied stock (Q3 2020)</b>	Approximately 41.5 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 6.5%
<b>Average. Annual Absorption (2014 – Q3 2020)</b>	Approximately 3.7 msf per annum
<b>Future Supply (Q4 2020 – 2022)</b>	<p>Q4 2020: Approximately 0.6 msf (100% of the supply is pre-leased)</p> <p>2021: Approximately 5.2 msf (26.0% of the supply is pre-leased)</p> <p>2022: Approximately 3.0 msf</p>

Source: Cushman & Wakefield Research

## 2.3 Supply, Absorption & Vacancy

Madhapur is an established commercial office space destination in Hyderabad and it enjoys superior infrastructure facilities as it is connected with other parts of the city and airport through wider roads, metro rail, MMTS and Outer Ring Road. The average supply in Madhapur in last 5 years was in the range of 3 msf to 4.1 msf. With a stable government and good infrastructure, Madhapur continued to witness healthy demand from 2014 onwards. In last 5 years, office space demand either matched the supply or outpaced the supply, leading to low vacancy levels. Lower expected absorption due to the ongoing Pandemic and expected healthy supply will result in increase in vacancy to 9.3% by 2022 from low of 2.6% in 2019.



Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analyses of under construction buildings, however future absorption estimates are derived basis past trend, current vacancy and estimated supply. Vacancy estimates are based on supply and absorption trend.

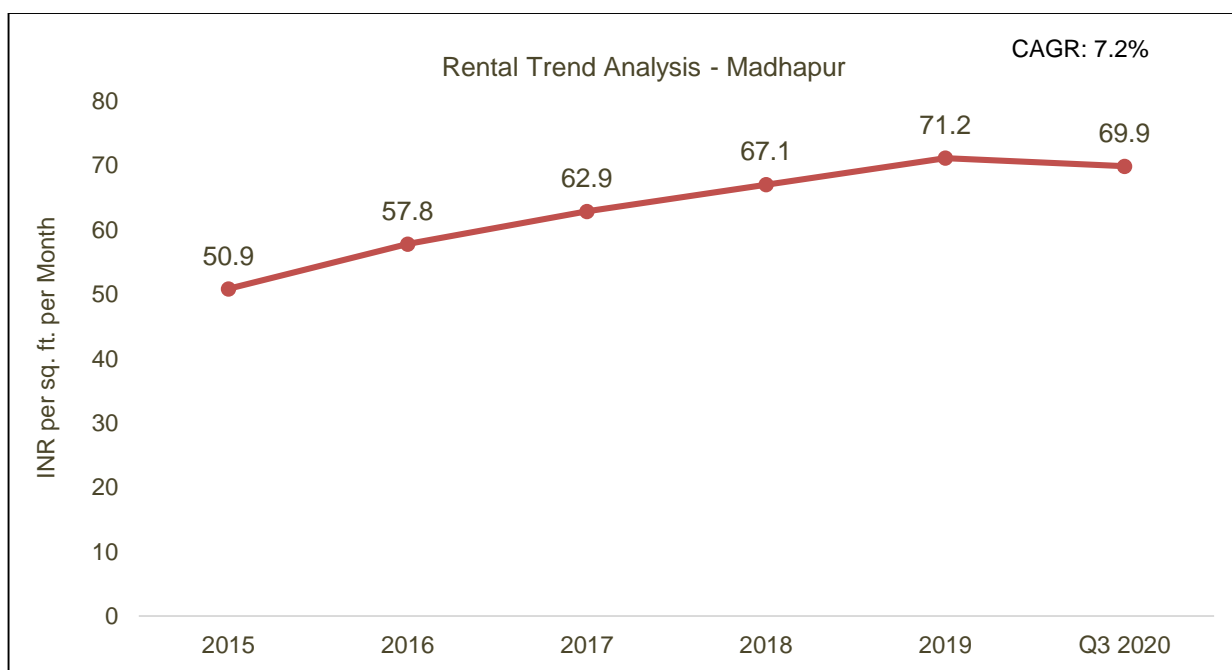
Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

## 2.4 Rental Trend Analysis

With positive commercial outlook and limited supply, continued expansion of existing tenants and entry of new tenants there has been a continued growth in the rentals in Madhapur in last five years.

The current ongoing rentals are in the range of INR 65 psf / month to 70 psf / month. Given the recent economic slowdown, we foresee the demand for a commercial office to be temporarily suppressed over the next 12 months. Hence, we do not expect any increase in average rentals over the period.

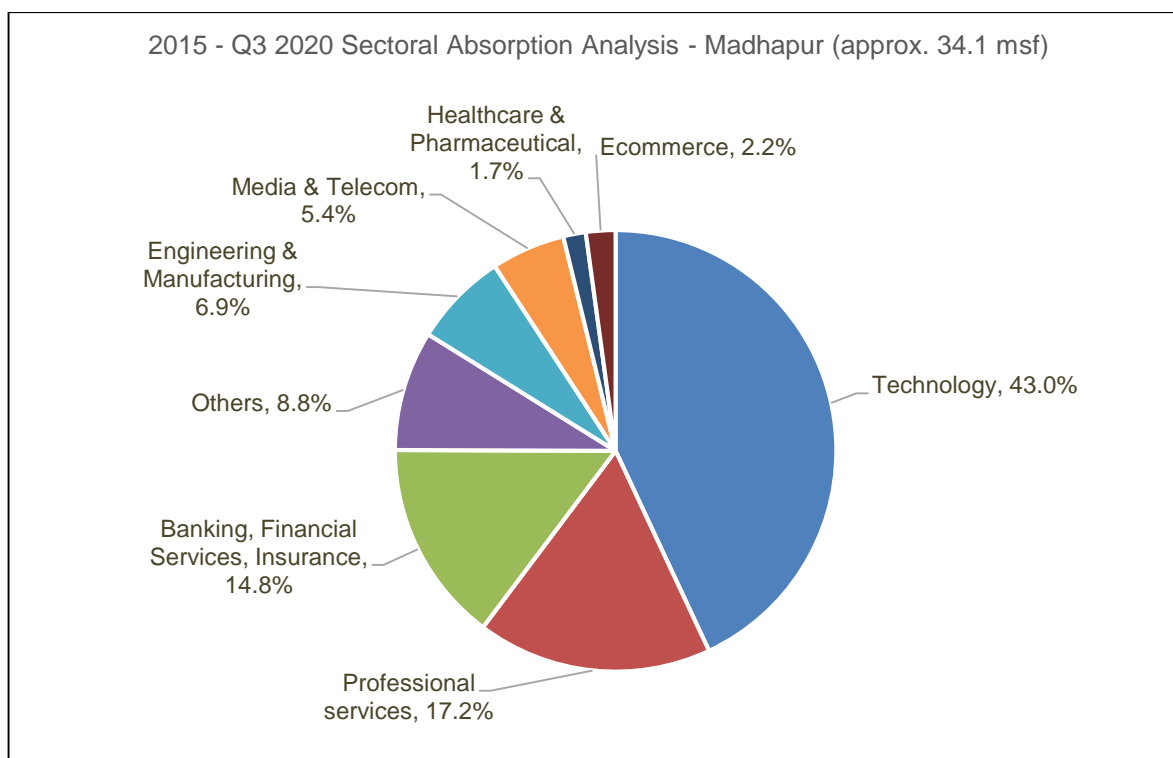




Source: Cushman & Wakefield Research

Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.5 Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Research & Analysis, Flexible Workspaces, Food/Beverages, Education, Automobile, Oil & Gas, Logistics & Shipping etc.



*Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc.*

Madhapur being the established office space micro market in Hyderabad has attracted major tenants. Technology sector is the major contributor to the demand for office space in Madhapur in last five years. Other sectors like Professional Services, Banking & Financial Services, Engineering & Manufacturing and Flexible office spaces also contributed significantly to the demand in last five years.

## **2.6 Market Outlook**

Hyderabad commercial office space market is expected to grow to next level due to the superior infrastructure, government initiatives to promote the technology sector, active investment by the local and national level developers in the city and overall positive commercial outlook for the city. On the supply side, approximately 21.5 Million sq.ft. office is under construction and several projects are at initial stage or at planning stage. Approximately 30.0% of the upcoming supply is pre-committed with the expansion plans of the existing tenants and active interest from new entrants. Improved pre-leasing commitments and continued healthy demand for office space are expected to retain the Hyderabad vacancy level at approximately 15.60% in 2022.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	Mindspace, Cyberabad, Survey Number 64 (part), Next to VSNL Bldg, Hitech City, Madhapur Village, Hyderabad - 500081, Telangana, India
Ownership & title details:	Subject property is a freehold property and the 100% of the assets owned by the Intime Properties Limited. Mind Space Business Parks REIT (Mindspace REIT) holds 89% ownership of the Intime Properties Limited SPV and the balance 11% is held by Telangana State Industrial infrastructure Corporation (TSIIC)

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & co. (hereinafter collectively referred to as 'Legal Counsels'). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsels and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

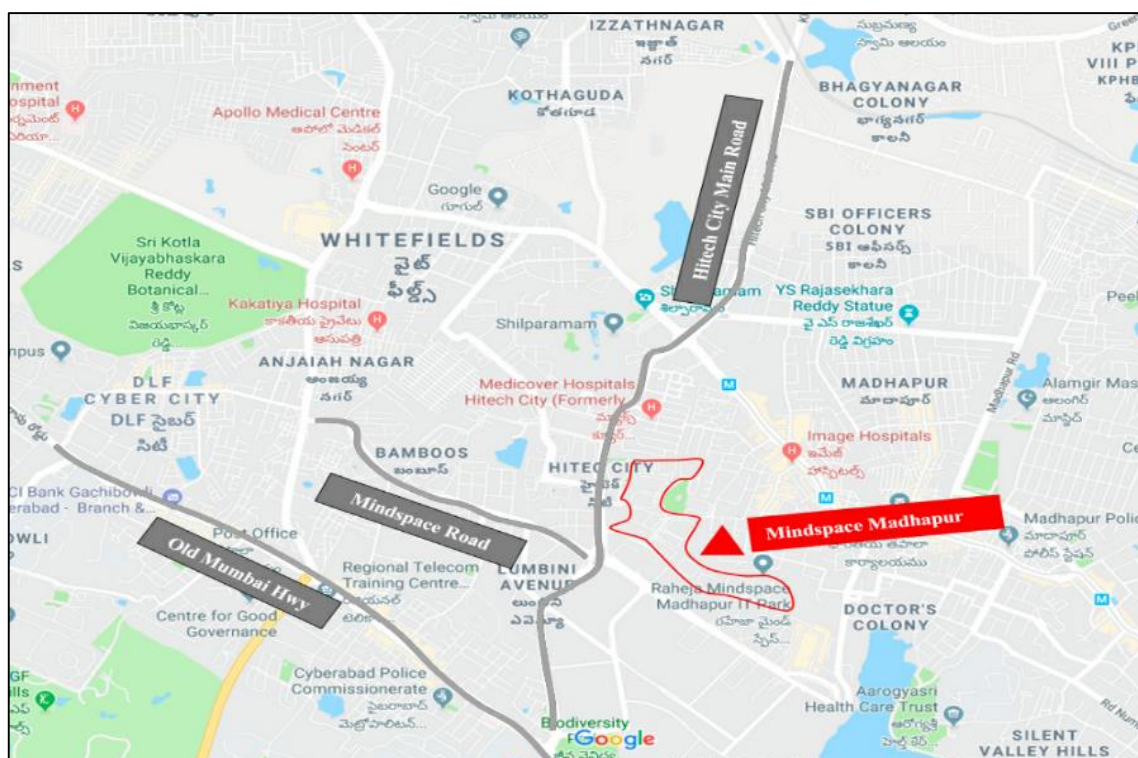
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

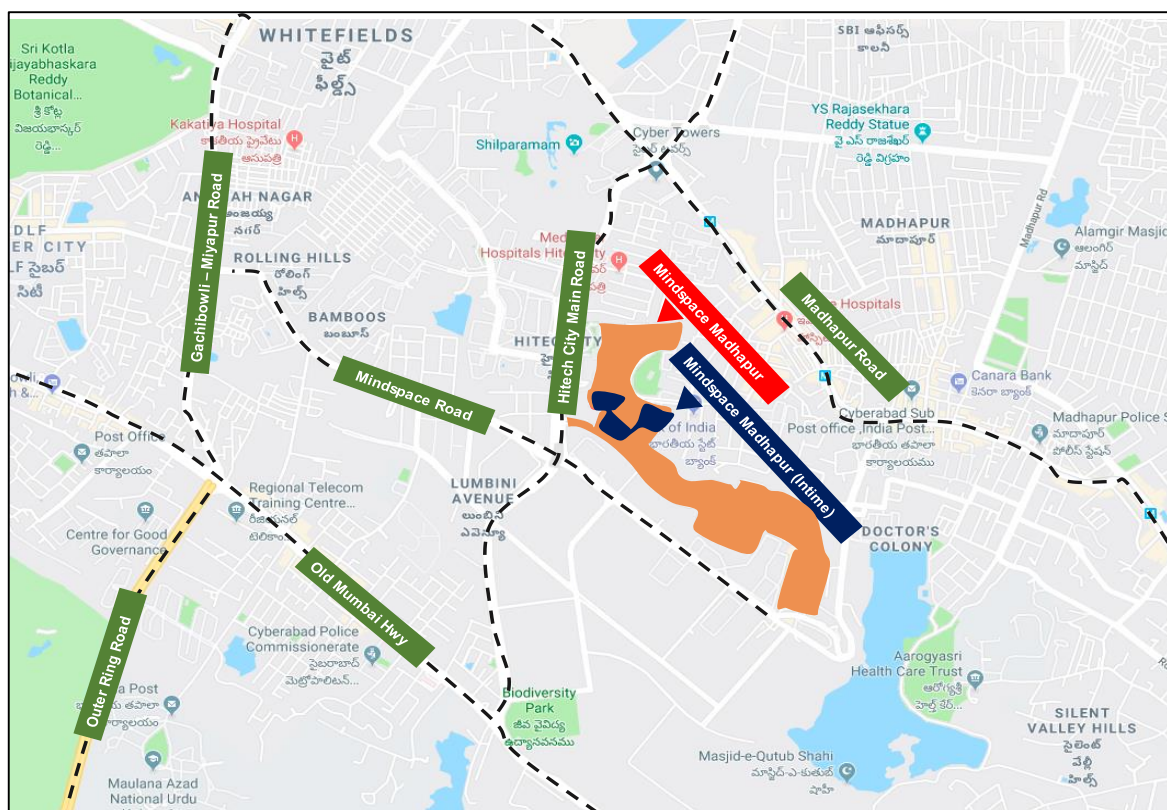
### 2.1 General

The subject property (Buildings 5B, 6 and 9, which are part of Intime SPV) is part of Raheja Mindspace IT park located in Madhapur, Hyderabad. Raheja Mindspace a major IT park in Hyderabad spread over 110 acres comprises of SEZ and Non-SEZ commercial office space. It enjoys good accessibility and connectivity with other parts of the city. Hitech City –Durgam Cheruvu road and Hitech City internal road connecting to Mumbai highway abuts the subject IT Park. Subject properties are accessible through 120 feet internal road with in the Raheja Mindspace IT park. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapuria Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Qualcomm, CSC, Bank of America, IBM, Verizon and Accenture etc.

The location map of the Subject Property is set out below:



(Map Not to Scale)



(Map Not to Scale)

The subject property is spread out over ~8.52 acres of land parcel. Subject property buildings are located on either side of the 120 ft Mindspace internal access road and enjoys good frontage and visibility. Subject property is regular in shape with fairly even topography.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 0.5 km from the Hyderabad Metro Railway Station at Mindspace Circle.
- Approximately 5 km from Hitech City MMTS railway station..
- Approximately 21 km from Secunderabad Railway Station.
- Approximately 34 km from Rajiv Gandhi International airport at Shamshabad

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from all locations of Hyderabad and Hyderabad Metro Rail. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Hyderabad where the Subject Property is located falls in Seismic Zone II with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

Mindspace-Madhapur (Intime) forming part of Mindspace Madhapur IT Park located in Madhapur, comprises of Non- SEZ buildings. The subject property has only completed component.

The completed building wise Leasable Area break up for the Subject Property is mentioned in the table below:

#### Completed Buildings – Building 5B, 6 and 9

The completed buildings and parts thereof with OC collectively admeasure ~1.7 million sq. ft. of leasable area. Of the total 3 completed buildings all are Non- SEZ buildings. The subject property is accessible through 120 ft Mindspace internal access road and enjoys good frontage and visibility on the access road.

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 5B	245,977	Non-SEZ	Completed
Building 6	388,543	Non-SEZ	Completed
Building 9	1,095,357	Non-SEZ	Completed



### 3.1 Key Asset Information

#### Completed Buildings with Occupancy Certificate

Particulars	Details
Entity:	Intime Properties Limited
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Intime Properties Limited which is 89% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 5B – 12 years and 6 months Building 6 - 11 years and 6 months Building 9 - 11 years and 6 months
Asset type:	Non-SEZ building
Sub-market:	Madhapur
Approved and existing usage:	Commercial Office/IT SEZ
Site Area (acres):	~8.52
Freehold/Leasehold:	Freehold
Leasable Area <sup>2</sup> :	1.73 million sq.ft.
Occupied Area:	1.52 million sq.ft.
Occupancy (%) <sup>3</sup>	87.70%
Committed Occupancy (%) <sup>4</sup>	87.70%
Number of Tenants	36

Source: Client information

Notes:

1. Refer company structure set out in Appendix 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants
3. Committed occupancy also includes area which has been pre-leased to tenants.



### 3.2 Property Inspection

The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey..

According to information received from the Client, no expenditure towards any major repairs or improvement were incurred in the Subject Property.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top five tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

As of 30 September 2020, Subject Property has 14 tenants (for office space) which include companies like Qualcomm, BA Continuum, Deloitte, HSBC, etc. The Subject Property's top 10 tenants account to ~96% of the Gross Rental income.

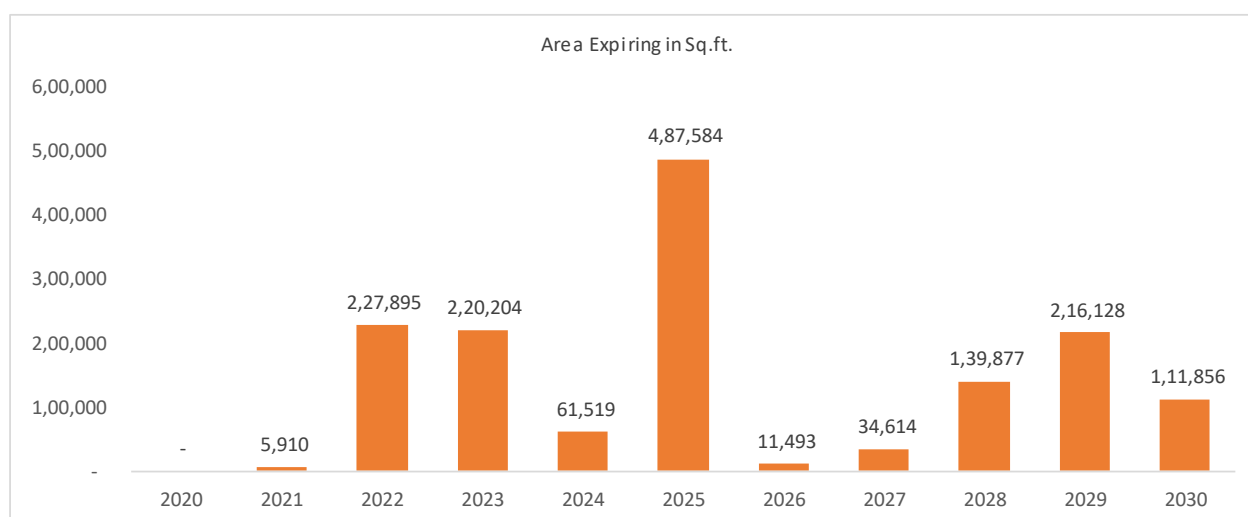
Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
1	Qualcomm	5,74,421
2	BA Continuum	2,45,977
3	HSBC	1,97,908
4	Verizon	1,79,111
5	Vodafone	96,377
6	Oppo	90,144
7	Thomson Reuters	32,495
8	Celebrations Hospitality	18,816
9	Oath	9,960
10	Inkriti	9,723
	<b>Total</b>	<b>1,454,932</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	Qualcomm	37.9%
2	BA Continuum	16.2%
3	HSBC	13.0%
4	Verizon	11.8%
5	Vodafone	6.4%
6	Oppo	5.9%
7	Thomson Reuters	2.1%
8	Celebrations Hospitality	1.2%

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
9	Oath	0.7%
10	Inkriti	0.6%
	<b>Total</b>	<b>95.9%</b>

### 3.5 Lease Expiry Profile

The Weighted Average lease Expiry (WALE) of the property is 6.47 years, with 30% of occupied area expiring between CY2020 and CY 2023 as shown in the chart below.



## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or sub markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where

the asset is located) and achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon releasing).

2. The Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/proposed area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/proposed areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/proposed area, the achievable market rent led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/proposed area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any– the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Property Leasable Area	sq.ft.	17,29,877
Area Leased	sq.ft.	15,17,080
Leased	%	87.70%
Vacant Area	Sft	2,12,797
Vacancy	%	12.3%
Stabilized Vacancy	%	2.0%
Further leasing	Sft	1,78,200
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	1894
Paid- 4W Slots	Number	439

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 Oct 2020) in order to retain and support them
  - A stabilized vacancy of 2% is considered for the Subject Property which is in line with the current market trends
- Future absorption:**
  - Since the subject property is 87.70% leased and the vacancy is above the stabilized vacancy of 2%, we have considered additional 6 months delay in leasing for the vacant spaces and 1 month delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, because of temporarily suppressed demand

## Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq.ft./month	INR 68
Market Rent - Food Court	Per sq.ft./month	INR 0.00
Market Rent - Anchor	Per sq.ft./month	INR 65
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market 2W Parking rent	Per slot/month	INR 0
Cafeteria Income	Per sq.ft./month	INR 0
Other Income	% of Lease Rentals	1.0%
Market Rent growth rate	% p.a.	5.00%
Parking Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.50%
CAM/O&M Income prevailing in the market	Per sq.ft./month	10.86

- **Market rent - office:**

- Over last six months, the average rentals in Madhapur (in subject property and in competing buildings) transacted in the range of INR 60-70 per sq. ft. per month. Considering the location, accessibility, quality, size of the building, and keeping in view of the future supply expected in Madhapur, we have considered the market rental of INR 68 per sq. ft. per month for the subject property.

S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
1	Divyasree Orion (Block 8)	Wells Fargo	11,00,000	72
2	The Nexity	Providence	3,70,000	68
3	KRC Mindspace Building # 12D	IBM	2,35,535	66
4	Mindspace Building # 12D	Wipro	1,81,167	65
5	The Sky View Tower 20	Mindtree	1,49,630	80
6	KRC Mindspace Building # 12D	Mindtree	90,544	66
7	KRC Mindspace Building # 12D	Model N	69,949	66
8	Divyasree Trinity Block # 4	Hexagon	66,254	75
9	Mindspace Building # 12D	Pactera	58,200	66
10	KRC Mindspace Maximus 2A	Verizon	46,280	66
11	The Sky View Tower 20	Alliant Group	45,534	68
12	The Sky View Tower 20	TDCX (Teledirect)	45,534	68
13	KRC Mindspace Building # 12D	GEP	40,055	66
14	KRC Mindspace Building # 9	Verizon	36,644	66
15	TSI Phase Block 2.1	Birla Soft	30,600	72
16	Sarvotham	CenturyLink	18,972	65
17	The Skyview Tower 20	Cotelligent	18,751	72



S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
18	I-Labs A, B,C,D,E	IGT India	14,700	70
19	Cyber Pearl Block 2	Allegis	12,500	64
20	Cyber Pearl Block 1	Inside View	3,500	65

- **Market rent growth rate:** With stable political environment, absorption matching the supply, expansion of the existing tenants and entry of new tenants to the city, Hyderabad has witnessed robust growth in rentals in last 4-5 years. Approximately 8.8 Million sq.ft. new supply is coming in Madhapur by 2022 and 22% of the upcoming supply is pre-committed. Due to the ongoing Covid-19 pandemic, we expect lower level of absorption and stable rentals in next 6 months. However, Mindspace Madhapur is being strategically located in core commercial market of Madhapur, with good quality tenants, campus style development, current lower vacancy level, we expect rentals are expected to improve from April 2021 onwards. Hence, we have considered a yearly rental growth of 5% from April 2021 onwards.
- **Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Madhapur.
- **Other income:** Analysis of the historical trend of other income suggest a normalized level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. (Note: Other income constitute income from signage, kiosks, conferences and others).
- **Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and received higher effective rent for the same area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq.ft./month	INR 2.10
Current CAM/ O&M cost	Per sq.ft./month	INR 7.77
Property Tax	Per sq.ft./month	INR 1.16
Insurance	Per sq.ft./month	INR 0.13
CAM Escalation	%p.a.	5%
Cost escalation	%p.a.	3%
Transaction cost on sale	%of Terminal Value	1.0%
Other Operating Expenses	%of Lease Rentals	2.0%
Property Management Fees	%of Lease Rentals	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5%.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

## Capex Schedule

Following table represent the capex planned to be incurred for completed buildings

Quarter		01-Oct-20	01-Jan-21	01-Apr-21	01-Jul-21	01-Oct-21	01-Jan-22
		31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22
Capex	INR Million	-	-	40	40	-	-

*Note: We have relied on Client inputs for the assumptions relating to construction timeline and cost*

## Discount Rate & Capitalisation rate assumptions

- Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallonji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

*Source: Secondary Market Research*

*Note: The above information is based on information published in public domain and discussions with various market players.*

- Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and

characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures	In Words
Completed Buildings	30 September 2020	INR 16,061 Million	India Rupees Sixteen Billion and Sixty-One Million Only

*Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 18,046 Million for as on 30 September 2020.*

### Ready reckoner rate

Component	Rate
Built up Area	Ground Floor- INR 5,000 per sq. ft. First Floor- INR 3,500 per sq.ft. Other Floors- INR 2,500 per sq.ft.
Land Area	INR 30,000 per sq.yrd.

Source; [www.registration.telangana.gov.in](http://www.registration.telangana.gov.in)

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

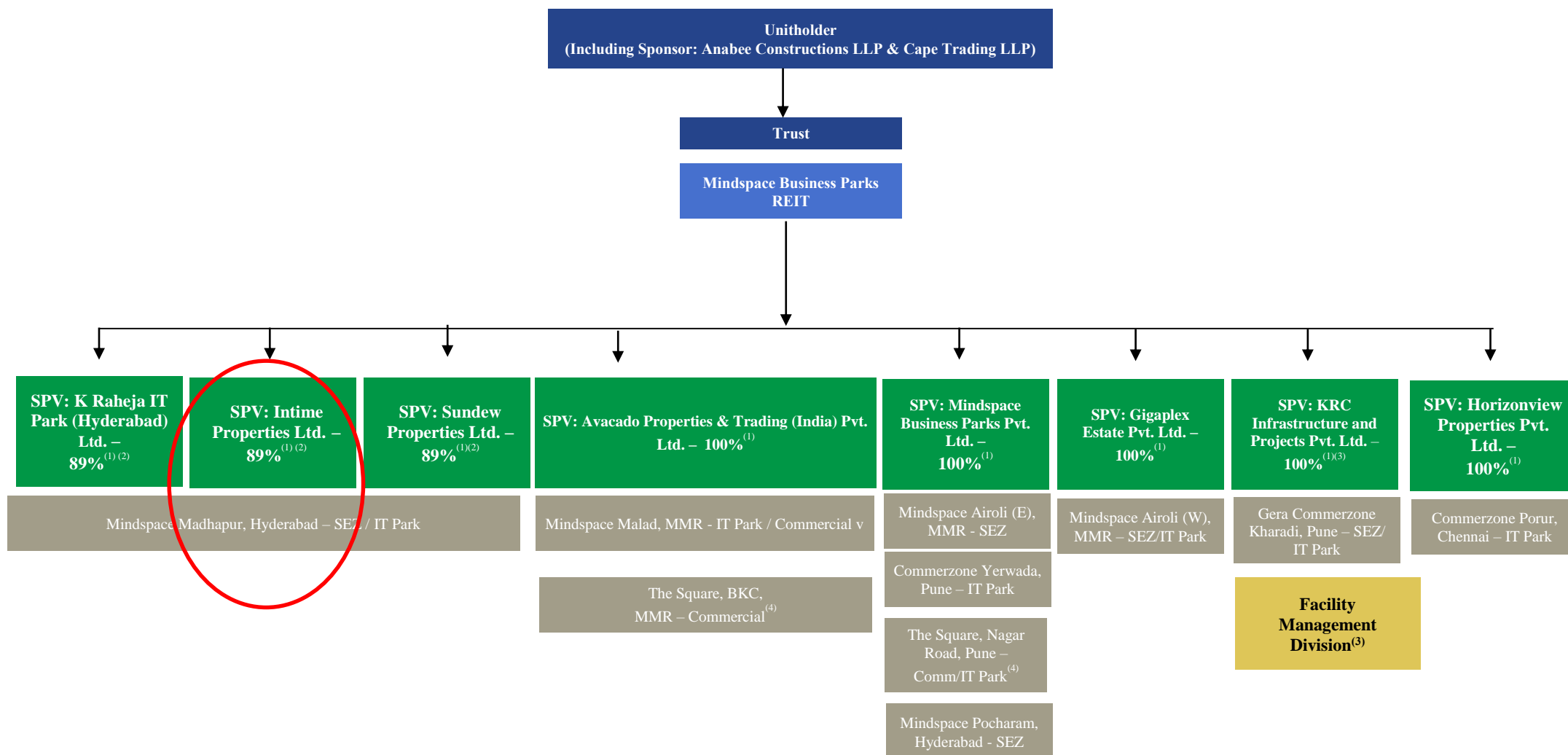
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by



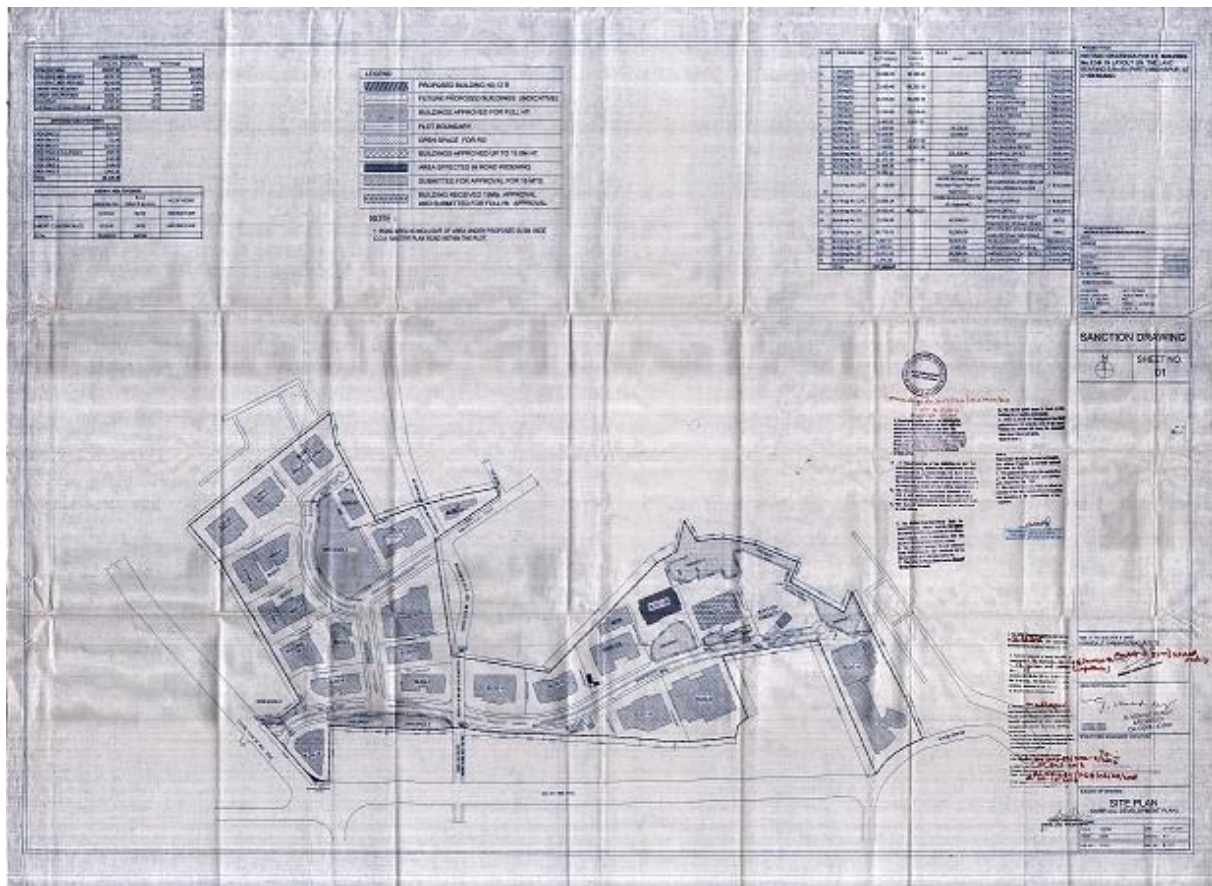
(Shubhendu Saha)

IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

## Annexure 2: Site Layout



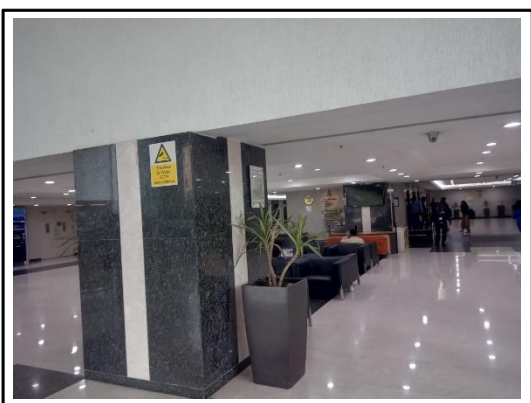


**Annexure 3: Property Photographs**

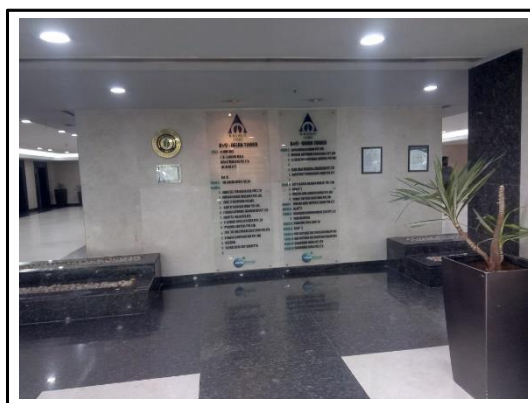
Bldg 5B in the Subject Property



Bldg 9 in the Subject Property



Bldg 9 in the Subject Property



Bldg 9 in the Subject Property



Bldg 6 in the Subject Property



Bldg 6 in the Subject Property



**Annexure 4: Statement of Key Assets**

Building	No. / Name	B5B	B6	B9
Floor	Nos	G+3P+5F	B1+B2+B3+G+ 9F	B1+B2+Stilt+15F
No of DG / Capacity	No. / KVA	3DG's (all 1010KVA)	5/1010KVA	7X1500KVA
No of Transformers / Capacity	KVA	2No's/1600KVA	2Nos/2500KVA	4X2500KVA
Cooling tower		NA	600 TR X 2 Nos, Make:- BAC	800 TR X 2 Nos, 600 TR X 2 Nos, Make:- Advance 2020
FF System (Pumps) & Engine		1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump- 100 HP, 4. Jockey Pump- 15 HP, 5. Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump- 100 HP, 4. Jockey Pump- 15 HP, 5. Booster pump- 12.5 HP	1. DG PUMP- 120 HP, 2. Hydrant pump- 120 HP, 3. Sprinkler Pump- 120 HP, 4. Jockey Pump- 25 HP, 5. Booster pump- 15 HP
Water pumping system (Domestic & Flushing)		Domestic pumps- 7.5KW -2Nos, Flush pumps- 11 kw-3 nos	Domestic pumps- 7.5KW -2Nos, Flush pumps- 7.5kw-3 nos	Domestic pumps- 22 KW -2 Nos, Flush pumps- 11 kw-2 nos
Chiller Rating	TR	265TR	1500TR	2X800TR+2X600TR+2X330TR
STP Rating	KLD	150	110	415
Warm Shell / Bare shell		Warm Shell	Warm Shell	Warm Shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending


**Approvals Received**

- a) Building Plan Approvals
- b) Full Occupancy Certificates for all Buildings
- c) Height Clearance NOC from AAI
- d) Environmental clearances
- e) Fire NOC
- f) Consent for Establishment
- g) Consent to Operate

**Annexure 6: Cash Flow Profile****Operating Building with OC**

Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	987.2	1,186.5	1,335.7	1,461.6	1,529.7	1,656.7	1,822.1	1,902.7	1,970.4	2,065.7	2,230.2
Parking Income	INR Million	6.3	7.4	9.9	10.3	10.6	11.6	12.1	12.7	13.5	16.2	17.2
O&M income	INR Million	228.1	233.5	243.1	255.3	268.1	281.5	295.5	310.3	325.8	342.1	359.2
Other Income (Kiosk and Conference)	INR Million	9.9	11.9	13.4	14.6	15.3	16.6	18.2	19.0	19.7	20.7	22.3
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>1,231.4</b>	<b>1,439.3</b>	<b>1,602.1</b>	<b>1,741.9</b>	<b>1,823.7</b>	<b>1,966.3</b>	<b>2,148.0</b>	<b>2,244.7</b>	<b>2,329.5</b>	<b>2,444.7</b>	<b>2,628.9</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>1,231.4</b>	<b>1,439.3</b>	<b>1,602.1</b>	<b>1,741.9</b>	<b>1,823.7</b>	<b>1,966.3</b>	<b>2,148.0</b>	<b>2,244.7</b>	<b>2,329.5</b>	<b>2,444.7</b>	<b>2,628.9</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(173.6)	(182.3)	(191.4)	(201.0)	(211.0)	(221.6)	(232.7)	(244.3)	(256.5)	(269.3)	(282.8)
Insurance Cost	INR Million	(2.7)	(2.8)	(2.9)	(3.0)	(3.1)	(3.2)	(3.3)	(3.4)	(3.5)	(3.6)	(3.7)
Property Taxes	INR Million	(25.3)	(26.0)	(26.8)	(27.6)	(28.4)	(29.3)	(30.2)	(31.1)	(32.0)	(33.0)	(33.9)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(201.6)</b>	<b>(211.1)</b>	<b>(221.1)</b>	<b>(231.6)</b>	<b>(242.5)</b>	<b>(254.0)</b>	<b>(266.1)</b>	<b>(278.7)</b>	<b>(292.0)</b>	<b>(305.9)</b>	<b>(320.4)</b>
<b>Net Operating Income</b>	<b>INR Million</b>	<b>1,029.8</b>	<b>1,228.1</b>	<b>1,381.0</b>	<b>1,510.3</b>	<b>1,581.1</b>	<b>1,712.3</b>	<b>1,881.9</b>	<b>1,966.0</b>	<b>2,037.5</b>	<b>2,138.8</b>	<b>2,308.5</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	28,855.6	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(288.6)	-
Fit Out Income	INR Million	39.6	39.6	39.6	39.6	39.6	23.9	17.9	2.7	0.9	0.8	-
<b>Total Net income</b>	<b>INR Million</b>	<b>1,069.5</b>	<b>1,267.7</b>	<b>1,420.6</b>	<b>1,549.8</b>	<b>1,620.7</b>	<b>1,736.2</b>	<b>1,899.8</b>	<b>1,968.6</b>	<b>2,038.4</b>	<b>30,706.7</b>	<b>2,308.5</b>
Property Mangement Fees	INR Million	(36.5)	(43.6)	(48.9)	(53.4)	(55.8)	(59.8)	(65.5)	(67.8)	(70.2)	(73.6)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(19.9)	(23.9)	(26.9)	(29.4)	(30.8)	(33.4)	(36.7)	(38.3)	(39.7)	(41.6)	
Brokerage Expenses	INR Million	(12.8)	(29.5)	(15.6)	(6.1)	(12.3)	(35.4)	(1.0)	(5.8)	(23.2)	(28.5)	
Campus Upgrade	INR Million	(80.5)	-	-	-	-	-	-	-	-	-	
<b>Net Cashflows</b>	<b>INR Million</b>	<b>920</b>	<b>1,171</b>	<b>1,329</b>	<b>1,461</b>	<b>1,522</b>	<b>1,608</b>	<b>1,797</b>	<b>1,857</b>	<b>1,905</b>	<b>30,563</b>	

## Annexure 7: Ready Reckoner Rate



Registration & Stamps Department

Government of Telangana

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1800 599 4788

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Department Login

Unit Rates - Locality Wise

Door No. Wise Details

District Name

RANGAREDDY

Locality

MADHAPUR MAIN ROAD

S.No.	Ward-Block	Door No.	Land Rate Rs. per Sq.Yard	Composite Rate (Rs. per Sq.Ft)			Effective Date (dd/mm/yyyy)
				Ground Floor	First Floor	Other Floors	
1.	0 - 2	14/7	30,000	5,000	3,500	2,500	01/04/2013
2.	0 - 2	20	30,000	5,000	3,500	2,500	01/04/2013
3.	0 - 2	21	30,000	5,000	3,500	2,500	01/04/2013
4.	0 - 2	22	30,000	5,000	3,500	2,500	01/04/2013
5.	0 - 2	29	30,000	5,000	3,500	2,500	01/04/2013
6.	0 - 2	30	30,000	5,000	3,500	2,500	01/04/2013
7.	0 - 2	37/C	30,000	5,000	3,500	2,500	01/04/2013
8.	0 - 2	46/1/B	30,000	5,000	3,500	2,500	01/04/2013
9.	0 - 2	49	30,000	5,000	3,500	2,500	01/04/2013
10.	0 - 2	52/1/1	30,000	5,000	3,500	2,500	01/04/2013
11.	0 - 2	52/1/3	30,000	5,000	3,500	2,500	01/04/2013
12.	0 - 2	54	30,000	5,000	3,500	2,500	01/04/2013
13.	0 - 2	54/1	30,000	5,000	3,500	2,500	01/04/2013
14.	0 - 2	63/4	30,000	5,000	3,500	2,500	01/04/2013
15.	0 - 2	66/3/A	30,000	5,000	3,500	2,500	01/04/2013
16.	0 - 2	8	30,000	5,000	3,500	2,500	01/04/2013
17.	0 - 2	8/1	30,000	5,000	3,500	2,500	01/04/2013

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.

- g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
  4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
  6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
  7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any except as set out herein..
  8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: Mindspace Madhapur (KRIT), Hyderabad**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

## Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ( "Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*


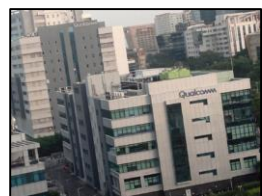
*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*



## Executive Summary

<b>Mindspace Madhapur (KRIT), Madhapur, Hyderabad</b>		
<b>Valuation Date:</b>	30 September 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	<p>The properties comprise operational and completed buildings 1A, 1B, 2A, 2B, 3A, 3B, 4A &amp; B, 5A, 7, 8 and 10 and 1.79 acres of vacant land (hereinafter referred to as Subject Property), which are part of Raheja Mindspace Madhapur IT park located in Madhapur, Hyderabad. Raheja Mindspace, is spread over 110 acres comprising SEZ and Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. Hitech city –Durgam Cheruvu road and Hitech city internal road connecting to Mumbai highway abuts the subject IT Park. Subject properties are accessible through 120 feet internal road with in the Raheja Mindspace IT park. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapuria Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Qualcomm, CSC, Bank of America, IBM, Verizon and Accenture etc</p>	 <p>External View of Subject Property</p>
<b>Description:</b>	<p>Mindspace Madhapur (KRIT) forming part of Mindspace IT Park located in Madhapur, comprises of Non-SEZ buildings. The subject property has two components i.e. completed component and vacant land for future development.</p> <p><b>Completed Buildings – Building 1A, 1B, 2A, 2B, 3A, 3B, 4A &amp; B, 5A, 7, 8 and 10</b></p> <p>The ready buildings and parts thereof with Occupancy Certificates (OC) collectively admeasure ~2.7 million sq.ft. Subject property is accessible through 120 ft Mindspace internal access road and enjoys good frontage and visibility on the access road.</p>	 <p>External View of Subject Property</p>
<b>Total Area:</b>	<p>Total Plot Area: 48.43<sup>1</sup> Acres</p> <p>Completed Leasable Area – 2,664,822 sq. ft.</p> <p>Land for Future Development- 1.79 acres</p> <p>Total Leasable Area - 2,664,822 sq.ft.</p>	 <p>External View of Subject Property</p>

<sup>1</sup> From Architect's Certificate shared by the client

**MARKET VALUE OF THE SUBJECT PROPERTY BASED ON**

Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 24,606 Million	India Rupees Twenty-Four Billion Six Hundred and Six Million Only
Under-construction/ Proposed Building	30 September 2020	INR 629 Million	India Rupees Six Hundred and Twenty-Nine Million Only

*Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 28,354 million for as on 30 September 2020.*

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** 11 IT/ITeS Buildings and vacant land christened  
“Mindspace Madhapur (KRIT)” located at  
Madhapur, Hyderabad

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi

in 1997 and Master's in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the "Market Value" of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In '**Market Approach**', the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a 'normalized' single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the

property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is mentioned below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected on by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.



This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and wilful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate

any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B HYDERABAD CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Hyderabad City Overview

Particulars	Hyderabad City	Madhapur*	Gachibowli	Peripheral East*
<b>Total completed stock Q3 2020 (msf)</b>	63.7	44.4	15.3	2.1
<b>Current occupied stock Q3 2020 (msf)</b>	58.3	41.5	13.9	1.4
<b>Current Vacancy Q3 2020 (%)</b>	8.5%	6.5%	9.3%	32.7%
<b>Avg. Annual Absorption - 2014 – Q3 2020 (msf)</b>	5.3	3.7	1.4	0.1
<b>Future Supply – Q4 2020 – 2022 (msf)</b>	21.5	8.8	12.2	0.0
<b>Market Rent – Q3 2020 (INR psf / month) (approx.)</b>	66.5	69.9	61.9	39.0

Source: Cushman & Wakefield Research

\*Mindspace REIT's micro markets

Hyderabad is the capital city of Telangana and India's fourth most populous city. Hyderabad Metropolitan Area (HMR) is spread over 7,229 sq.km. Affordable cost of living, rapid infrastructure development and a proactive government have driven the corporate activity and investments in the city. Hyderabad has emerged as 2nd largest IT exporter. Hyderabad is home to global captive centres of renowned technology companies such as Apple, Microsoft, Uber, Google, Facebook, Infosys and Cognizant, institutions (such as Centre for Cellular and Molecular Biology, Centre for Good Governance, Insurance and Regulatory Development Authority) as well as prominent educational institutions (such as Indian School of Business, Indian Institute of Technology, NALSAR University of Law and Agha Khan Academy). The physical infrastructure of the city is well developed with excellent road, rail and air transport networks. Madhapur and Gachibowli economic corridor houses most of the commercial office space establishments in Hyderabad. In Madhapur and Gachibowli economic corridor, Madhapur is an established micro market with presence of renowned technological, financial services and professional services companies.

The key drivers of demand for office space in Hyderabad are as follows:

- **Technology Sector:** Technology services are the primary demand driver for the office space demand in Hyderabad. Hyderabad houses over 1500<sup>2</sup> technology companies and provides direct employment to approximately 540,000<sup>2</sup> people. Major technology companies operating from Hyderabad include Apple, Accenture, Google, IBM, Cognizant, Qualcomm, Facebook and others. In addition to the tenanted commercial office spaces, Hyderabad also houses several large size campuses of companies like Infosys, Wipro, Amazon, Cognizant, Cyient, Cap Gemini, Virtusa and Hitachi Consulting amongst others.
- **Financial and Professional Services:** Financial and Professional services companies are the key demand drivers for office space in Hyderabad after the technology companies. Major financial services Companies in Hyderabad include JP Morgan, Wells Fargo, Bank of America, DBS, HSBC, Synchrony and others. Major professional services companies / knowledge centers in Hyderabad include Invesco, E&Y, KPMG, OMICS and others.
- **Social Infrastructure:** Hyderabad has established educational institutions and colleges (International Institute of Information Technology, Indian School of Business, Tata Institute of Social Sciences), shopping malls (Inorbit, Forum, GVK One, City Capital, Central, etc.), hospitals (Apollo, Sunshine, Care etc.), hotels (ITC, Westin, Park Hyatt, Novotel and Taj Krishna) and MICE centers (HITEX Exhibition Centre and HICC Convention Centre).
- **Physical Infrastructure:** Hyderabad is well connected to the rest of the country by National Highways – NH-7, NH-9 and NH-202. Outer Ring Road encircles the city and acts as nodal connecting point with the city and other town located within the state. The city has India's 6th busiest airport which connects Hyderabad to major international hubs and is currently being expanded to handle 343 million passengers. The city has a combination of light rail transportation system and metro.

Hyderabad enjoys relatively superior physical infrastructure facilities as compared to other metro cities in India. Integrated infrastructural facilities like outer ring road, metro rail, MMTS, radial roads and arterial roads provide faster and easier connectivity to Madhapur- Gachibowli economic corridor. To sustain the existing developments and grow the technology sector in Hyderabad, Government of Telangana has initiated several steps including the enhancement of physical infrastructure through strategic road development program and establishment of incubation center to promote value added technology initiatives and entrepreneurship.

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<sup>2</sup> Telangana Socio Economic Outlook-2020

<sup>3</sup> GMR Hyderabad International Airport Limited

## **2 Mindspace REIT's Micro-Market (Madhapur)**

### **2.1 Overview**

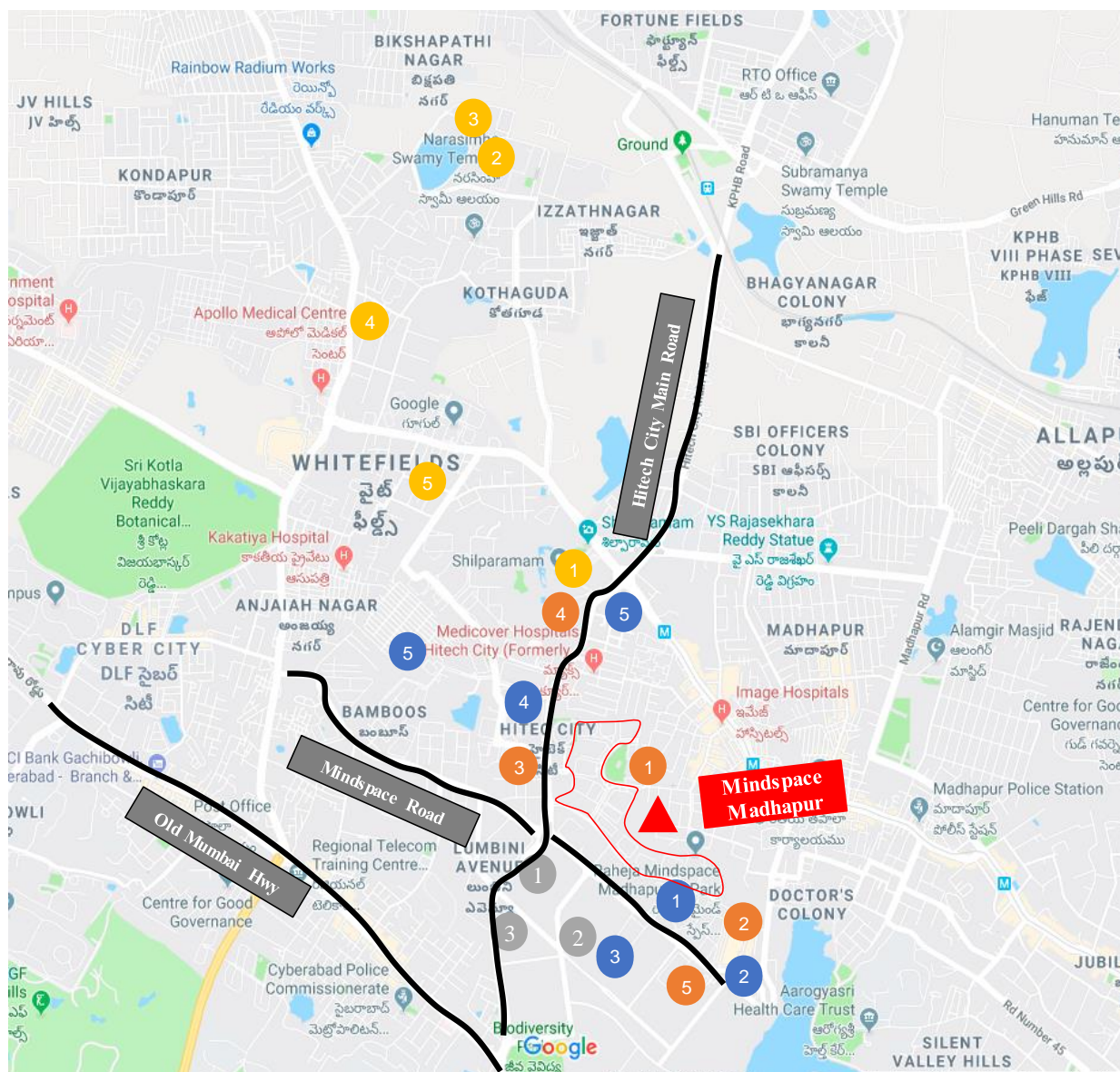
Madhapur is an established office space micro market in Hyderabad and is home to large scale commercial developments such as Raheja Mindspace, The V, Cyber Pearl, I-Labs, Divyasree Orion, Salarpuria Sattva Knowledge City as well as TCS and TCL campuses.

In addition to office space, Madhapur also consists of several retail, hospitality and entertainment developments such as HITECH Exhibition Centre, HICC Convention Centre, Inorbit mall, L&T Next Galleria Mall and Shilpa Kala Vedika. Prominent hospitality developments in the micro-market include ITC Kohenur, Westin and Novotel.

Madhapur enjoys excellent physical infrastructure with direct connectivity to the airport and connectivity with other parts of the city via the metro rail, MMTS rail network and road networks. Ongoing infrastructure projects in Madhapur include hanging bridge on Durgam Cheruvu and flyover at Old Mumbai highway. These developments are expected to be completed over the next one year and are expected to ease traffic congestion, thereby providing easier and faster access to other parts of the city.

Madhapur is the most preferred office space micro market in Hyderabad due to the presence of existing office space infrastructure, superior physical infrastructure and social infrastructure. In last decade, Madhapur dominated the other office space micro markets in Hyderabad doubling its office space to 44.4 msf in Q3 2020 from 20.61 msf in 2014 and represents 68.6% of total office absorption in Hyderabad since 2014. The vacancy levels have been at sub 5% levels in during 2014 to 2019 and for Q3 2020 vacancy levels stood at 8.5%. Produced healthy CAGR rental growth of 6.9% during 2014 to Q3 2020.





(Map not to Scale)

● Key Commercial Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure 
 ● Propose Commercial Developments

Key Office Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Office Space Development s
1. The V IT Park	1. Shilparamam	1. Westin Hotel	1. Aurobindo Galaxy
2. I-Labs	2. Hitex Exhibition Centre	2. Inorbit Mall	2. Salarpuria Knowledge Park
3. Salarpuria Sattva Knowledge City	3. HICC Convention Centre	3. Lemon Tree	3. Aurobindo Orbit
4. Cyber Pearl	4. KIMS Hospital	4. Trident Hotel	
5. Cyber Tower	5. Rainbow Hospital	5. ITC Kohenur	
5. Avance Business Hub			



Mindspace is the largest and integrated IT park strategically located in Madhapur, Hyderabad. It has very good connectivity through Hyderabad metro rail, MMTS, outer ring road and other key arterial roads. Mindspace IT park has mix of commercial, retail, hospitality and residential developments

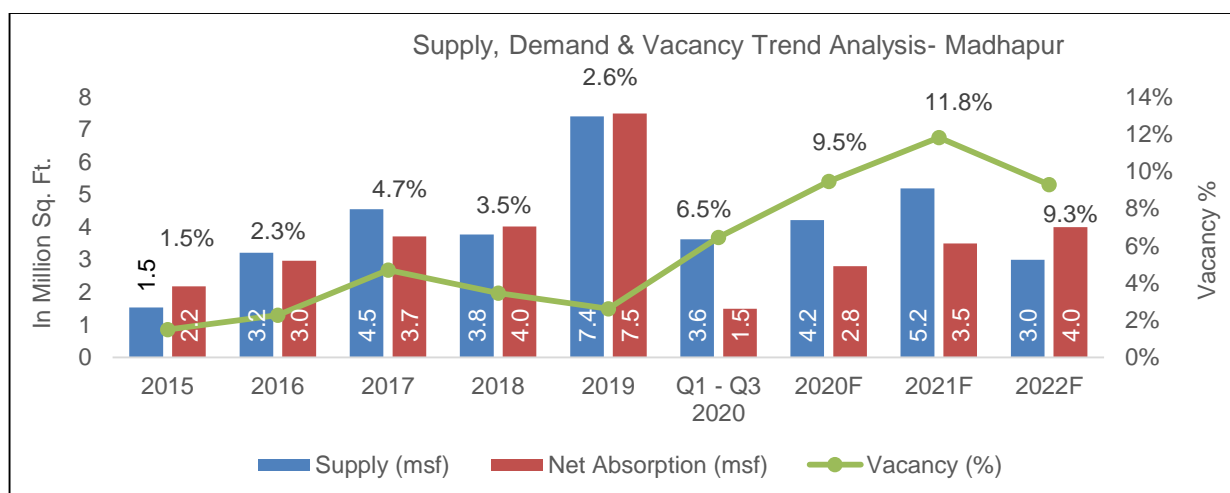
## 2.2 Key Statistics

Particulars	Details
<b>Stock (Q3 2020)</b>	Approximately 44.4 msf
<b>Current Occupied stock (Q3 2020)</b>	Approximately 41.5 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 6.5%
<b>Average. Annual Absorption (2014 – Q3 2020)</b>	Approximately 3.7 msf per annum
<b>Future Supply (Q4 2020 – 2022)</b>	<p>Q4 2020: Approximately 0.6 msf (100% of the supply is pre-leased)</p> <p>2021: Approximately 5.2 msf (26.0% of the supply is pre-leased)</p> <p>2022: Approximately 3.0 msf</p>

Source: Cushman & Wakefield Research

## 2.3 Supply, Absorption & Vacancy

Madhapur is an established commercial office space destination in Hyderabad and it enjoys superior infrastructure facilities as it is connected with other parts of the city and airport through wider roads, metro rail, MMTS and Outer Ring Road. The average supply in Madhapur in last 5 years was in the range of 3 msf to 4.1 msf. With a stable government and good infrastructure, Madhapur continued to witness healthy demand from 2014 onwards. In last 5 years, office space demand either matched the supply or outpaced the supply, leading to low vacancy levels. Lower expected absorption due to the ongoing Pandemic and expected healthy supply will result in increase in vacancy to 9.3% by 2022 from low of 2.6% in 2019.



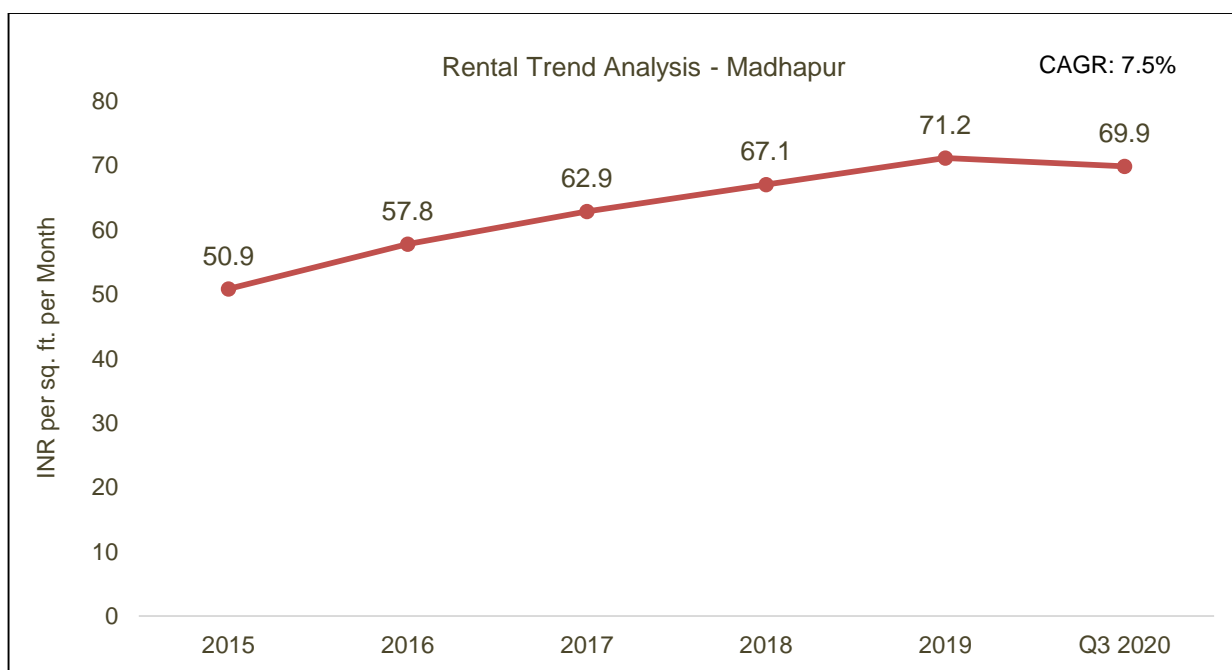
Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analyses of under construction buildings, however future absorption estimates are derived basis past trend, current vacancy and estimated supply. Vacancy estimates are based on supply and absorption trend.

Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

## 2.4 Rental Trend Analysis

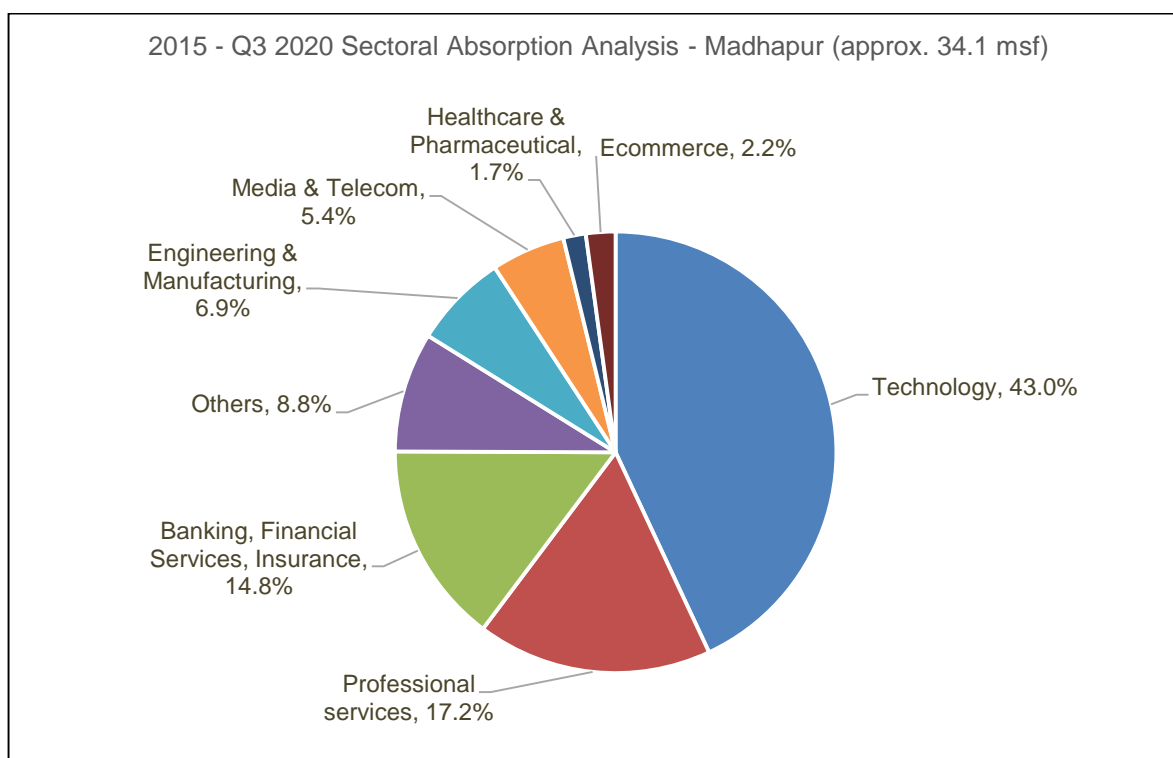
The current ongoing rentals are in the range of INR 65 psf / month to 70 psf / month. Given the recent economic slowdown, we foresee the demand for a commercial office to be temporarily suppressed over the next 12 months. Hence, we do not expect any increase in average rentals over the period. The average rentals are forecasted to increase at 3-5% in the subsequent years owing to limited future supply, demand recovering and attaining normalcy in the micro market..



Source: Cushman & Wakefield Research

Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.5 Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Research & Analysis, Flexible Workspaces, Food/Beverages, Education, Automobile, Oil & Gas, Logistics & Shipping etc.

Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc.

Madhapur being the established office space micro market in Hyderabad has attracted major tenants. Technology sector is the major contributor to the demand for office space in Madhapur in last five years. Other sectors like Professional Services, Banking & Financial Services, Engineering & Manufacturing and Flexible office spaces also contributed significantly to the demand in last five years.

## **2.6 Market Outlook**

Hyderabad commercial office space market is expected to grow to next level due to the superior infrastructure, government initiatives to promote the technology sector, active investment by the local and national level developers in the city and overall positive commercial outlook for the city. On the supply side, approximately 21.5 Million sq.ft. office is under construction and several projects are at initial stage or at planning stage. Approximately 30.0% of the upcoming supply is pre-committed with the expansion plans of the existing tenants and active interest from new entrants. Improved pre-leasing commitments and continued healthy demand for office space are expected to retain the Hyderabad vacancy level at approximately 15.60% in 2022.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	Mindspace Cyberabad, Next to VSNL Bldg Survey Number 64 (part), APIIC Software Unit Layout, Hitechcity, Madhapur Village, Madhapur 500081, Telangana, India
Ownership & title details:	Subject property is a freehold property and the 100% of the assets owned by the K Raheja IT Park (Hyderabad) Private Limited. Mind Space Business Parks REIT (KRC REIT) holds 89% ownership of the K Raheja IT Park (Hyderabad) Pvt Ltd SPV and the balance 11% is held by Telangana State Industrial infrastructure Corporation (TSIIC)

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

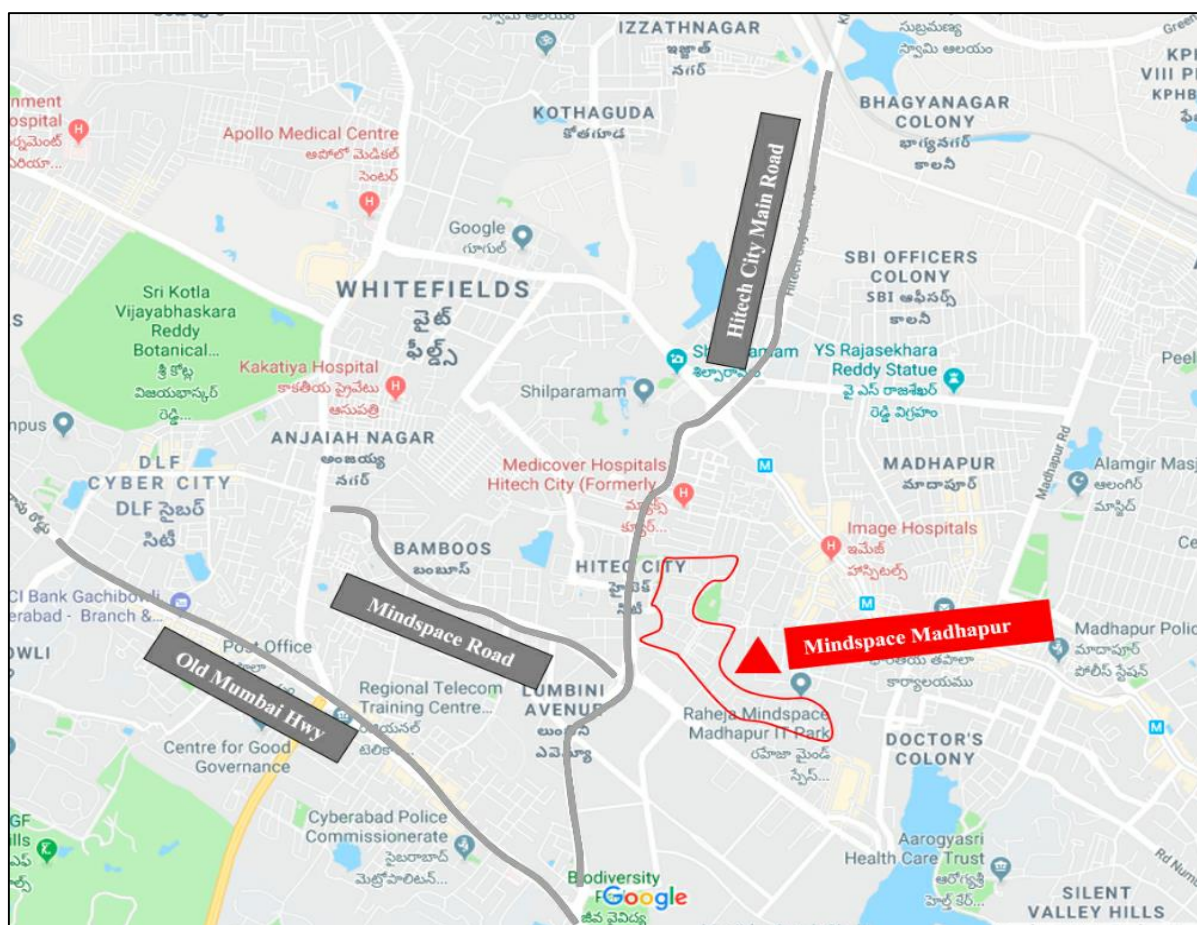
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

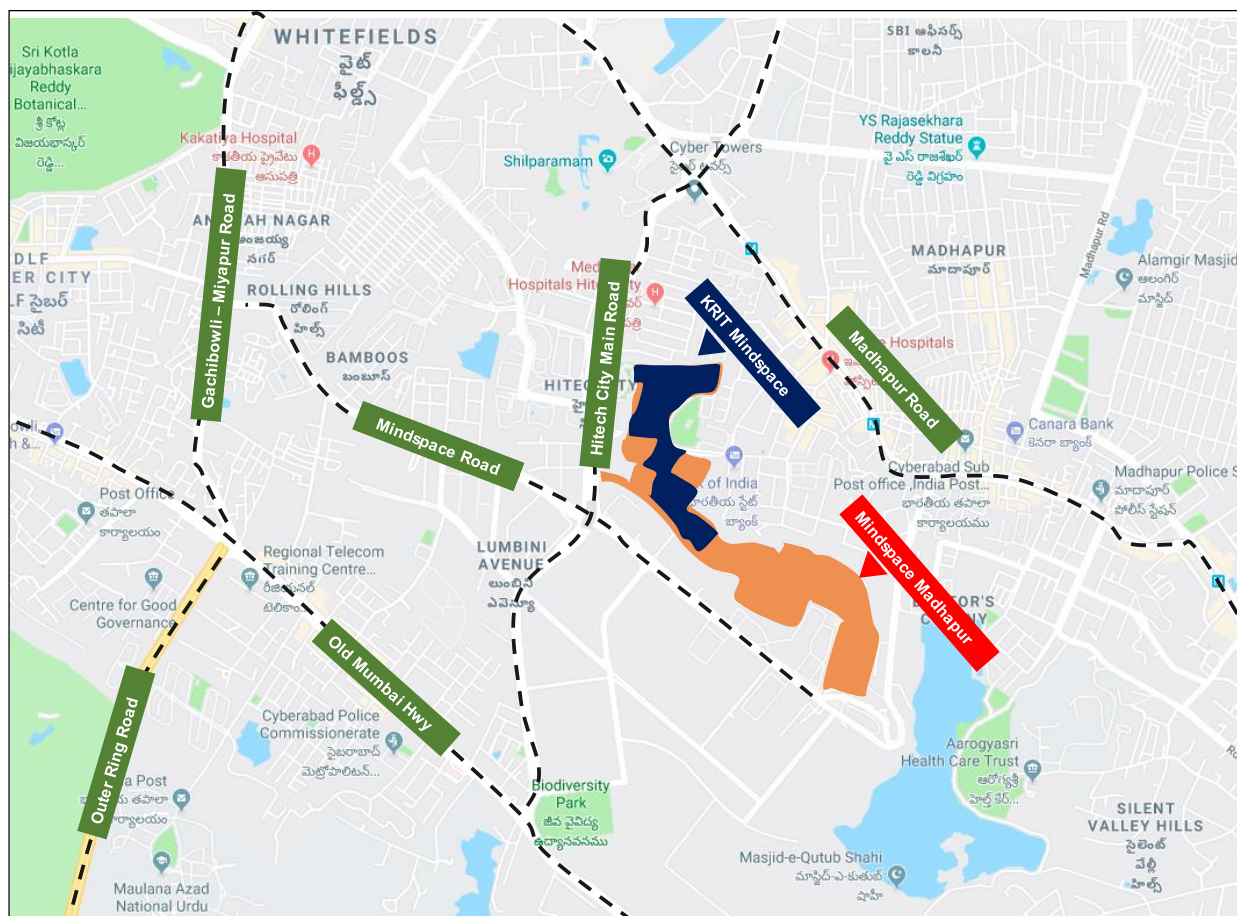
The properties comprise operational and completed buildings 1A, 1B, 2A, 2B, 3A, 3B, 4A & B, 5A, 7, 8 and 10 and 1.79 acres of vacant land (hereinafter referred to as Subject Property), which are part of Raheja Mindspace IT park located in Madhapur, Hyderabad. Raheja Mindspace, is spread over 110 acres comprising SEZ and Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. Hitech city –Durgam Cheruvu road and Hitech city internal road connecting to Mumbai highway abuts the subject IT Park. Subject properties are accessible through 120 feet internal road with in the Raheja Mindspace IT park. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapuria Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Qualcomm, CSC, Bank of America, IBM, Verizon and Accenture etc.

The location map of the Subject Property is set out below:



(Map Not to Scale)





(Map Not to Scale)

The subject property is spread out over ~48 acres of land parcel. Subject property buildings are located on either side of the 120 ft Mindspace internal access road and enjoys good frontage and visibility. Subject property is regular in shape with fairly even topography.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 0.5 km from the Hyderabad Metro Railway Station at Mindspace Circle.
- Approximately 5 km from Hitech City MMTS railway station..
- Approximately 21 km from Secunderabad Railway Station.
- Approximately 34 km from Rajiv Gandhi International airport at Shamshabad

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from all locations of Hyderabad and Hyderabad Metro Rail. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.



### 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

### 2.4 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Hyderabad where the Subject Property is located falls in Seismic Zone II with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

### 2.5 Town Planning and Statutory Considerations

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## 3 Subject Property - Asset Description

Mindspace Madhapur (KRIT) forming part of Mindspace IT Park located in Madhapur, comprises of 11 operational buildings and 1.79 acres of vacant land spread across approximately 48.43 acres of land. The total leasable area of the 11 completed buildings and one proposed building is ~3.2 million sq. ft. The IT park has food court, land scape area, open auditorium and other amenities.

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 1A	180,463	Non-SEZ	Completed
Building 1B	180,461	Non-SEZ	Completed
Building 2A	267,383	Non-SEZ	Completed
Building 2B	4,15,279	Non-SEZ	Completed
Building 3A	178,293	Non-SEZ	Completed

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 3B	204,934	Non-SEZ	Completed
Building 4A&B	430,528	Non-SEZ	Completed
Building 5A	113,665	Non-SEZ	Completed
Building 7	190,889	Non-SEZ	Completed
Building 8	172,728	Non-SEZ	Completed
Building 10	324,293	Non-SEZ	Completed
Proposed Building	500,000	Non-SEZ	Future Development
Amenities*	5,297	Non-SEZ	Completed

Source: Architect's Certificate, Rent Rolls, Lease Deeds/Leave, Client Info and License Agreements

\* Note: Amenities include Kiosks (678 sq.ft.) and Vantage Café (4,619 sq.ft.)

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	K Raheja IT Park (Hyderabad) Private Limited
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by K Raheja IT Park (Hyderabad) Private Limited which is 89% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 1A - 13 years and 8 months Building 1B - 13 years and 8 months Building 2A - 13 years and 1 month Building 2B - 13 years and 8 months Building 3A - 14 years and 6 months Building 3B - 13 years and 8 months Building 4A&B - 10 years and 10 months Building 5A – 16 years and 3 months Building 7 – 15 years and 3 months Building 8 – 15 years and 3 months Building 10 – 13 years 8 months
Asset type:	Non- SEZ IT Park
Sub-market:	Madhapur
Approved and existing usage:	Commercial Office/IT Park
Site Area (acres):	~48.43
Freehold/Leasehold:	Freehold
Leasable Area:	2.66 million sq. ft.
Occupied Area:	2.58 million sq. ft.
Occupancy (%) <sup>2</sup>	96.98%
Committed Occupancy (%) <sup>3</sup>	96.98%
Number of Tenants	29

Source: Client information

Notes:

1. Refer company structure set out in Appendix 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants
3. Committed occupancy also includes area which has been pre-leased to tenants.

### 3.2 Property Inspection

The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, cumulative expenditure on major repairs and maintenance towards upgradation has been INR 371 Million till 30 September 2020

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top five tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

As of 30 September 2020, Subject Property has 28 tenants (for office space) which include companies like QualComm, CSC, IBM, Accenture, Verizon , etc. The Subject Property's top 10 tenants account to ~95.7% of the Gross Rental income.

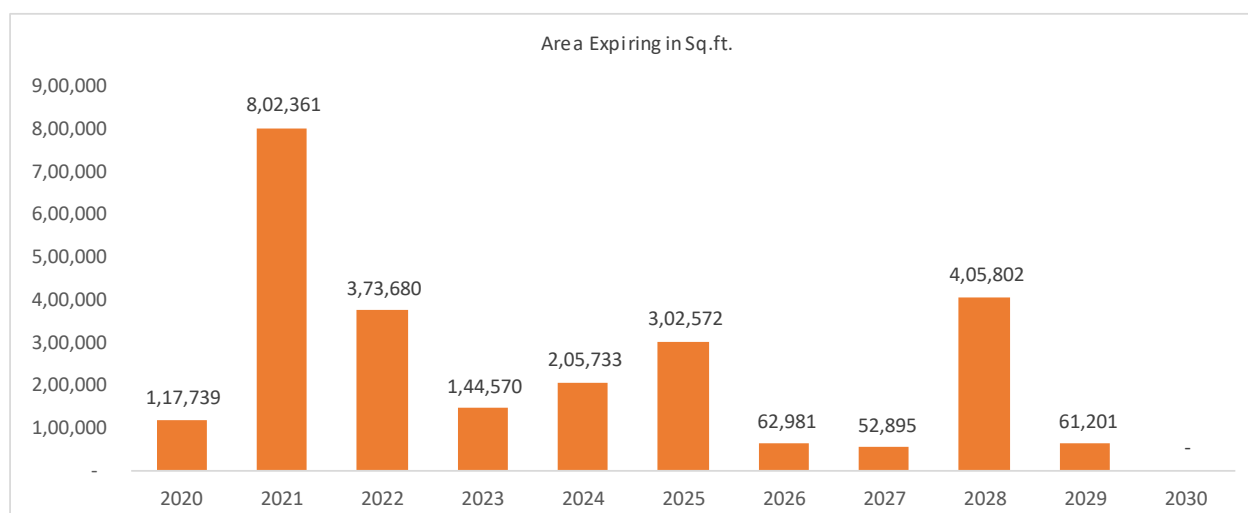
Rank	Top 10 Tenants according to Leasable Area	Leasable Area (sq. ft.)
1	QualComm	4,50,861
2	CSC	4,30,528
3	IBM	3,91,107
4	Accenture	3,60,924
5	Verizon	3,39,973
6	BA Continuum	2,98,938
7	Knoah	89,410
8	Sumtotal	44,500
9	MOL	44,147
10	Swarushi	26,067
	<b>Total</b>	<b>2,476,455</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	QualComm	17.5%
2	CSC	16.7%
3	IBM	15.2%
4	Accenture	14.0%
5	Verizon	13.2%
6	BA Continuum	11.6%
7	Knoah	3.5%
8	Sumtotal	1.7%

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
9	MOL	1.7%
10	Swarushi	1.0%
	<b>Total</b>	<b>96.0%</b>

### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is 4.50 years, with 57% of occupied area expiring between CY 2020 and CY 2023 as shown in the chart below.



## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or sub markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the achievable market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (The Valuer's view on

achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. The Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry



**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any– the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Property Leasable Area	sq.ft.	26,64,822
Area Leased	sq.ft.	25,84,282
Leased	%	96.98%
Vacant Area	Sft	80,540
Vacancy	%	3.0%
Stabilized Vacancy	%	2.0%
Further leasing	Sft	27,243
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	3197.2
4W Slots Paid	Number	45.0

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 (from 1 Oct 2020) in order to retain and support them.
  - A stabilized vacancy of 2% is considered for the Subject Property which is in line with the current market trends
- Future absorption:** Since the subject property is 96.98% leased and the vacancy is well above the stabilized vacancy of 2%. We have considered additional 6 months delay in leasing for the vacant spaces and 1 month delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, because of temporarily suppressed demand

## Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq.ft./month	INR 68
Market Rent - Food Court	Per sq.ft./month	INR 0.00
Market Rent - Anchor	Per sq.ft./month	INR 64.60
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market 2W Parking rent	Per slot/month	INR 0
Cafeteria Income	Per sq.ft./month	INR 0.0
Other income	% of Lease Rentals	1.0%
Market Rent growth rate-	% p.a.	5.00%
Parking Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq.ft./month	10.63

- **Market rent - office:**

- Over last six months, the average rentals in Madhapur (in subject property and in competing buildings) transacted in the range of INR 60-70 per sq. ft. per month. Considering the location, accessibility, quality, size of the building, and keeping in view of the future supply expected in Madhapur, we have considered the market rental of INR 68 per sq. ft. per month for the subject property.

S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
1	Divyasree Orion (Block 8)	Wells Fargo	11,00,000	72
2	The Nexity	Providence	3,70,000	68
3	KRC Mindspace Building # 12D	IBM	2,35,535	66
4	Mindspace Building # 12D	Wipro	1,81,167	65
5	The Sky View Tower 20	Mindtree	1,49,630	80
6	KRC Mindspace Building # 12D	Mindtree	90,544	66
7	KRC Mindspace Building # 12D	Model N	69,949	66
8	Divyasree Trinity Block # 4	Hexagon	66,254	75
9	Mindspace Building # 12D	Pactera	58,200	66
10	KRC Mindspace Maximus 2A	Verizon	46,280	66
11	The Sky View Tower 20	Alliant Group	45,534	68
12	The Sky View Tower 20	TDCX (Teledirect)	45,534	68
13	KRC Mindspace Building # 12D	GEP	40,055	66
14	KRC Mindspace Building # 9	Verizon	36,644	66
15	TSI Phase Block 2.1	Birla Soft	30,600	72
16	Sarvotham	CenturyLink	18,972	65
17	The Skyview Tower 20	Cotelligent	18,751	72

S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
18	I-Labs A, B,C,D,E	IGT India	14,700	70
19	Cyber Pearl Block 2	Allegis	12,500	64
20	Cyber Pearl Block 1	Inside View	3,500	65

- Market rent growth rate:** With stable political environment, absorption matching the supply, expansion of the existing tenants and entry of new tenants to the city, Hyderabad has witnessed robust growth in rentals in last 4-5 years. Approximately 8.8 Million sq.ft. new supply is coming in Madhapur by 2022 and 22% of the upcoming supply is pre-committed. Due to the ongoing Covid-19 pandemic, we expect lower level of absorption and stable rentals in next 6 months. However, Mindspace Madhapur is being strategically located in core commercial market of Madhapur, with good quality tenants, campus style development, current lower vacancy level, we expect rentals are expected to improve from April 2021 onwards. Hence we have considered a yearly rental growth of 5% from April 2021 onwards.
- Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Madhapur.
- Other income:** Analysis of the historical trend of other income suggest a normalized level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. (Note: Other income constitute income from signage, kiosks, conferences and others).
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and received higher effective rent for the same area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%.

## Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq.ft./month	INR 2.10
Current CAM/ O&M cost	Per sq.ft./month	INR 8.03
Property Tax	Per sq.ft./month	INR 1.09
Insurance	Per sq.ft./month	INR 0.14
CAM Escalation	% p.a.	5%
Cost escalation	% p.a.	3%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1<sup>st</sup> April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of operating income comprising lease rentals, parking income, Other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

## Capex Schedule

Following table represents the capex planned to be incurred for completed buildings

Quarter	01-Oct-20 31-Dec-20	01-Jan-21 31-Mar-21	01-Apr-21 30-Jun-21	01-Jul-21 30-Sep-21	01-Oct-21 31-Dec-21	01-Jan-22 31-Mar-22	01-Apr-22 30-Jun-22	01-Jul-22 30-Sep-22	01-Oct-22 31-Dec-22
Capex	INR Million	178	151	70	70	70	60	60	60

*Note: We have relied on Client inputs for the assumptions relating to construction timeline and cost.*

## Discount Rate & Capitalisation rate assumptions

### • Capitalization Rate:

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallonji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

### • Discount Rate

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

### Valuation of land for future development – 1.79 acres

Subject property has 1.79 acres of land for future development located at the entrance gate. Subject property is proposed for the commercial development measuring 500,000 sq.ft. However, the subject property is currently under litigation. Further subject property forming part of the larger IT park and designated for IT/ITES development.

The market value of the plot has been estimated using a weighted average of government benchmarked price (allotment rate) and market benchmarked value (derived using DCF Method) as the land is still under litigation even though the opinion of the legal counsel of KRIT provides certain confidence that the case of retention of plot for future development by KRIT is strong

Method	Weightage	Valuation- INR Million
TSIC Allotment	66.67%	364
Residual method using DCF	33.33%	1,393
<b>Average Value</b>	<b>100%</b>	<b>707</b>

### Following are the property assumptions used in DCF

Property Details	Unit	Details
Total Property Leasable Area	sq.ft.	5,00,000
Area Leased	sq.ft.	4,90,000
Leased	%	98.00%
Vacant Area	Sft	10,000
Vacancy	%	2.0%
Stabilized Vacancy	%	2.0%
Further leasing	Sft	-
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	
Paid 4W Slots	Number	

### Construction related assumptions

Construction- Related Assumptions	Unit	Details
Start date of construction		01-Oct-25
End date of construction		31-Mar-28
Total construction cost	INR Million	2,553

Construction- Related Assumptions	Unit	Details
Construction cost incurred till date	INR Million	0
Construction cost to be incurred	INR Million	2,553

Quarter		30-Sep-20	01-Oct-25	01-Jan-26	01-Apr-26	01-Jul-26	01-Oct-26	01-Jan-27	01-Apr-27	01-Jul-27	01-Oct-27	01-Jan-28
Construction Phasing	%		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Construction Cost	INR Million		255.26	255.26	255.26	255.26	255.26	255.26	255.26	255.26	255.26	255.26
PSS Cost	INR Million											

Note: We have relied on Client inputs for the assumptions relating to construction.

### Leasing and Financing Assumptions

Leasing and Financing Assumptions	Unit	Details
Lease Start Date		1-Apr-28
No of Quarters to Lease	#	5
Cap Rate	%	8.00%
Discount Rate	%	13.10%



## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures	In Words
Completed Buildings	30 September 2020	INR 24,606 Million	India Rupees Twenty-Four Billion Six Hundred and Six Million Only
Under Construction/ Proposed Building	30 September 2020	INR 629 Million	India Rupees Six Hundred and Twenty-Nine Million Only

*Note: Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 28,354 million for as on 30 September 2020.*

### Ready reckoner rate

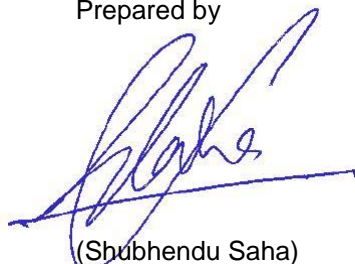
Component	Rate
Built up Area	Ground Floor- INR 5,000 per sq. ft. First Floor- INR 3,500 per sq.ft. Other Floors- INR 2,500 per sq.ft.
Land Area	INR 30,000 per sq.yrd.

Source; [www.registration.telangana.gov.in](http://www.registration.telangana.gov.in)

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

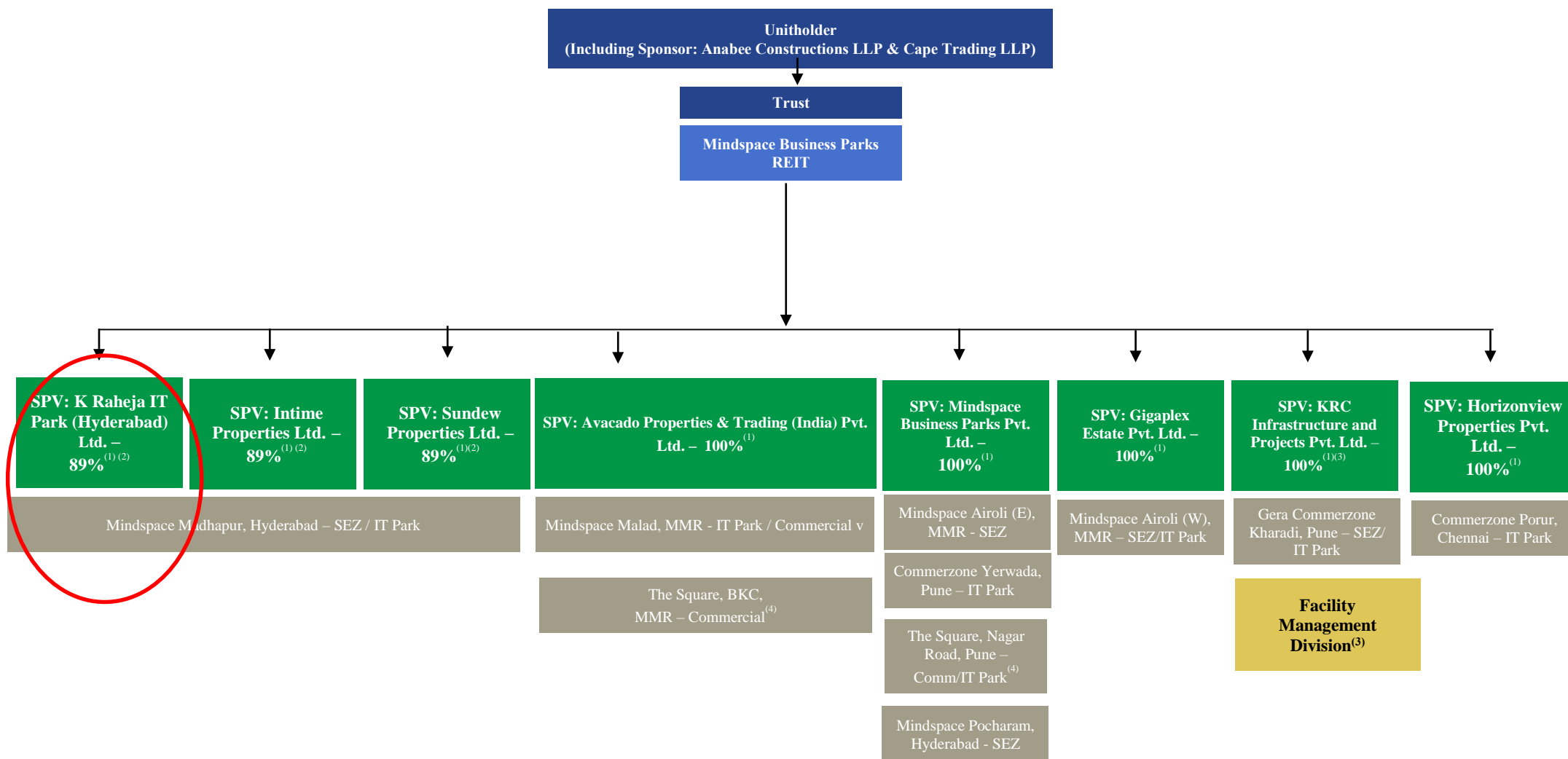
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

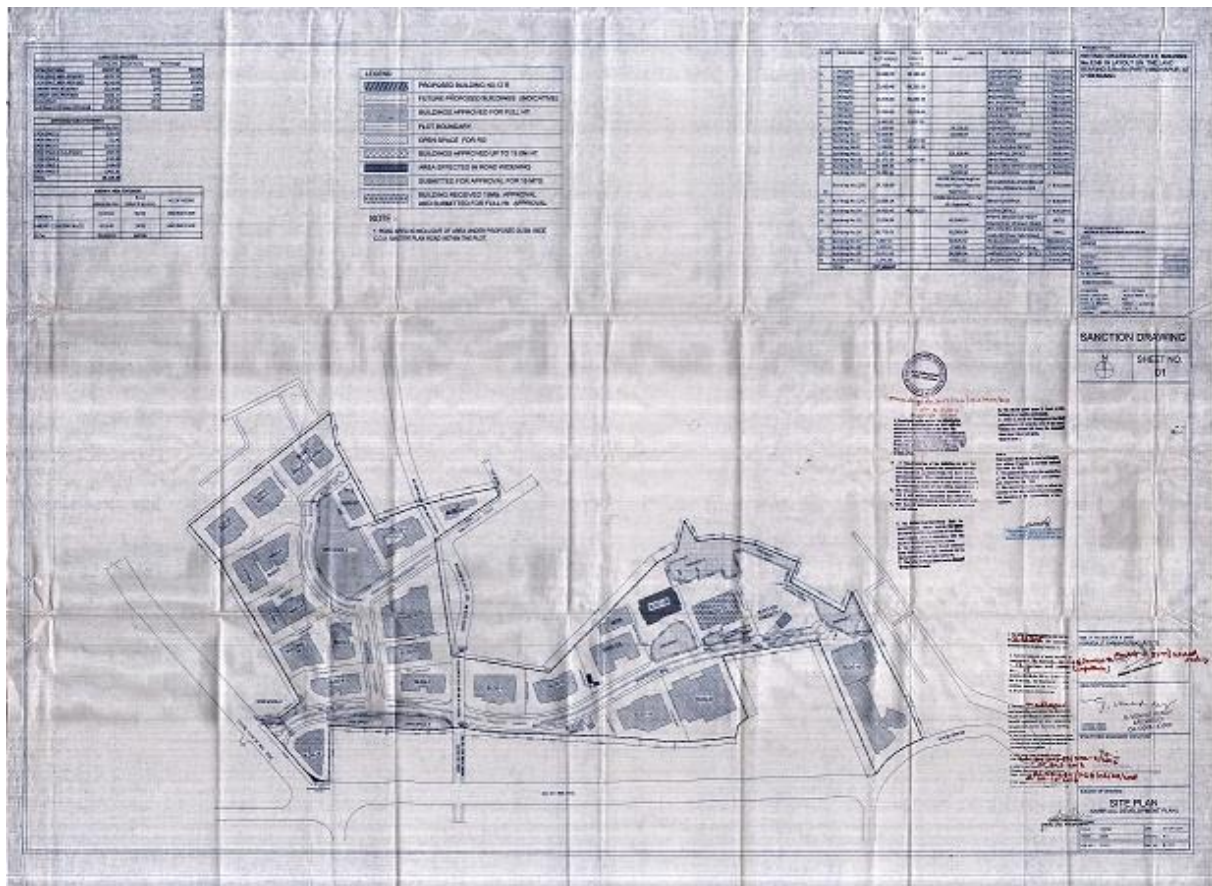


(Shubhendu Saha)

IBBI/RV/05/2019/1

**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

**Annexure 2: Site Layout**

**Annexure 3: Property Photographs**

Bldg 1A&amp;B in the Subject Property



Bldg 1A&amp;B in the Subject Property



Bldg 2A in the Subject Property



Bldg 2B in the Subject Property



Bldg 3A in the Subject Property



Bldg 3B in the Subject Property



Bldg 4A&amp;B in the Subject Property



Bldg 5A in the Subject Property





Bldg 7 in the Subject Property



Bldg 7 in the Subject Property



Bldg 8 in the Subject Property



Bldg 8 in the Subject Property



Bldg 10 in the Subject Property



Bldg 10 in the Subject Property

**Annexure 4: Statement of Key Assets**

Building	No. / Name	B1A	B1B	B2A	B2B	B3A	B3B	B4	B5A	B7	B8	B10
Floor	Nos			2B+S+10F	B+S+9F	B+GF+4F	B+LS+US+6F	G+2P+8F	G+3F		Stilt+5F	B1+B2+G+10 F.
No of DG / Capacity	No. / KVA	3*1010 KVA	3*1010 KVA	3*1010 KVA	3*1010 KVA	2*1010kva	2*1010kva	04 X2000 KVA	3DG's (625KVA,1000KVA,150 0KVA)	4X750KVA	4X750KVA	1010KVAX4, 380KVA- 1NO,750KVAX1no
No of Transformers / Capacity	KVA	2*1100KVA	2*1100KVA	2*2500 KVA	2*2500 KVA	2*1000kva	2*1250kva	04/1500KVA	2No's/1000KVA	02/1500KVA	1X2000KVA+1X1250KV A	2nos/2500
Cooling tower		NA	NA	NA	NA	NA	NA	NA	NA	300 TR X 2 Nos, Make:- BELL	NA	NA
FF System (Pumps) & Engine		1. DG PUMP- 75 HP, 2. Hydrant pump- 75 HP, 3. Sprinkler Pump-75 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1.Booster pump- 12.5 HP	1.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump-100 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 75 HP, 3. Sprinkler Pump-75 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump- 100 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 93 HP, 2.Jockey Pump-15 HP, 3.Booster pump- 12.5 HP, ( B# 4B 1. DG PUMP- 93 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump- 100 HP, 4.Jockey Pump- 15 HP, 5.Booster pump- 12.5 HP, )	1. DG PUMP- 76 HP, 2. Hydrant pump- 75 HP, 3. Sprinkler Pump-75 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 75 HP, 3. Sprinkler Pump-75 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 75 HP, 3. Sprinkler Pump-75 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump-100 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP
Water pumping system (Domestic & Flushing)		Domestic - 2 Nos X 10 HP Kirloskar Flush - 1 No X Grundfos 15 HP	Domestic - 2 Nos X 10 HP Kirloskar Flush - 1 No X Grundfos 15 HP	Flush pumps-9.3 kw-2 nos	Domestic pumps- 11KW - 2Nos,Domestic pumps- 7.5KW -2Nos	Domestic pumps- 7.5KW -2Nos, Flush pumps-5.5 kw-2 nos	Domestic pumps- 7.5KW -2Nos,	Domestic pumps- 7.5KW -3 Nos, Flush pumps-11 kw-2 nos	Domestic pumps- 5.5KW -2Nos, Flush pumps-3.7 kw-2 nos	Domestic pumps- 3.7 KW -3 Nos, Flush pumps-3.7kw-2 nos	Domestic pumps- 5.5 KW -2 Nos, Flush pumps-3.7 kw-1 no,Flush pumps-5.5 kw-1 no	Domestic pumps- 9.3 KW -2 Nos, Flush pumps-7.5 kw-2 nos
Chiller Rating	TR	Water Cooled 250TR X 3 NOs, 270TR X1	Water Cooled 270TR X 4	2*328 TR & 1*300 TR	10*100 TR	6*100TR & 1*200TR	2*328TR	240TR	160TR	300TR * 2Nos (WC) 274TR & 160 TR (AC)	10X100TR	60TR
STP Rating	KLD	125 KLD	125 KLD	350	150	150	150	80	80	80	150	
Warm Shell / Bare shell		Warm Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell	Bare Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Approved masterplans
- b) Building Plan Approvals
- c) Full Occupancy Certificates for all Buildings
- d) Consent to Operate for Building 5A, 7, and 8
- e) Height Clearance NOC from AAI
- f) Fire NOC

**Approvals Pending**


- a) Consent to Operate for all Buildings except Building 5A, 7, and 8
- b) EC for all buildings



**Annexure 6: Cash Flow Profile****Completed Building (Bldg. 1A, 1B, 2A, 2B, 3A, 3B, 4A & B, 5A, 7, 8 and 10)**

Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	1,441.3	1,981.8	2,161.0	2,304.1	2,428.4	2,711.5	2,839.5	2,966.9	3,145.6	3,111.7	3,552.8
Parking Income	INR Million	1.7	1.6	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.9	2.0
O&M income	INR Million	357.0	368.9	384.2	403.4	423.6	444.8	467.0	490.4	514.9	540.7	567.7
Other Income (Kiosk and Conference)	INR Million	14.4	19.8	21.6	23.0	24.3	27.1	28.4	29.7	31.5	31.1	35.5
Cafeteria Income	INR Million	1.2	3.8	4.0	4.2	4.5	4.7	4.9	5.2	5.4	4.7	6.2
<b>Total Income</b>	<b>INR Million</b>	<b>1,815.7</b>	<b>2,375.9</b>	<b>2,572.2</b>	<b>2,736.3</b>	<b>2,882.2</b>	<b>3,189.6</b>	<b>3,341.4</b>	<b>3,493.8</b>	<b>3,699.2</b>	<b>3,690.0</b>	<b>4,164.1</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>1,815.7</b>	<b>2,375.9</b>	<b>2,572.2</b>	<b>2,736.3</b>	<b>2,882.2</b>	<b>3,189.6</b>	<b>3,341.4</b>	<b>3,493.8</b>	<b>3,699.2</b>	<b>3,690.0</b>	<b>4,164.1</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(276.2)	(290.0)	(304.5)	(319.8)	(335.8)	(352.6)	(370.2)	(388.7)	(408.1)	(428.5)	(450.0)
Insurance Cost	INR Million	(4.8)	(4.9)	(5.1)	(5.2)	(5.4)	(5.5)	(5.7)	(5.9)	(6.1)	(6.2)	(6.4)
Property Taxes	INR Million	(36.5)	(37.6)	(38.7)	(39.9)	(41.1)	(42.3)	(43.6)	(44.9)	(46.3)	(47.6)	(49.1)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(317.5)</b>	<b>(332.6)</b>	<b>(348.4)</b>	<b>(364.9)</b>	<b>(382.2)</b>	<b>(400.4)</b>	<b>(419.5)</b>	<b>(439.5)</b>	<b>(460.4)</b>	<b>(482.4)</b>	<b>(505.5)</b>
<b>Net Operating Income</b>	<b>INR Million</b>	<b>1,498.1</b>	<b>2,043.3</b>	<b>2,223.9</b>	<b>2,371.4</b>	<b>2,500.0</b>	<b>2,789.2</b>	<b>2,921.9</b>	<b>3,054.4</b>	<b>3,238.7</b>	<b>3,207.6</b>	<b>3,658.6</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	45,733.0	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(457.3)	
Fit Out Income	INR Million	19.7	4.9	1.3	1.1	0.8	0.4	-	-	-	-	
<b>Total Net income</b>	<b>INR Million</b>	<b>1,517.8</b>	<b>2,048.2</b>	<b>2,225.1</b>	<b>2,372.5</b>	<b>2,500.8</b>	<b>2,789.6</b>	<b>2,921.9</b>	<b>3,054.4</b>	<b>3,238.7</b>	<b>48,483.3</b>	
Property Mangement Fees	INR Million	(51.7)	(70.4)	(76.6)	(81.7)	(86.1)	(96.1)	(100.6)	(105.1)	(111.4)	(110.2)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(28.9)	(39.7)	(43.2)	(46.1)	(48.6)	(54.3)	(56.8)	(59.4)	(62.9)	(62.3)	
Brokerage Expenses	INR Million	(71.8)	(28.0)	(12.1)	(4.4)	(42.5)	(1.4)	(9.8)	(23.1)	(16.9)	(120.5)	
Campus Upgrade	INR Million	(468.8)	(250.0)	(59.7)	-	-	-	-	-	-	-	
<b>Net Cashflows</b>	<b>INR Million</b>	<b>896.6</b>	<b>1,660.1</b>	<b>2,033.5</b>	<b>2,240.4</b>	<b>2,323.5</b>	<b>2,637.9</b>	<b>2,754.7</b>	<b>2,866.8</b>	<b>3,047.5</b>	<b>48,190.3</b>	

## Annexure 7: Ready Reckoner Rate



Registration & Stamps Department

Government of Telangana

Toll Free No for Enquiries

1800 599 4788

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Department Login

Unit Rates - Locality Wise

Door No. Wise Details

District Name

RANGAREDDY

Locality

MADHAPUR MAIN ROAD

S.No.	Ward-Block	Door No.	Land Rate Rs. per Sq.Yard	Composite Rate (Rs. per Sq.Ft)			Effective Date (dd/mm/yyyy)
				Ground Floor	First Floor	Other Floors	
1.	0 - 2	14/7	30,000	5,000	3,500	2,500	01/04/2013
2.	0 - 2	20	30,000	5,000	3,500	2,500	01/04/2013
3.	0 - 2	21	30,000	5,000	3,500	2,500	01/04/2013
4.	0 - 2	22	30,000	5,000	3,500	2,500	01/04/2013
5.	0 - 2	29	30,000	5,000	3,500	2,500	01/04/2013
6.	0 - 2	30	30,000	5,000	3,500	2,500	01/04/2013
7.	0 - 2	37/C	30,000	5,000	3,500	2,500	01/04/2013
8.	0 - 2	46/1/B	30,000	5,000	3,500	2,500	01/04/2013
9.	0 - 2	49	30,000	5,000	3,500	2,500	01/04/2013
10.	0 - 2	52/1/1	30,000	5,000	3,500	2,500	01/04/2013
11.	0 - 2	52/1/3	30,000	5,000	3,500	2,500	01/04/2013
12.	0 - 2	54	30,000	5,000	3,500	2,500	01/04/2013
13.	0 - 2	54/1	30,000	5,000	3,500	2,500	01/04/2013
14.	0 - 2	63/4	30,000	5,000	3,500	2,500	01/04/2013
15.	0 - 2	66/3/A	30,000	5,000	3,500	2,500	01/04/2013
16.	0 - 2	8	30,000	5,000	3,500	2,500	01/04/2013
17.	0 - 2	8/1	30,000	5,000	3,500	2,500	01/04/2013

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.

- g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
  4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
  6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
  7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any except as set out herein.
  8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report:**

## **Mindspace, Pocharam, Hyderabad**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ( "Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

Mindspace, Pocharam, Hyderabad		
<b>Valuation Date:</b>	30 September 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property comprising Buildings 8,9, and 59 acres of land for future development (hereinafter referred to as Subject Property) is located in Mindspace, Pocharam, Hyderabad. Raheja Mindspace in Pocharam is spread over 104 acres proposed for development of SEZ and Non-SEZ commercial office space and retail space. It is accessible through 80 ft internal road which connects to 100 ft Hyderabad- Warangal National Highway (NH-202). Sanskruthi Township (Singapore Township) and Infosys Campus are located in immediate vicinity of the Subject Property. Subject Property is located approximately 3 km from Outer Ring Road (ORR).	 <p>Bldg 8 in the Subject Property</p>
<b>Description :</b>	<p>The Subject Property has three components i.e. a one operational building (building 8), one under construction building (building 9) and 59 acres of land for future development. Subject Property is accessible through 80 ft internal road which in turn connects to 80 ft Mindspace Pocharam internal road. Subject Property enjoys good frontage and visibility on the access road.</p> <p><b>Completed Buildings – Building 8</b> The completed building with Occupancy Certificates (OC) collectively admeasures ~377,422 sq. ft. of leasable area. Building number 8 is an SEZ building</p> <p><b>Under-construction – Building 9</b> Building Number 9 is an SEZ building collectively admeasure ~ 192,681 sq. ft. of leasable area and will be 4 floors tall. The building is expected to be completed by September 2023.</p>	 <p>View of Subject Property</p>
<b>Total Area:</b>	<p>Total Plot Area: 66.46<sup>1</sup> Acres</p> <p>Completed Leasable Area - ~377,422 sq. ft.</p> <p>Under Construction Leasable Area - 192,681 sq. ft.</p> <p>Land for Future Development – 59 acres</p> <p>Total Leasable Area – 570,103 sq. ft.</p>	 <p>Bldg 9 in the Subject Property</p>

<sup>1</sup> From Architect's Certificate shared by the client

**MARKET VALUE OF THE SUBJECT PROPERTY BASED ON**

Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 1,199 Million	India Rupees One Thousand One Hundred and Ninety-Nine Million Only
Under-construction/ Future Development	30 September 2020	INR 1,553 Million*	India Rupees One Thousand Five Hundred and Fifty-Three Million Only

*\*Note: The above value includes approximately 40.0 acres of land parcel valued at INR 800 Million (Indian Rupees Eight Hundred Million Only) which may be considered for sale.*

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*



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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment  
Managers LLP

**Property:** Buildings 8,9, 59 acres of future development  
land in Mindspace, Pocharam, Hyderabad

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer. except as valuer under the SEBI (REIT) Regulations, 2014

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the

property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is mentioned below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation.

## **8 Inspection**

The Property was inspected on by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and wilful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for

any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that any of the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Valuation, the Claim Parties will be entitled to require the Valuer, to be a necessary party/ respondent to such claim and the Valuer shall not object to his inclusion as a necessary party/respondent. However, the legal cost with respect to appointment of lawyers by the Valuer as a respondent/defendant shall be borne by the Client. If the Valuer, as the case may be, does not co-operate to be named as a necessary party/ respondent to such claims or co-operate in providing adequate/ successful defence in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against the Valuer in this regard and his liability shall extend to the value of the claims, losses, penalties, costs and liabilities incurred by the Claim Parties.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.



## **B HYDERABAD CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Hyderabad City Overview

Particulars	Hyderabad City	Madhapur*	Gachibowli	Peripheral East*
Total completed stock Q3 2020 (msf)	63.7	44.4	15.3	2.1
Current occupied stock Q3 2020 (msf)	58.3	41.5	13.9	1.4
Current Vacancy Q3 2020 (%)	8.5%	6.5%	9.3%	32.7%
Avg. Annual Absorption - 2014 – Q3 2020 (msf)	5.3	3.7	1.4	0.1
Future Supply – Q4 2020 – 2022 (msf)	21.5	8.8	12.2	0.0
Market Rent – Q3 2020 (INR psf / month) (approx.)	66.5	69.9	61.9	39.0

Source: Cushman & Wakefield Research

\*Mindspace REIT's micro markets

Hyderabad is the capital city of Telangana and India's fourth most populous city. Hyderabad Metropolitan Area (HMR) is spread over 7,229 sq.km. Affordable cost of living, rapid infrastructure development and a proactive government have driven the corporate activity and investments in the city. Hyderabad has emerged as 2nd largest IT exporter. Hyderabad is home to global captive centres of renowned technology companies such as Apple, Microsoft, Uber, Google, Facebook, Infosys and Cognizant, institutions (such as Centre for Cellular and Molecular Biology, Centre for Good Governance, Insurance and Regulatory Development Authority) as well as prominent educational institutions (such as Indian School of Business, Indian Institute of Technology, NALSAR University of Law and Agha Khan Academy). The physical infrastructure of the city is well developed with excellent road, rail and air transport networks. Madhapur and Gachibowli economic corridor houses most of the commercial office space establishments in Hyderabad. In Madhapur and Gachibowli economic corridor, Madhapur is an established micro market with presence of renowned technological, financial services and professional services companies.

The key drivers of demand for office space in Hyderabad are as follows:

- **Technology Sector:** Technology services are the primary demand driver for the office space demand in Hyderabad. Hyderabad houses over 1500<sup>2</sup> technology companies and provides direct employment to approximately 540,000<sup>1</sup> people. Major technology companies operating from Hyderabad include Apple, Accenture, Google, IBM, Cognizant, Qualcomm, Facebook and others. In addition to the tenanted commercial office spaces, Hyderabad also houses

<sup>2</sup> Telangana Socio Economic Outlook-2020

several large size campuses of companies like Infosys, Wipro, Amazon, Cognizant, Cyient, Cap Gemini, Virtusa and Hitachi Consulting amongst others.

- **Financial and Professional Services:** Financial and Professional services companies are the key demand drivers for office space in Hyderabad after the technology companies. Major financial services Companies in Hyderabad include JP Morgan, Wells Fargo, Bank of America, DBS, HSBC, Synchrony and others. Major professional services companies in Hyderabad include Deloitte, Invesco, E&Y, KPMG, OMICS and others.
- **Social Infrastructure:** Hyderabad has established educational institutions and colleges (International Institute of Information Technology, Indian School of Business, Tata Institute of Social Sciences), shopping malls (Inorbit, Forum, GVK One, City Capital, Central, etc.), hospitals (Apollo, Sunshine, Care etc.), hotels (ITC, Westin, Park Hyatt, Novotel and Taj Krishna) and MICE centers (HITEX Exhibition Centre and HICC Convention Centre).
- **Physical Infrastructure:** Hyderabad is well connected to the rest of the country by National Highways – NH-7, NH-9 and NH-202. Outer Ring Road encircles the city and acts as nodal connecting point with the city and other town located within the state. The city has India's 6th busiest airport which connects Hyderabad to major international hubs and is currently being expanded to handle 343 million passengers. The city has a combination of light rail transportation system and metro.

Hyderabad enjoys relatively superior physical infrastructure facilities as compared to other metro cities in India. Integrated infrastructural facilities like outer ring road, metro rail, MMTS, radial roads and arterial roads provide faster and easier connectivity to Madhapur- Gachibowli economic corridor. To sustain the existing developments and grow the technology sector in Hyderabad, Government of Telangana has initiated several steps including the enhancement of physical infrastructure through strategic road development program and establishment of incubation center to promote value added technology initiatives and entrepreneurship.

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<sup>3</sup> GMR Hyderabad International Airport Limited

## 2 Mindspace REIT's Micro-Market (Peripheral East)

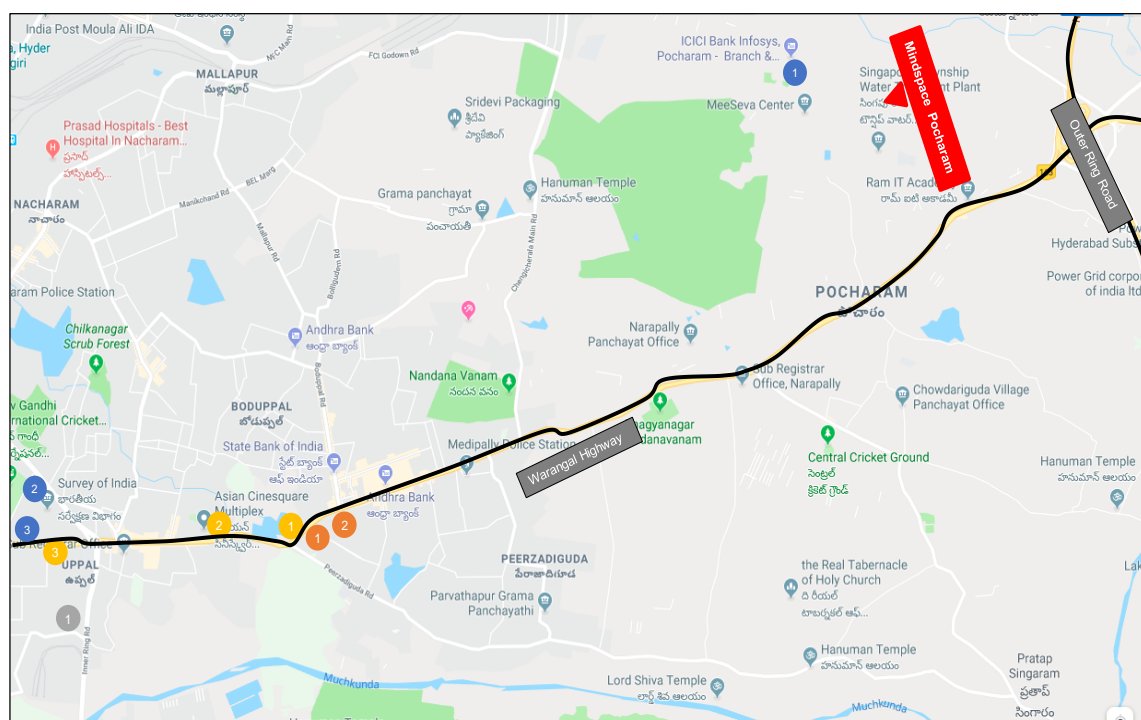
### 2.1 Overview

Uppal and Pocharam are the commercial office space sub markets located in Peripheral East micro market of Hyderabad. Office space developments are at nascent stage in Uppal and Pocharam. Uppal is well connected with other parts of the city through wider road network and Metro rail. Pocharam is well connected with other parts of the city through outer ring road and Warangal highway. Retail and social infrastructural developments are small and medium scale developments located along Warangal Highway. Uppal and Pocharam has several organized residential developments.

Majority of the commercial office space developments in Hyderabad are concentrated in Madhapur and Gachibowli office space corridor. Mindspace Pocharam and the Infosys campus are the only commercial office space developments present in Pocharam. NSL Arena and Genpact campus are the only commercial office space developments present in Uppal. Due to the limited office space demand, rentals in the Pocharam sub market were stable in last 4-5 years and no major office space supply is expected in next 2-3 years.

Mindspace Pocharam is a freehold, Grade-A, SEZ Development located in Hyderabad, Telangana.

It is located adjacent to the Infosys campus and is accessible through Hyderabad- Warangal National Highway and Outer Ring Road.



(Map not to scale)

● Key Office Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure

Key Office Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Development
1. Infosys Campus	1. Ankura Hospital	1. Big Bazar	1. L&T Metro Rail Commercial Development
2. Genpact Campus	2. Asian Cine Square Multiplex	2. Decathlon	
3. NSL Arena	4. DSL Virtue Mall		

## 2.2 Key Statistics

Particulars	Details
Total completed stock (Q3 2020)	Approximately 2.1 msf
Current occupied stock (Q3 2020)	Approximately 1.4 msf
Current Vacancy (Q3 2020)	Approximately 32.7%
Avg. Absorption (2014 – Q3 2020)	Approximately 0.1 msf per annum
Future Supply (Q4 2020 – Q4 2022)	Nil

Source: Cushman & Wakefield Research

## 2.3 Market Outlook

Hyderabad commercial office space market is expected to grow to next level due to the superior infrastructure, government initiatives to promote the technology sector, active investment by the local and national level developers in the city and overall positive commercial outlook for the city. On the supply side, approximately 21.5 Million sq.ft. office is under construction and several projects are at initial stage or at planning stage. Approximately 30.0% of the upcoming supply is pre-committed with the expansion plans of the existing tenants and active interest from new entrants. Improved pre-leasing commitments and continued healthy demand for office space are expected to retain the Hyderabad vacancy level at approximately 15.60% in 2022.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the

upcoming 18 months before the markets commercial real estate markets are likely to attain its long term growth trajectory.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	Survey Nos. 2/1 (part), 2/2 (part), 2/3 (part), 2/4 (part), 6, 7, 8, 9 and 10 (part) Pocharam Village, Ghatkesar Mandal, Medchal Malkajigiri, Telangana
Ownership & title details:	Subject property is a freehold property and the 100% of the assets owned by the Mindspace Business Parks Private Limited. Mind Space Business Parks REIT (Mindspace REIT) holds 100% ownership of the Mindspace Business Parks Private Limited

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsels and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

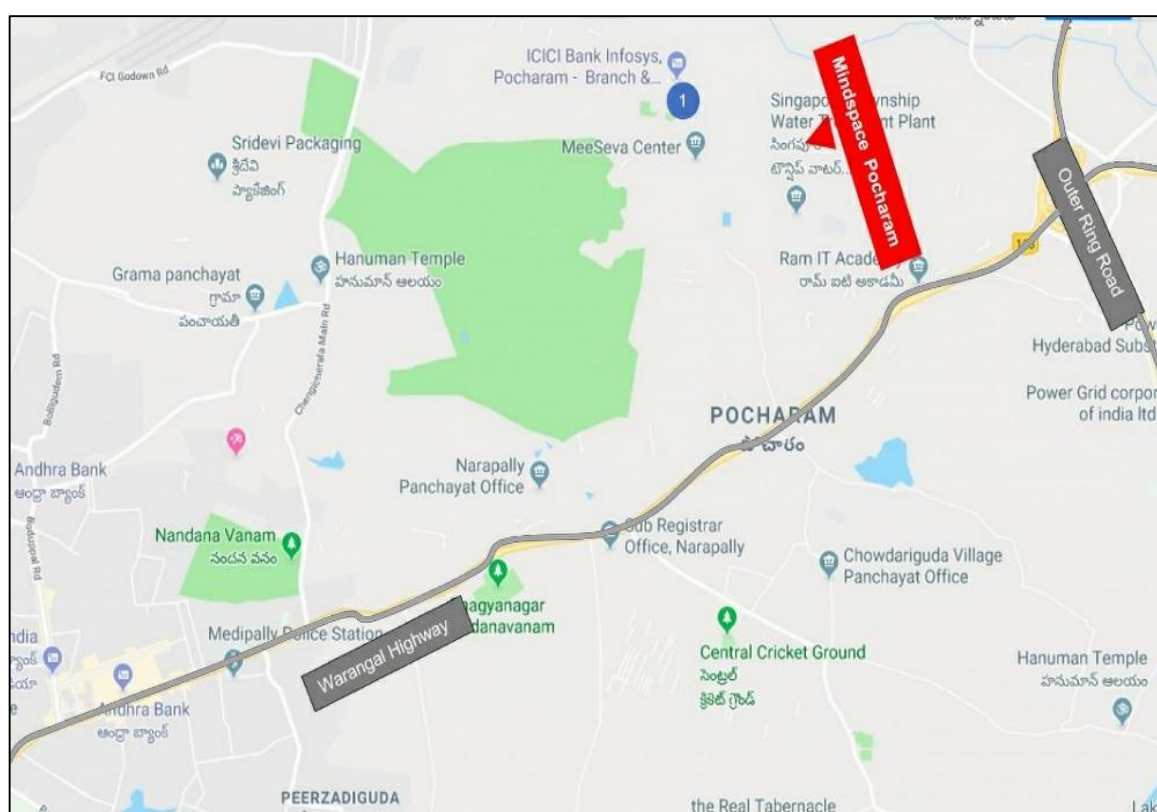


## 2 Location

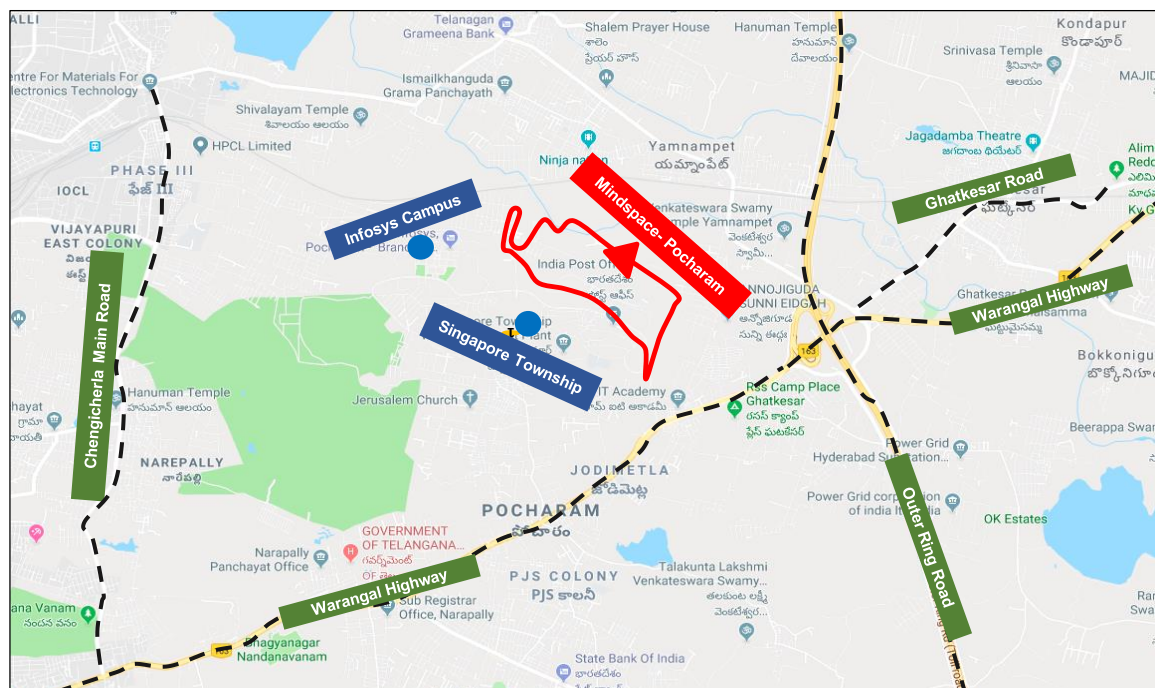
### 2.1 General

The property comprising Buildings 8,9, and 59 acres of future development land (hereinafter referred to as Subject Property) is located in Mindspace, Pocharam, Hyderabad. Raheja Mindspace in Pocharam is spread over 104 acres proposed for development of SEZ and Non-SEZ commercial office space and retail space. It is accessible through 80 ft internal road which connects to 100 ft Hyderabad- Warangal National Highway (NH-202). Sanskruthi Township (Singapore Township) and Infosys Campus are located in immediate vicinity of the Subject Property. Subject Property is located approximately 3 km from Outer Ring Road (ORR).

The location map of the Subject Property is set out below:



(Map not to Scale)



(Map not to Scale)

The Subject Property is spread out over ~66.46 acres of land parcel. Subject property buildings and future development land parcel are located on either side of the 80 ft Mindspace Pocharam internal access road and enjoys good frontage and visibility. Subject property is regular in shape with fairly even topography.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 1 km from Hyderabad – Warangal National Highway (NH-202)
- Approximately 3 km from Outer Ring Road at Ghatkesar
- Approximately 25 km from Secunderabad Railway Station
- Approximately 55 km from Shamshabad International Airport

The Subject Property is well accessible from all locations of Hyderabad and outer ring road. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system

The property photographs of the Subject Property are attached in Appendix 3.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Hyderabad where the Subject Property is located falls in Seismic Zone II with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

Subject property is an SEZ development and is part of Mindspace Business Parks SPV. The Subject Property has three components i.e. a completed component, under construction and a land for future development.

#### Completed Buildings – Building 8

The completed building with OC collectively admeasures ~377,422 sq. ft. of leasable area. Building 8 part of Mindspace Pocharam SEZ. Building 8 is a multi-tenanted building and 92.44% of leasable area is occupied.

#### Under-construction Buildings – Building 9

Building 9 is an SEZ building collectively admeasure ~ 192,681 sq. ft. of leasable area. The building is expected to be completed by September 2023.

The building wise Leasable Area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 8	377,422	SEZ	Completed
Building 9	192,681	SEZ	Under-construction
Proposed Building	429,897	SEZ	Future Development

Source: Architect's Certificate, Rent Rolls, Lease Deeds/Leave and License Agreements

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
<b>Entity:</b>	Mindspace Business Parks Private Limited
<b>Interest owned by Mindspace REIT (%):</b>	Subject Property is 100% owned by Mindspace Business Parks Private Limited. Mind Space Business Parks REIT (Mindspace REIT) <sup>1</sup> holds 100% ownership of the Mindspace Business Parks Private Limited
<b>Age of building based on the date of occupancy certificate:</b>	Building 8 – 4 years 2 months
<b>Asset type:</b>	SEZ and IT Park
<b>Sub-market:</b>	Peripheral East
<b>Approved and existing usage:</b>	Commercial Office/IT SEZ
<b>Site Area (acres):</b>	~66.46
<b>Freehold/Leasehold:</b>	Freehold
<b>Leasable Area:</b>	377,422 sq. ft.
<b>Occupied Area:</b>	348,902 sq. ft.
<b>Occupancy (%)<sup>2</sup></b>	92.44%
<b>Committed Occupancy (%)<sup>3</sup></b>	92.44%
<b>Number of Tenants</b>	1

Source: Client information

Notes:

1. Refer company structure set out in Appendix 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants
3. Committed occupancy also includes area which has been pre-leased to tenants

**Under-construction Building**

Particulars	Details
<b>Interest owned by Mindspace REIT (%):</b>	Subject Property is 100% owned by Mindspace Business Parks Private Limited. Mind Space Business Parks REIT (Mindspace REIT) <sup>1</sup> holds 100% ownership of the Mindspace Business Parks Private Limited
<b>Expected completion date of construction:</b>	Building 9 is an under-construction building
<b>Asset type:</b>	SEZ and IT Park
<b>Approved Usage:</b>	Commercial Office/IT SEZ
<b>Leasable Area:</b>	Building 9: 192,681 sq. ft.
<b>Status of construction:</b>	Building 9 comprises of Basement (Part)+ Stilt Floor+ 4 Office Floors. Currently building no 9 is under-construction
<b>Approvals received and pending as on Valuation Date:</b>	List of approvals detailed in Annexure 5

Source: Client information

**Land for Future development**

Particulars	Details
<b>Interest owned by Mindspace REIT (%):</b>	Subject land parcel is 100% owned by Mindspace Business Parks Private Limited. Mind Space Business Parks REIT (Mindspace REIT) <sup>1</sup> holds 100% ownership of the Mindspace Business Parks Private Limited
<b>Land type:</b>	Converted land for the future development
<b>Land Area:</b>	59 acres of land for future development

Source: Client information

**3.2 Property Inspection**

The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, no expenditure towards any major repairs or improvement were incurred in the Subject Property.

**3.3 Investigation and nature and source of information**

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

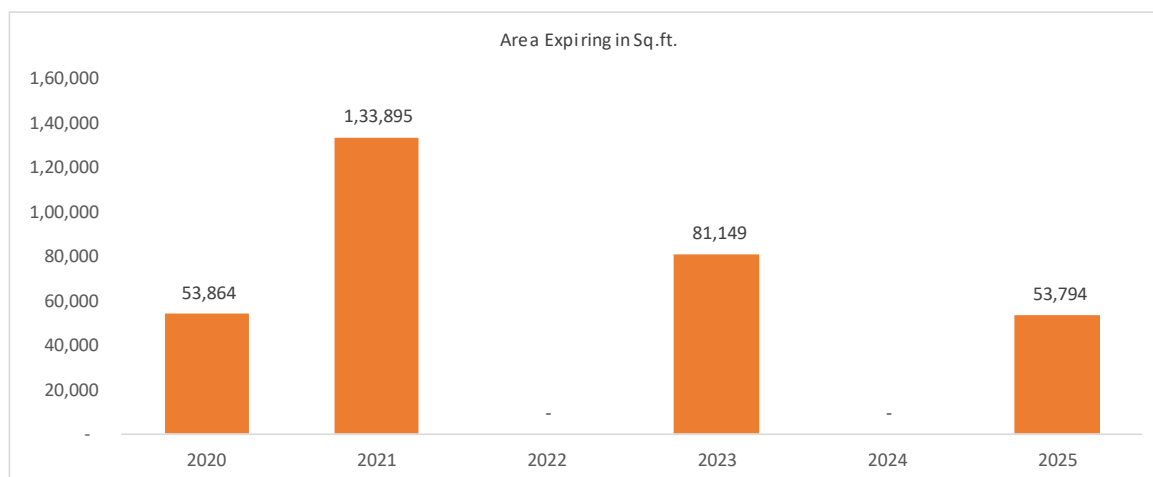
As of 31st March 2020, Subject Property has one tenant (for office space) which include companies Genpact. The Subject Property's single tenants account to ~92.5% of the Gross Rental income.

Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
1	Genpact	348,902
	<b>Total</b>	<b>348,902</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	Genpact	92.5%
	<b>Total</b>	<b>92.5%</b>

### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is 3 years, with 83% of occupied area expiring between CY 2020 and CY 2023 as shown in the chart below.





## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or sub markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where

the asset is located) and achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. The Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value).

3. Recurring operational expenses, fit-out income (if any– the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Leasable Area	sq.ft.	3,77,422
Area Leased	sq.ft.	3,48,902
Leased	%	92.44%
Vacant Area	Sq	28,520
Vacancy	%	7.6%
Stabilized Vacancy	%	5.0%
Further leasing	Sq	9,649
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	389
4W Slots-Paid	Number	0

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 Oct 2020) in order to retain and support them
  - A stabilized vacancy of 5% is considered for the Subject Property as compared to standard stabilized vacancy of 2% across established micro markets in Hyderabad, since the Subject Property is located in emerging commercial office space micro market.
- Future absorption:** Since the Subject Property is 92.44% leased and the vacancy is well above the stabilized vacancy of 5%, we have considered additional 6 months' delay in leasing for the vacant spaces and 5 months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq.ft./month	INR 22.00
Market Rent - Food Court	Per sft/month	INR 17.60
Anchor Tenant Rent	Per sq.ft./month	INR 0.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market 2W Parking rent	Per slot/month	INR 0
Cafeteria Income	Per sq.ft./month	INR 0.0
Other Income	% Lease Rentals	1.0%
Market Rent growth rate	% p.a.	5.00%
Parking Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.50%

- Market rent - office:** Mindspace Pocharam and Infosys are the only commercial office space developments in Pocharam. Majority of the commercial office space developments are concentrated in Madhapur- Gachibowli office space corridor. And the upcoming supply also focused in Madhapur and Gachibowli. Historically rentals are in the range of INR 20-25/ sq. ft per month in the Subject Property. In last six-nine months no major transactions has taken place in the micro market and rentals have remained stable. Keeping in consideration of the supply and absorption dynamics, location and nature (SEZ) of the Subject Property, we have considered the achievable market rent of INR 22/ sq.ft. per month for the subject property
- Market rent growth rate:** Based on the supply and absorption dynamics in the Pocharam sub market, we have considered the annual rental growth of 5%. However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) .
- Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Peripheral East.
- Other income:** Analysis of the historical trend of other income suggest a normalized level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. (Note: Other income constitute income from signage, kiosks, conferences and others).
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and received higher effective rent for the same area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%.

**Operating Cost Assumptions**

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq.ft./month	INR 2.10
Current CAM/ O&M cost	Per sq.ft./month	INR 6.76
Property Tax	Per sq.ft./month	INR 0.22
Insurance	Per sq.ft./month	INR 0.13
CAM Escalation	% p.a.	5%
Cost Escalation	% p.a.	3%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of operating income comprising lease rentals, parking income, Other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Discount Rate & Capitalisation rate assumptions**

- **Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market

demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.5% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallonji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

#### • Discount Rate

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 12.25% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Under-construction /Proposed Building**

Property Details	Unit	Details
Total Leasable Area	sq.ft.	1,92,681
Area Leased	sq.ft.	-
Leased	%	0.00%
Vacancy	%	100.0%
Stabilized Vacancy	%	5.0%
Further leasing	Sft	1,83,047
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2
Rent Free Period- New Lease	Months	3
Total 4W parking slots	Number	2383
Paid 4W Slots	Number	0.0

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases.
- A stabilized vacancy of 5% is considered for the Subject Property as compared to standard stabilized vacancy of 2% across established micro markets in Hyderabad, since the Subject Property is located in emerging commercial office space micro market.
- **Future absorption:**
- We have considered further leasing area of 183,047 sq. ft. to be leased in 3 months starting from September 2023 keeping in view limited current demand and negligible expected supply and overall attractiveness of the subject micro market.

**Construction related assumptions**

Construction- Related Assumptions	Unit	Details
Start date of construction		1-Apr-18
End date of construction		30-Sep-23
Total construction cost	INR Million	149
Construction cost incurred till date	INR Million	91
Construction cost to be incurred	INR Million	58



### Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq.ft./month	INR 22.00
Market Rent - Food Court	Per sq.ft./month	INR 0.00
Market Rent - Retail	Per sq.ft./month	INR 0.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market 2W Parking rent	Per slot/month	INR 0
Cafeteria Income	Per sq.ft./month	INR 0.0
Other income	% of Lease Rental	1.0%
Market Rent growth rate	% p.a.	5.00%
Parking Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq.ft./month	9.97

- Market rent - office:** Mindspace Pocharam and Infosys are the only commercial office space developments in Pocharam. Majority of the commercial office space developments are concentrated in Madhapur- Gachibowli office space corridor. And the upcoming supply also focused in Madhapur and Gachibowli. Historically rentals are in the range of INR 20-25/ sq. ft per month in the Subject Property. In last six-nine months no major transactions taken place in the micro market and rentals remained stable. Keeping in consideration of the supply and absorption dynamics, location and nature (SEZ) of the Subject Property, we have considered the achievable market rent of INR 22/ sq.ft. per month for the subject property.
- Market rent growth rate:** Based on the supply and absorption dynamics in the Pocharam sub market we have considered the annual rental growth of 5%. However, due to current market condition we have not assumed any rental escalation for next 18 months.
- Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Periperal East.
- Other income:** Analysis of the historical trend of other income suggest a normalized level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. (Note: Other income constitute income from signage, kiosks, conferences and others).
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and receive higher rentals for the same carpet area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%

## Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
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Property Management Fees	% of Lease Rental	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of operating income comprising lease rentals, parking income, Other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc

## Discount Rate & Capitalisation Rate assumptions

- **Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.5% in line with the available market information applied on the one year forward NOI in the terminal year.

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JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

### • Discount Rate

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

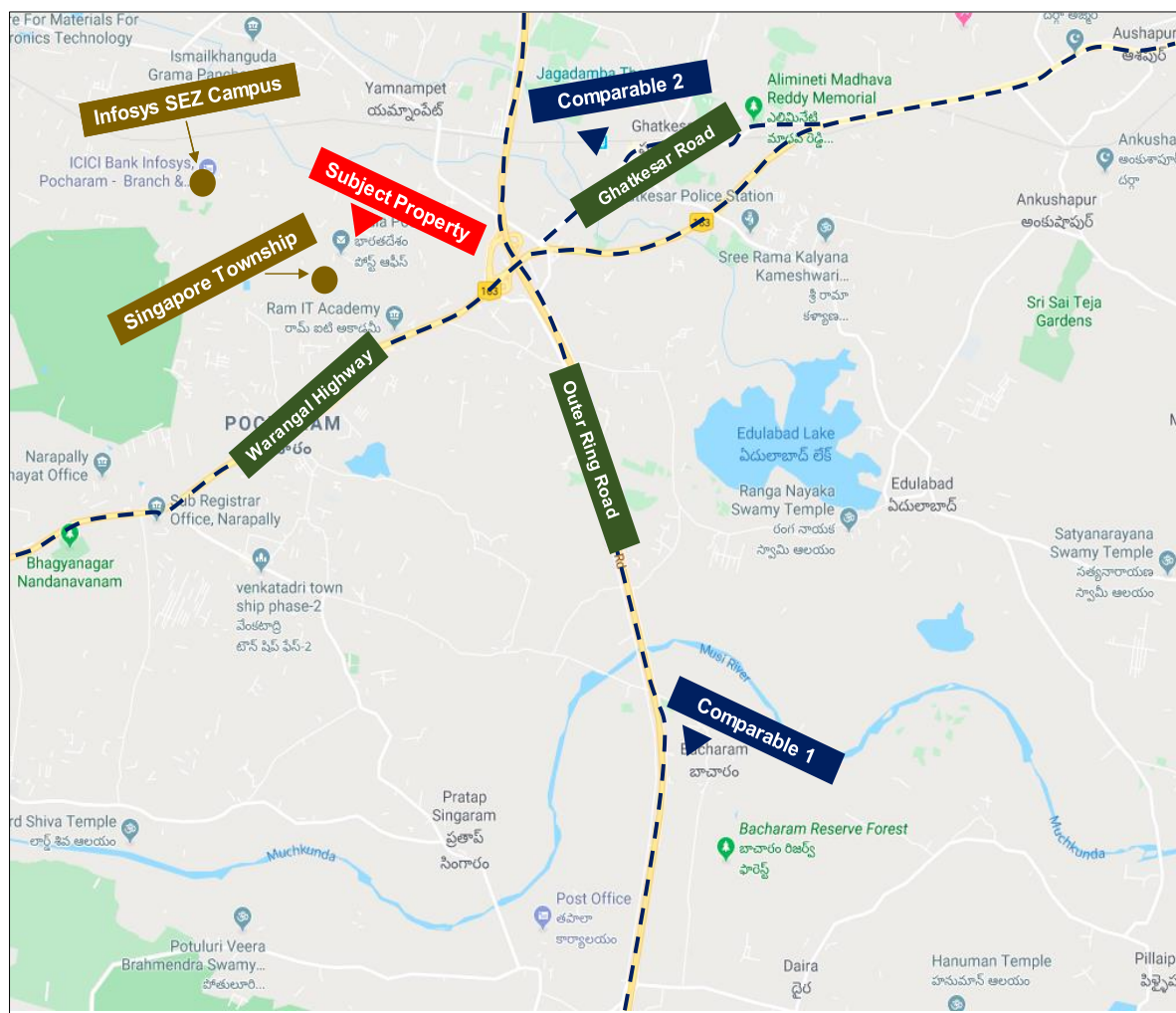
The derived discount rate of 13.60% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Land for Future development – 59 Acres**

We have identified the following comparable properties to estimate the market value of land for future development of the Subject Property through market approach method:

Particulars	Subject property	Comparable -1	Comparable -2
Location	Raheja Mindspace, Pocharam	Bacharam Village ( 2nd Bit from ORR )	Hindusthan Unilever ( Ghatkesar )
Survey Number	2/1(P), 2/2(P), 2/3(P), 2/4(P), 6, 7,8,9 & 10	NA	600/1,591, 592/1, 593, 597
Land size (Acres)	59.0	20	25
Conversion	Converted	Not-Converted	Converted
Zoning	Residential Zone	Multi Purpose Zone	Multi Purpose Zone
Abutting road width (feet)	80	40	40
Accessibility	80 ft access road connected to Warangal Highway	Ghatkesar to Bacharam Connecting Service Road	Ghatkesar to Warangal Highway
Shape of the property	Regular	Regular	Regular
Terrain		Plain	Plain
Transacted/ Quote		Quoted (October, 2019)	Quoted (October, 2019)
Capital Rate INR Mn / acre		20	25
Premium/discount on account of			
Freehold/ Leasehold		0.0%	0.0%
Accessibility		5.0%	5.0%
Location and Neighbourhood profile		20.0%	5.0%
Zoning		0.0%	0.0%
Size		-10.0%	-10.0%
Conversion		5.0%	0.0%
SEZ Restriction/De-Notification		-5.0%	-5.0%
Negotiation		-15.0%	-15.0%
Shape and Topography		0.0%	0.0%
Total		<b>0.0%</b>	<b>-20.0%</b>
Applicable Land Value INR Mn/ Acre	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
Total land value INR Mn	<b>1,181</b>		

*Note: The above value includes approximately 40.0 acres of land parcel valued at INR 800 Million (Indian Rupees Eight Hundred Million Only) which may be considered for sale*

**Comparables Location map**

The following adjustments have been made to the above comparables:

- **Freehold/leasehold:** No premium or discount has been given in respect to any other comparables since the Subject Property as well as the comparables are all freehold properties.
- **Accessibility:** A premium of 5% has been assigned to Subject Property as compared to Comparable 1 and 2, as the Subject Property is accessible through 80 ft road as compared to 40 ft road of Comparables 1 and 2.
- **Location/Surrounding Development:** A premium of 20% and 5% has been assigned to Subject Property as compared to comparables 1 and 2 respectively as the Subject Property is better located and is part of the commercial IT park.
- **Zoning:** No premium or discount has been assigned to Subject Property as compared to comparables 1 and 2 as Subject Property and comparables can be used for IT park.
- **Size:** Large land parcels are generally traded at a discount as compared to smaller land parcels. Hence a discount of 10% has been assigned to subject property as compared to comparables 1 and 2.

- **Negotiation margin:** A negotiation margin of around 10 - 20% is generally included in the quoted prices. Based on our discussion with the brokers in the market we have assigned a discount of 15% to the Subject Property as compared to comparables 1 and 2.
- **Conversion:** A premium of 5% has been assigned to Subject Property as compared to comparables 1 as the Subject Property is converted to non- agricultural use while the comparables 1 is not converted for non- agricultural use. No premium or discount has been assigned to Subject Property as compared to comparable 2 as the Subject Property and comparable 2 are converted for non-agricultural use.
- **SEZ Restriction:** A discount of 5% has been assigned to subject property as compared to comparables 1 and 2, as the subject property is an SEZ property and can only be used for office space developments, whereas the comparables can be used for multiple developments including office space.
- **Shape and Topography:** No premium or discount has been given in respect to any other comparables since the Subject Property as well as the comparables are all regular in shape

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures	In Words
Operational Buildings	30- Sep-2020	INR 1,199 Million	India Rupees One Thousand One Hundred and Ninety-Nine Million Only
Under - construction/ Future Development*	30- Sep-2020	INR 1,553 Million*	India Rupees One Thousand Five Hundred and Fifty Three Million Only

*\*The under construction/future development component includes the market value of land for future development as (which may be considered for sale) detailed below*

Component	Market Value as on	In Figures	In Words
Land for future development	30-Sep-20	INR 1,181 Million*	India Rupees One Thousand One Hundred and Eighty-One Million Only

*\*Note: The above value includes approximately 40.0 acres of land parcel valued at INR 800 Million (Indian Rupees Eight Hundred Million Only) which may be considered for sale.*

### Ready reckoner rate

Component	Rate
Built up Area	INR 1,200 per sq. ft.
Land Area	INR 3,000 per Sq. yd. or INR 14.5 million per acre

Source: [www.registration.telangana.gov.in](http://www.registration.telangana.gov.in)

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

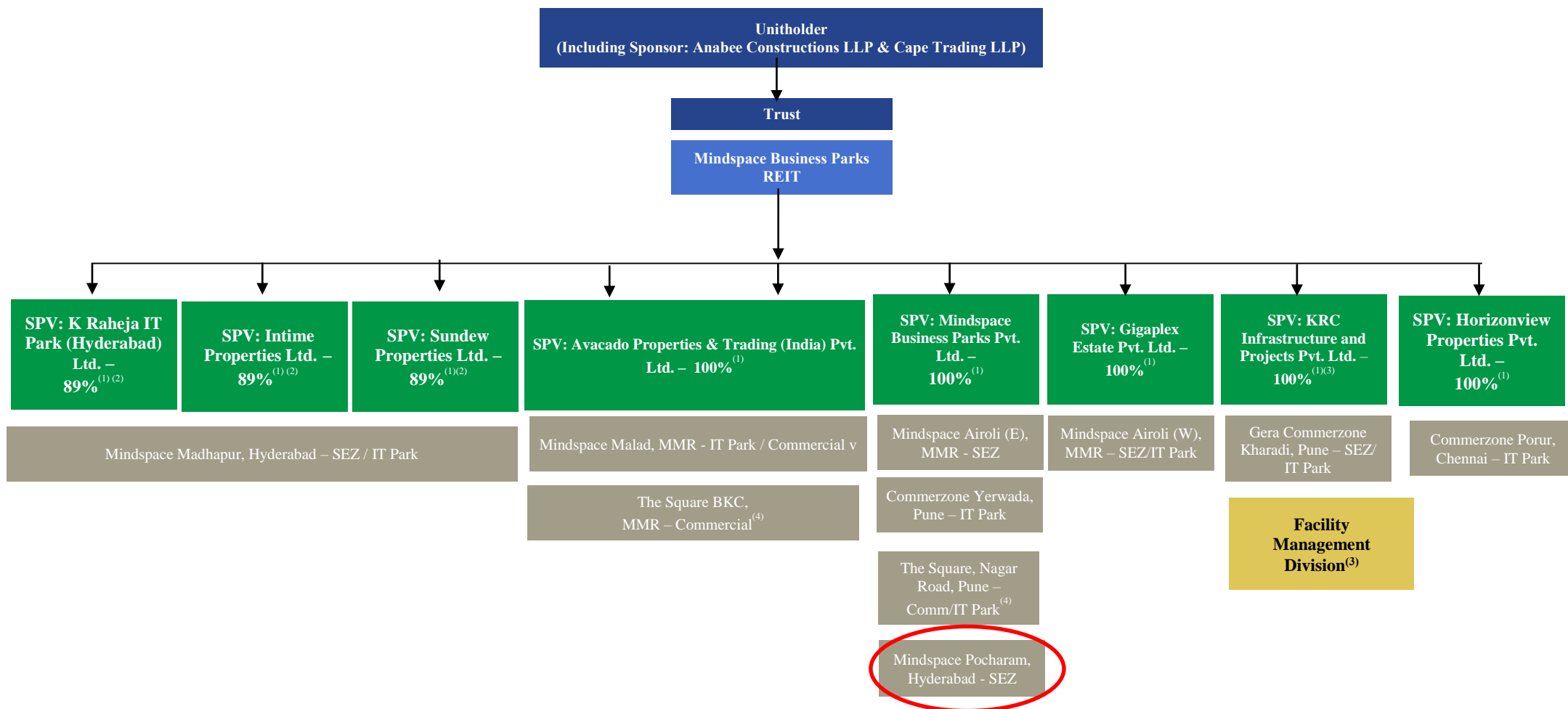
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by



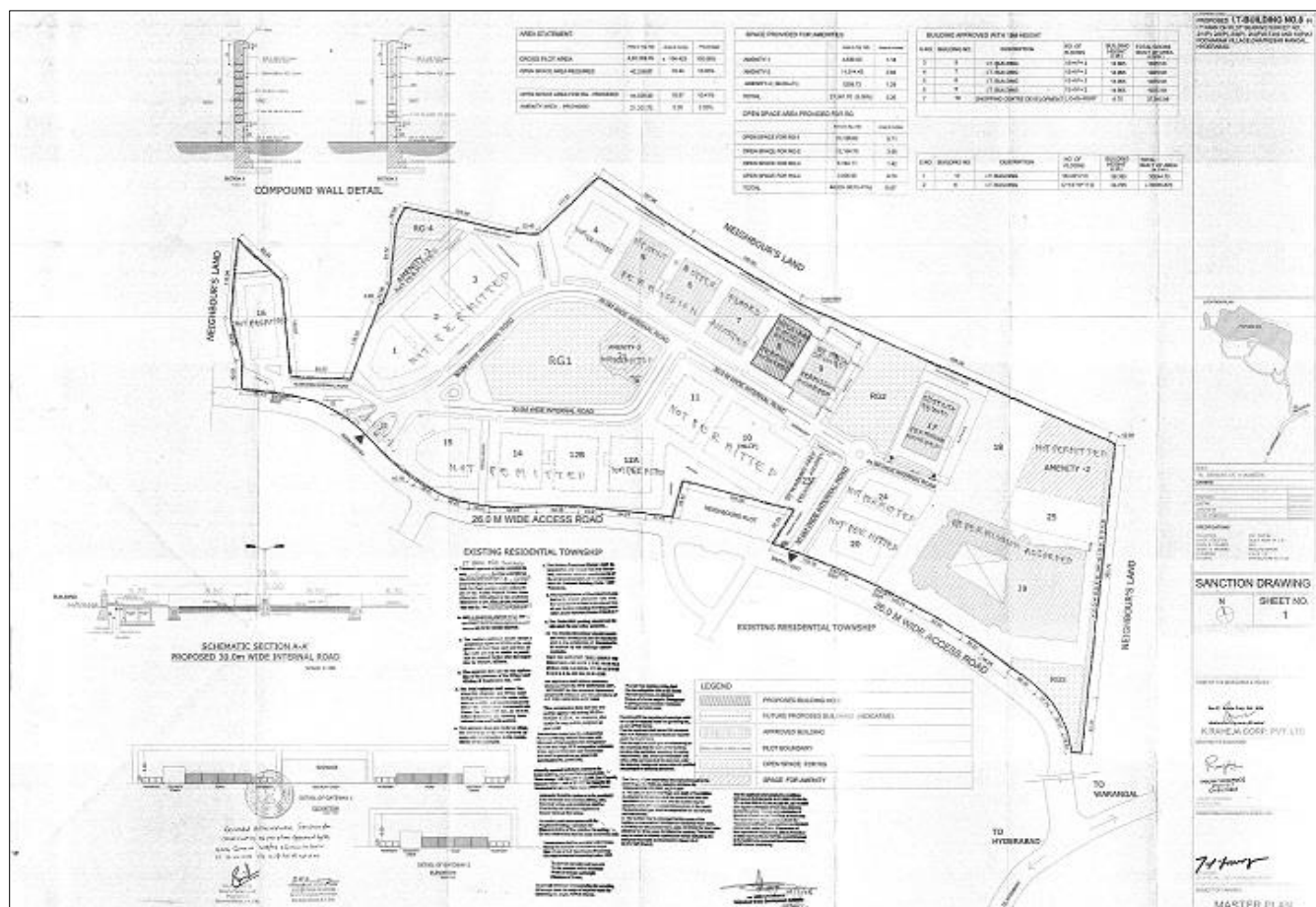
(Shubhendu Saha)  
IBBI/RV/05/2019/11552



**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

## Annexure 2: Site Layout



### Annexure 3: Property Photographs



Bldg 8 in the Subject Property



Internal Access Road in the Subject Property



Bldg 9 in the Subject Property



Bldg 9 in the Subject Property

**Annexure 4: Statement of Key Assets**

<b>Building</b>	<b>No. / Name</b>	<b>B8P</b>
<b>Floor</b>	Nos	G+B1+B2+B3+2P+7F
<b>No of DG / Capacity</b>	No. / KVA	3X1010 KVA
<b>No of Transformers / Capacity</b>	KVA	2X2000KVA
<b>Cooling tower</b>		(B#8P) 600 TR X 1No, Make:- Advance 2020
<b>FF System (Pumps) &amp; Engine</b>		1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump-100 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP (B#17P 1. DG PUMP- 92 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump-100 HP, 4.Jockey Pump-15 HP, 5.Booster pump- 12.5 HP)
<b>Water pumping system (Domestic &amp; Flushing)</b>		Domestic pumps- 7.5 KW -4 Nos, Flush pumps- 7.5 KW - 2 Nos
<b>Chiller Rating</b>	TR	600TR/330TR/300TR
<b>STP Rating</b>	<b>KLD</b>	240

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Full Occupancy Certificates for Building 8
- b) Height Clearance NOC from AAI
- c) Environmental clearances
- d) SEZ Notification
- e) Approved Masterplan and Layout Plan
- f) Fire NOC

**Approvals Pending**

- a) Fire NOC for Building 9 for current period

**Annexure 6: Cash Flow Profile****Completed Buildings – Building No 8**


Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	70.5	78.0	89.5	96.9	100.6	109.4	120.4	125.8	131.5	133.1	145.7
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	45.6	46.0	47.6	50.0	52.5	55.1	57.9	60.8	63.8	67.0	70.4
Other Income (Kiosk and Conferenc	INR Million	0.70	0.78	0.90	0.97	1.01	1.09	1.20	1.26	1.32	1.33	1.46
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>116.8</b>	<b>124.8</b>	<b>138.0</b>	<b>147.8</b>	<b>154.1</b>	<b>165.6</b>	<b>179.5</b>	<b>187.9</b>	<b>196.6</b>	<b>201.5</b>	<b>217.6</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>116.8</b>	<b>124.8</b>	<b>138.0</b>	<b>147.8</b>	<b>154.1</b>	<b>165.6</b>	<b>179.5</b>	<b>187.9</b>	<b>196.6</b>	<b>201.5</b>	<b>217.6</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(33.0)	(34.6)	(36.3)	(38.2)	(40.1)	(42.1)	(44.2)	(46.4)	(48.7)	(51.1)	(53.7)
Insurance Cost	INR Million	(0.62)	(0.63)	(0.65)	(0.67)	(0.69)	(0.71)	(0.74)	(0.76)	(0.78)	(0.80)	(0.83)
Property Taxes	INR Million	(1.0)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	(1.4)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(34.6)</b>	<b>(36.3)</b>	<b>(38.1)</b>	<b>(40.0)</b>	<b>(41.9)</b>	<b>(44.0)</b>	<b>(46.2)</b>	<b>(48.4)</b>	<b>(50.8)</b>	<b>(53.3)</b>	<b>(55.9)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>82.2</b>	<b>88.5</b>	<b>99.9</b>	<b>107.9</b>	<b>112.2</b>	<b>121.6</b>	<b>133.4</b>	<b>139.5</b>	<b>145.8</b>	<b>148.2</b>	<b>161.6</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	1,901.7	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(19.0)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>82.2</b>	<b>88.5</b>	<b>99.9</b>	<b>107.9</b>	<b>112.2</b>	<b>121.6</b>	<b>133.4</b>	<b>139.5</b>	<b>145.8</b>	<b>2,030.9</b>	-
Property Mangement Fees	INR Million	(2.5)	(2.8)	(3.2)	(3.4)	(3.6)	(3.9)	(4.3)	(4.4)	(4.6)	(4.7)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(1.4)	(1.6)	(1.8)	(1.9)	(2.0)	(2.2)	(2.4)	(2.5)	(2.6)	(2.7)	-
Brokerage Expenses	INR Million	(1.6)	(3.0)	(2.0)	-	-	(2.1)	-	-	-	(2.1)	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>77</b>	<b>81</b>	<b>93</b>	<b>103</b>	<b>107</b>	<b>113</b>	<b>127</b>	<b>132</b>	<b>139</b>	<b>2,021</b>	-

**Under-construction Building No 9**

Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	-	-	13.4	49.1	58.5	61.1	63.9	66.7	69.7	72.9
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	-	-	23.4	24.1	24.8	25.6	26.3	27.1	27.9	28.8
Other Income (Kiosk and Conference)	INR Million	-	-	-	0.13	0.49	0.58	0.61	0.64	0.67	0.70	0.73
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.0</b>	<b>73.7</b>	<b>83.9</b>	<b>87.3</b>	<b>90.9</b>	<b>94.5</b>	<b>98.4</b>	<b>102.4</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37.0</b>	<b>73.7</b>	<b>83.9</b>	<b>87.3</b>	<b>90.9</b>	<b>94.5</b>	<b>98.4</b>	<b>102.4</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	-	-	(17.9)	(18.4)	(18.9)	(19.5)	(20.1)	(20.7)	(21.3)	(22.0)
Insurance Cost	INR Million	-	-	-	(0.34)	(0.35)	(0.36)	(0.38)	(0.39)	(0.40)	(0.41)	(0.42)
Property Taxes	INR Million	-	-	-	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.8)</b>	<b>(19.4)</b>	<b>(19.9)</b>	<b>(20.5)</b>	<b>(21.1)</b>	<b>(21.8)</b>	<b>(22.4)</b>	<b>(23.1)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.2</b>	<b>54.3</b>	<b>64.0</b>	<b>66.8</b>	<b>69.7</b>	<b>72.8</b>	<b>76.0</b>	<b>79.3</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	932.9	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(9.3)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.2</b>	<b>54.3</b>	<b>64.0</b>	<b>66.8</b>	<b>69.7</b>	<b>72.8</b>	<b>999.5</b>	<b>-</b>
Property Mangement Fees	INR Million	-	-	-	(0.5)	(1.7)	(2.1)	(2.2)	(2.3)	(2.4)	(2.5)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	-	-	(0.3)	(1.0)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)	-
Brokerage Expenses	INR Million	-	-	-	(6.1)	(3.1)	-	-	-	-	-	-
<b>Net Cashflows- Before Construction</b>	<b>INR Million</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>49</b>	<b>61</b>	<b>63</b>	<b>66</b>	<b>69</b>	<b>996</b>	<b>-</b>
Construction Cost	INR Million	-	(58)	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>-</b>	<b>(58)</b>	<b>-</b>	<b>11</b>	<b>49</b>	<b>61</b>	<b>63</b>	<b>66</b>	<b>69</b>	<b>996</b>	<b>-</b>



## Annexure 7: Ready Reckoner Rate



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**Unit Rates - Locality Wise**

District Name: MEDCHAL-MALKAJGIRI    Mandal Name: GHATKESAR    City/Town/Village: POCHARAM

S.No.	Ward-Block	Locality	Land Rate Rs. per Sq.Yard	Composite Rate (Rs. per Sq.Ft)			Classification	Effective Date (dd/mm/yyyy)	Door No. Wise Details - Rates
				Ground Floor	First Floor	Other Floors			
1.	0 - 1	POCHARAM	3,000	1,200	0	0	01(Residential)	01/04/2013	<a href="#">Get</a>
2.	0 - 2	POCHARAM	3,000	1,200	0	0	01(Residential)	01/04/2013	<a href="#">Get</a>

[Back](#)



**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.

- g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
  4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
  6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
  7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any except as set out herein.
  8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: Mindspace-Madhapur (Sundew), Hyderabad**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

## Disclaimer




*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ( "Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020 The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

<b>Mindspace Madhapur (Sundew), Madhapur, Hyderabad</b>		
<b>Valuation Date:</b>	30 September 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	<p>Subject property comprises operational and completed buildings 11, 12A, 12B, 12C, 14, 12D and 20 and under construction building 22 (hereinafter referred to as Subject Property), which are part of Raheja Mindspace Madhapur IT park located in Madhapur, Hyderabad. Raheja Mindspace, is spread over 110 acres comprising SEZ and Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. Durgam Cheruvu road and Hitech city road connecting to Mumbai highway abuts the Mindspace. Mindspace is accessible through 120 feet internal road. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapurra Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Cognizant, UHG, Amazon, J.P. Morgan, Pega Systems etc</p>	 <p>External View of Subject Property</p>  <p>External View of Subject Property</p>
<b>Description:</b>	<p>Mindspace Madhapur (Sundew) forming part of Mindspace IT Park located in Madhapur, comprises of SEZ and Non-SEZ buildings. The Subject Property has two components i.e. a completed component and an under-construction component.</p> <p><b>Completed Buildings – Building 11,12A, 12B, 12C, 14, 20 and 12D</b></p> <p>The ready buildings and parts thereof with Occupancy Certificates (OC) collectively admeasure ~5.6 million sq. ft. of leasable area. Of which 6 of them are SEZs whereas 1 building is a non-SEZ building (Building 11). The non-SEZ building is located at the entrance of the Subject Property and remaining six buildings have an entry through a secured gate. The IT park has food courts, gaming zone and other amenities</p> <p><b>Under-construction – Buildings 22</b></p> <p>Building 22 is a Non-SEZ building admeasuring ~ 127,398 sq. ft. of leasable area and will be 6 floors tall. The building is expected to be ready by March 2021.</p>	 <p>External View of Under Construction Property (Building - 22)</p>
<b>Total Area:</b>	<p>Total Plot Area: 40.25<sup>1</sup></p> <p>Completed Leasable Area: 5,584,764 sq. ft.</p> <p>Under Construction Leasable Area: 127,398 sq. ft.</p> <p>Total Leasable Area: 5,712,162 sq. ft.</p>	

<sup>1</sup> From Architect's Certificate shared by the client

MARKET VALUE OF THE SUBJECT PROPERTY BASED ON			
Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 49,489 Million	Indian Rupees Forty-Nine Billion Four Hundred and Eighty-Nine Million Only
Under - construction/ Proposed Buildings	30 September 2020	INR 632 Million	Indian Rupees Six Hundred and Thirty Two Million Only
<p><i>Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 56,315 million for as on 30 September 2020.</i></p> <p><i>This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.</i></p>			

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT/ITeS SEZ and IT Park christened “Mindspace Madhapur (Sundew)” located at Madhapur, Hyderabad

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi

in 1997 and Master's in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer except as valuer under the SEBI (REIT) Regulations, 2014

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the "Market Value" of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In '**Market Approach**', the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a 'normalized' single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the

property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is mentioned below:

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected on by the Valuer and his authorized representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and wilful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for

any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B HYDERABAD CITY REPORT**



For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Hyderabad City Overview

Particulars	Hyderabad City	Madhapur*	Gachibowli	Peripheral East*
<b>Total completed stock Q3 2020 (msf)</b>	63.7	44.4	15.3	2.1
<b>Current occupied stock Q3 2020 (msf)</b>	58.3	41.5	13.9	1.4
<b>Current Vacancy Q3 2020 (%)</b>	8.5%	6.5%	9.3%	32.7%
<b>Avg. Annual Absorption - 2014 – Q3 2020 (msf)</b>	5.3	3.7	1.4	0.1
<b>Future Supply – Q4 2020 – 2022 (msf)</b>	21.5	8.8	12.2	0.0
<b>Market Rent – Q3 2020 (INR psf / month) (approx.)</b>	66.5	69.9	61.9	39.0

Source: Cushman & Wakefield Research

\*Mindspace REIT's micro markets

Hyderabad is the capital city of Telangana and India's fourth most populous city. Hyderabad Metropolitan Area (HMR) is spread over 7,229 sq.km. Affordable cost of living, rapid infrastructure development and a proactive government have driven the corporate activity and investments in the city. Hyderabad has emerged as 2nd largest IT exporter. Hyderabad is home to global captive centres of renowned technology companies such as Apple, Microsoft, Uber, Google, Facebook, Infosys and Cognizant, institutions (such as Centre for Cellular and Molecular Biology, Centre for Good Governance, Insurance and Regulatory Development Authority) as well as prominent educational institutions (such as Indian School of Business, Indian Institute of Technology, NALSAR University of Law and Agha Khan Academy). The physical infrastructure of the city is well developed with excellent road, rail and air transport networks. Madhapur and Gachibowli economic corridor houses most of the commercial office space establishments in Hyderabad. In Madhapur and Gachibowli economic corridor, Madhapur is an established micro market with presence of renowned technological, financial services and professional services companies.

The key drivers of demand for office space in Hyderabad are as follows:

- **Technology Sector:** Technology services are the primary demand driver for the office space demand in Hyderabad. Hyderabad houses over 1500<sup>2</sup> technology companies and provides direct employment to approximately 540,000<sup>2</sup> people. Major technology companies operating from Hyderabad include Apple, Accenture, Google, IBM, Cognizant, Qualcomm, Facebook and others. In addition to the tenanted commercial office spaces, Hyderabad also houses several large size campuses of companies like Infosys, Wipro, Amazon, Cognizant, Cyient, Cap Gemini, Virtusa and Hitachi Consulting amongst others.
- **Financial and Professional Services:** Financial and Professional services companies are the key demand drivers for office space in Hyderabad after the technology companies. Major financial services Companies in Hyderabad include JP Morgan, Wells Fargo, Bank of America, DBS, HSBC, Synchrony and others. Major professional services companies / knowledge centers in Hyderabad include Invesco, E&Y, KPMG, OMICS and others.
- **Social Infrastructure:** Hyderabad has established educational institutions and colleges (International Institute of Information Technology, Indian School of Business, Tata Institute of Social Sciences), shopping malls (Inorbit, Forum, GVK One, City Capital, Central, etc.), hospitals (Apollo, Sunshine, Care etc.), hotels (ITC, Westin, Park Hyatt, Novotel and Taj Krishna) and MICE centers (HITEX Exhibition Centre and HICC Convention Centre).
- **Physical Infrastructure:** Hyderabad is well connected to the rest of the country by National Highways – NH-7, NH-9 and NH-202. Outer Ring Road encircles the city and acts as nodal connecting point with the city and other town located within the state. The city has India's 6th busiest airport which connects Hyderabad to major international hubs and is currently being expanded to handle 343 million passengers. The city has a combination of light rail transportation system and metro.

Hyderabad enjoys relatively superior physical infrastructure facilities as compared to other metro cities in India. Integrated infrastructural facilities like outer ring road, metro rail, MMTS, radial roads and arterial roads provide faster and easier connectivity to Madhapur- Gachibowli economic corridor. To sustain the existing developments and grow the technology sector in Hyderabad, Government of Telangana has initiated several steps including the enhancement of physical infrastructure through strategic road development program and establishment of incubation center to promote value added technology initiatives and entrepreneurship.

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<sup>2</sup> Telangana Socio Economic Outlook-2020

<sup>3</sup> GMR Hyderabad International Airport Limited

## **2 Mindspace REIT's Micro-Market (Madhapur)**

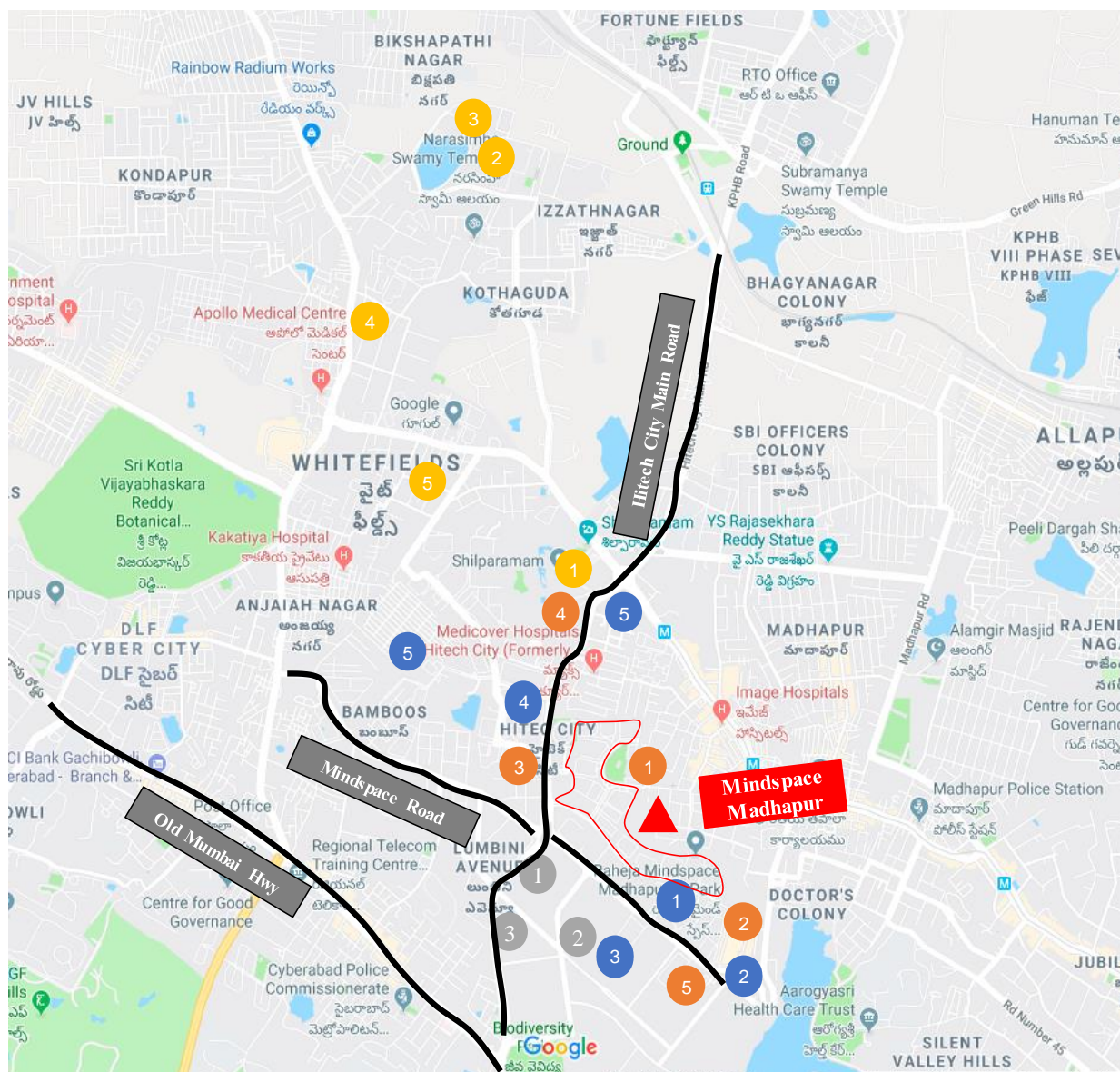
### **2.1 Overview**

Madhapur is an established office space micro market in Hyderabad and is home to large scale commercial developments such as Raheja Mindspace, The V, Cyber Pearl, I-Labs, Divyasree Orion, Salarpuria Sattva Knowledge City as well as TCS and TCL campuses.

In addition to office space, Madhapur also consists of several retail, hospitality and entertainment developments such as HITECH Exhibition Centre, HICC Convention Centre, Inorbit mall, L&T Next Galleria Mall and Shilpa Kala Vedika. Prominent hospitality developments in the micro-market include ITC Kohenur, Westin and Novotel.

Madhapur enjoys excellent physical infrastructure with direct connectivity to the airport and connectivity with other parts of the city via the metro rail, MMTS rail network and road networks. Ongoing infrastructure projects in Madhapur include hanging bridge on Durgam Cheruvu and flyover at Old Mumbai highway. These developments are expected to be completed over the next one year and are expected to ease traffic congestion, thereby providing easier and faster access to other parts of the city.

Madhapur is the most preferred office space micro market in Hyderabad due to the presence of existing office space infrastructure, superior physical infrastructure and social infrastructure. In last decade, Madhapur dominated the other office space micro markets in Hyderabad doubling its office space to 44.4 msf in Q3 2020 from 20.61 msf in 2014 and represents 68.6% of total office absorption in Hyderabad since 2014. The vacancy levels have been at sub 5% levels in during 2014 to 2019 and for Q3 2020 vacancy levels stood at 8.5%. Produced healthy CAGR rental growth of 6.9% during 2014 to Q3 2020.



(Map not to Scale)

● Key Commercial Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure 
 ● Propose Commercial Developments

Key Office Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Office Space Development s
1. <b>The V IT Park</b>	1. Shilparamam	1. Westin Hotel	1. Aurobindo Galaxy
2. <b>I-Labs</b>	2. Hitex Exhibition Centre	2. Inorbit Mall	2. Salarpuria Knowledge Park
3. <b>Salarpuria Sattva Knowledge City</b>	3. HICC Convention Centre	3. Lemon Tree	3. Aurobindo Orbit
4. <b>Cyber Pearl</b>	4. KIMS Hospital	4. Trident Hotel	
5. <b>Cyber Tower</b>	5. Rainbow Hospital	5. ITC Kohenur	
6. <b>Avance Business Hub</b>			

Mindspace is the largest and integrated IT park strategically located in Madhapur, Hyderabad. It has very good connectivity through Hyderabad metro rail, MMTS, outer ring road and other key arterial roads. Mindspace IT park has mix of commercial, retail, hospitality and residential developments

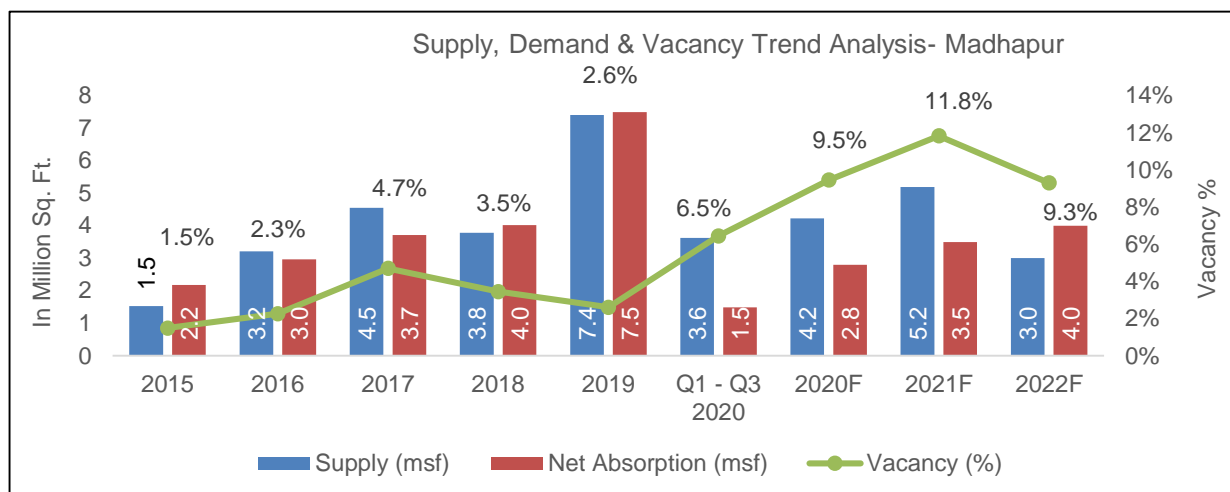
## 2.2 Key Statistics

Particulars	Details
<b>Stock (Q3 2020)</b>	Approximately 44.4 msf
<b>Current Occupied stock (Q3 2020)</b>	Approximately 41.5 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 6.5%
<b>Average. Annual Absorption (2014 – Q3 2020)</b>	Approximately 3.7 msf per annum
<b>Future Supply (Q4 2020 – 2022)</b>	<p>Q4 2020: Approximately 0.6 msf (100% of the supply is pre-leased)</p> <p>2021: Approximately 5.2 msf (26.0% of the supply is pre-leased)</p> <p>2022: Approximately 3.0 msf</p>

Source: Cushman & Wakefield Research

## 2.3 Supply, Absorption & Vacancy

Madhapur is an established commercial office space destination in Hyderabad and it enjoys superior infrastructure facilities as it is connected with other parts of the city and airport through wider roads, metro rail, MMTS and Outer Ring Road. The average supply in Madhapur in last 5 years was in the range of 3 msf to 4.1 msf. With a stable government and good infrastructure, Madhapur continued to witness healthy demand from 2014 onwards. In last 5 years, office space demand either matched the supply or outpaced the supply, leading to low vacancy levels. Lower expected absorption due to the ongoing Pandemic and expected healthy supply will result in increase in vacancy to 9.3% by 2022 from low of 2.6% in 2019.



Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analyses of under construction buildings, however future absorption estimates are derived basis past trend, current vacancy and estimated supply. Vacancy estimates are based on supply and absorption trend.

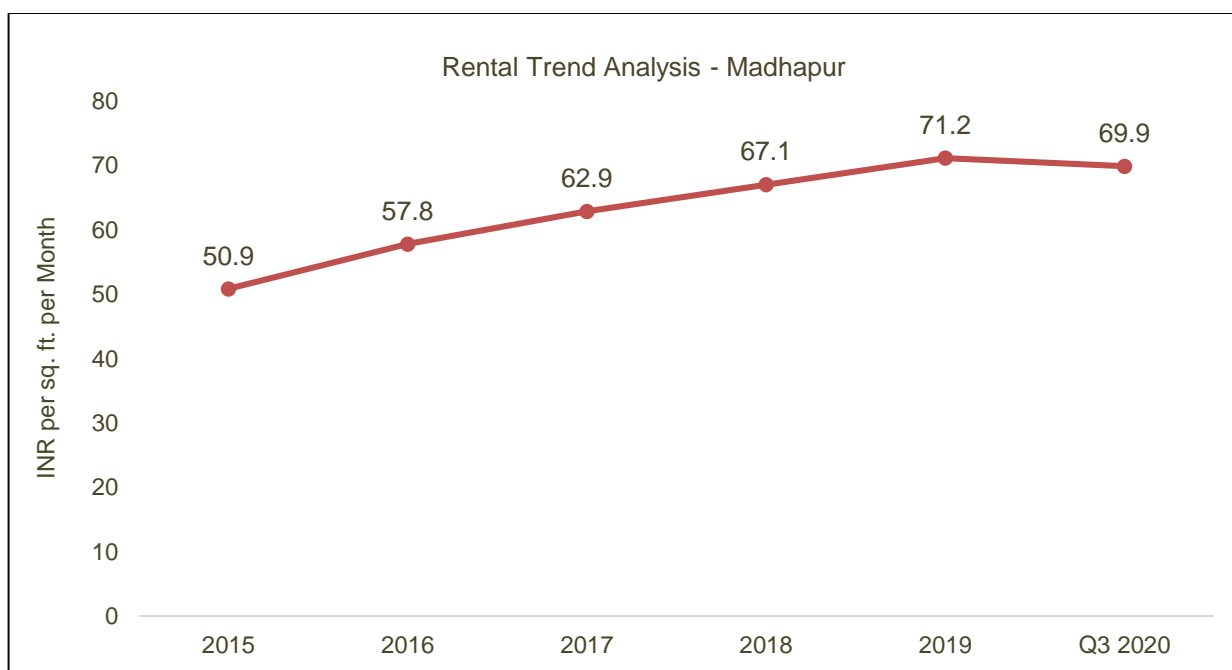
Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

## 2.4 Rental Trend Analysis

With positive commercial outlook and limited supply, continued expansion of existing tenants and entry of new tenants there has been a continued growth in the rentals in Madhapur in last five years.

The current ongoing rentals are in the range of INR 65 psf / month to 70 psf / month. Given the recent economic slowdown, we foresee the demand for a commercial office to be temporarily suppressed over the next 12 months. Hence, we do not expect any increase in average rentals over the period. The average rentals are forecasted to increase at 3-5% in the subsequent years owing to limited future supply, demand recovering and attaining normalcy in the micro market.

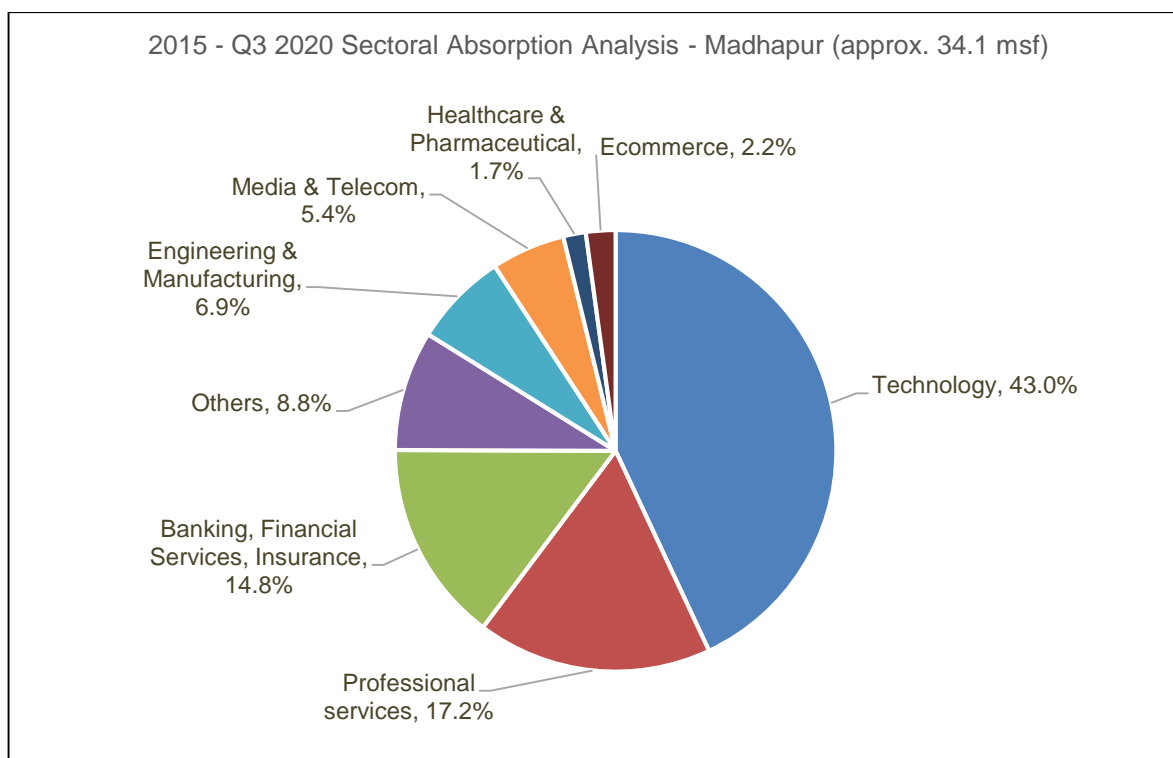




Source: Cushman & Wakefield Research

Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.5 Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Research & Analysis, Flexible Workspaces, Food/Beverages, Education, Automobile, Oil & Gas, Logistics & Shipping etc.

*Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc.*

Madhapur being the established office space micro market in Hyderabad has attracted major tenants. Technology sector is the major contributor to the demand for office space in Madhapur in last five years. Other sectors like Professional Services, Banking & Financial Services, Engineering & Manufacturing and Flexible office spaces also contributed significantly to the demand in last five years.

## **2.6 Market Outlook**

Hyderabad commercial office space market is expected to grow to next level due to the superior infrastructure, government initiatives to promote the technology sector, active investment by the local and national level developers in the city and overall positive commercial outlook for the city. On the supply side, approximately 21.5 Million sq.ft. office is under construction and several projects are at initial stage or at planning stage. Approximately 30.0% of the upcoming supply is pre-committed with the expansion plans of the existing tenants and active interest from new entrants. Improved pre-leasing commitments and continued healthy demand for office space are expected to retain the Hyderabad vacancy level at approximately 15.60% in 2022.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.



## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	Mindspace, Cyberabad, Survey Number 64 (part), Next to VSNL Bldg, Hitech City, Madhapur Village, Hyderabad - 500081, Telangana, India
Ownership & title details:	Subject Property is a freehold property and the 100% of the assets owned by the Sundew Projects Limited. Mind Space Business Parks REIT (Mindspace REIT) holds 89% ownership of the Sundew Projects Limited SPV and the balance 11% is held by Telangana State Industrial infrastructure Corporation (TSIIC)

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariyani & co. (hereinafter referred to as 'Legal Counsels'). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsels and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

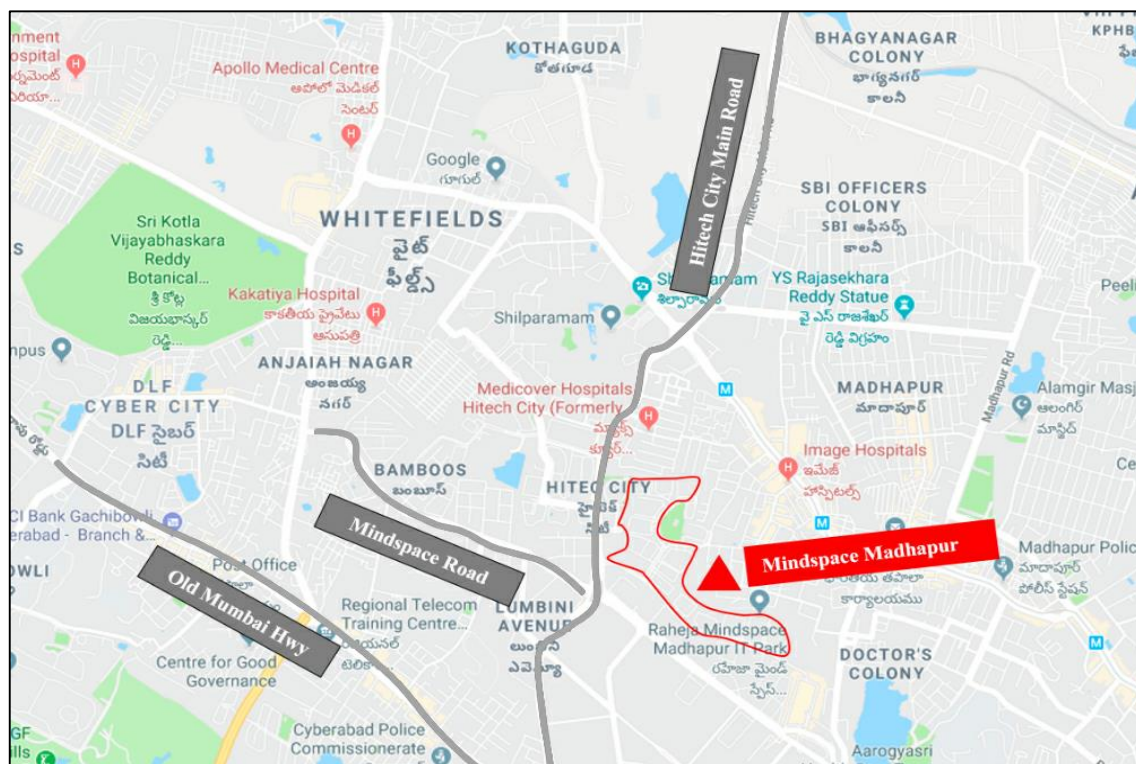
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

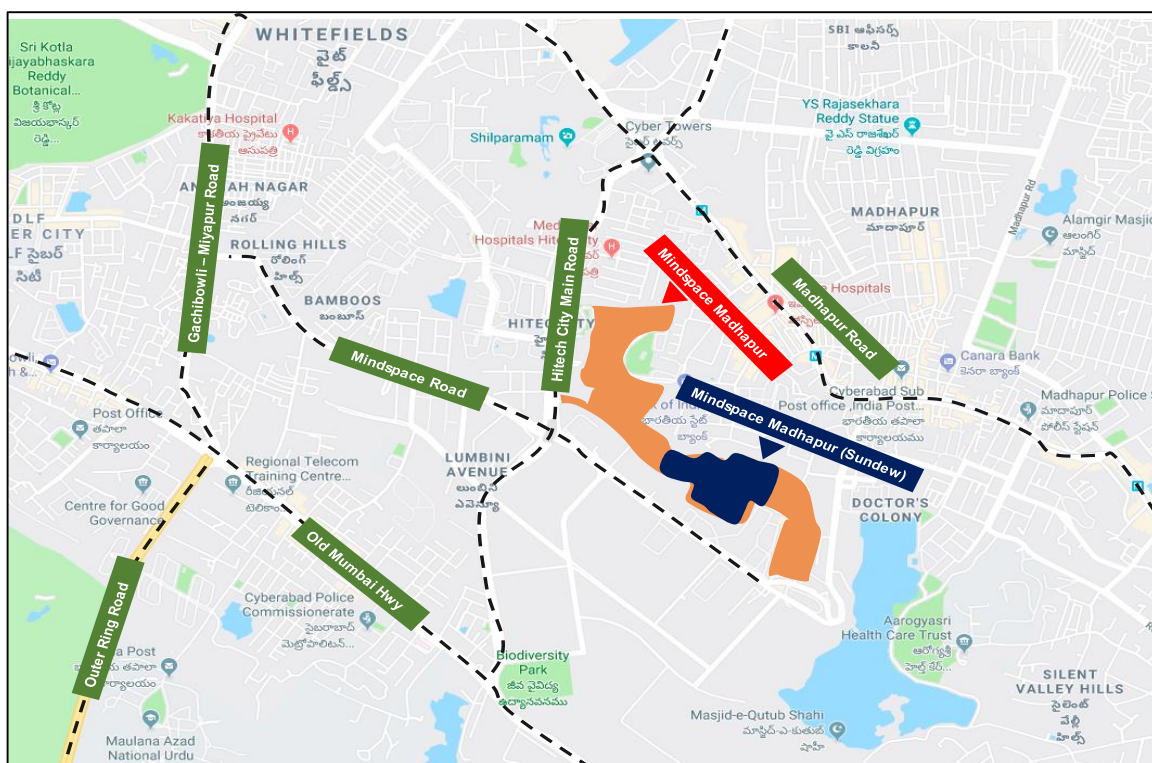
### 2.1 General

Subject property comprises operational and completed buildings 11, 12A, 12B, 12C, 14, 12D and 20 and under construction building 22 (hereinafter referred to as Subject Property), which are part of Raheja Mindspace IT park located in Madhapur, Hyderabad. Raheja Mindspace, is spread over 110 acres comprising SEZ and Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. Hitech city. Durgam Cheruvu road and Hitech city road connecting to Mumbai highway abuts the Mindspace. Mindspace is accessible through 120 feet internal road. Prominent developments in the vicinity of the IT Park are Inorbit Mall, Ascendas V Park, Salapur Sattva IT Park, TCS Deccan Park, Cyber Pearl, Cyber Towers, Trident Hotel, Lemon Tree hotel etc. It Houses prominent tenants like Cognizant, UHG, Amazon, J.P. Morgan, Pega Systems etc

The location map of the Subject Property is set out below:



(Map not to Scale)



(Map not to Scale)

The Subject Property is spread out over ~40.25 acres of land parcel. Subject Property buildings are located on either side of the Mindspace internal access road and enjoys good frontage and visibility. Subject Property is regular in shape with fairly even topography.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 0-1 kms from Hyderabad Metro Railway Station at Mindspace Circle
- Approximately 5-6 kms from Hitech City MMTS railway station
- Approximately 20-21 kms from Secunderabad Railway Station
- Approximately 34-35 kms from Rajiv Gandhi International airport at Shamshabad

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from all locations of Hyderabad and Hyderabad Metro Rail. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Hyderabad where the Subject Property is located falls in Seismic Zone II with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

Mindspace Madhapur (Sundew) forming part of Mindspace IT Park located in Madhapur, comprises of SEZ and Non-SEZ buildings. The Subject Property has two components i.e. a completed component and an under-construction component.

#### Completed Buildings – Building 11,12A, 12B, 12C, 14, 12D and 20

The completed buildings and parts thereof with Occupancy Certificates (OC) collectively admeasure ~5.6 million sq. ft. of leasable area. Of the total 7 completed buildings, 6 are SEZs 1 is a non-SEZ building (Building 11). The non-SEZ building is located at the entrance of the Subject Property and remaining six buildings have an entry through a secured gate. The IT park has food courts, gaming zone and other amenities.

The building wise Leasable Area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 11	590,271	Non-SEZ	Completed
Building 12A	856,837	SEZ	Completed
Building 12B	667,360	SEZ	Completed
Building 12C	785,483	SEZ	Completed
Building 14	528,848	SEZ	Completed
Building 20	909,446	SEZ	Completed
Building 12D	1,246,519	SEZ	Completed
Building 22	127,398	Non- SEZ	Under-construction

#### Under-construction – Building 22

Building 22 is a Non-SEZ building admeasuring ~ 127,398 sq. ft. of leasable area. The building is expected to be completed by Q4 FY 2020 - 2021

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	Sundew Properties Limited
Interest owned by Mindspace REIT (%) <sup>1</sup> :	Subject Property is wholly owned by Sundew Properties Limited which is 89% owned and controlled by Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 11 - 8 years and 5 months Building 12A - 4 years and 7 month Building 12B - 5 years and 7 month Building 12C - 3 years and 6 months Building 14 - 9 years and 10 months Building 20 - 7 years and 10 months Building 12D – <1 year
Asset type:	SEZ and IT Park with 1 Non-SEZ building
Sub-market:	Madhapur
Approved and existing usage:	Commercial Office/IT SEZ
Site Area (acres):	~40.25
Freehold/Leasehold:	Freehold
Leasable Area:	5.58 million sq. ft.
Occupied Area:	5.36 million sq.ft.
Occupancy (%) <sup>2</sup>	96.00%
Committed Occupancy (%) <sup>3</sup>	96.00%
Number of Tenants	45

Source: Client information

Notes:

1. Refer company structure set out in Appendix 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants
3. Committed occupancy also includes area which has been pre-leased to tenants.



**Under-construction Building 22**

Particulars	Details
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Sundew Properties Limited which is 89% owned and controlled by Mindspace REIT <sup>1</sup>
Expected completion date of construction:	Building 22 - March 2021
Asset type:	IT Park
Approved Usage:	Commercial office
Leasable Area:	127,398 sq. ft.
Status of construction:	The under-construction building is planned as a 2 basements + 1 ground floor + 1 service floor + 6 upper floors and had completed laying of roof slab till 6th floor. It is expected that the building shall be ready by March 2021.
Approvals received and pending as on Valuation Date:	List of approvals detailed in Annexure 5

Source: Client information

**3.2 Property Inspection**

The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, no expenditure towards any major repairs or improvement were incurred in the Subject Property.

**3.3 Investigation and nature and source of information**

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.



The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top five tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

As of 30 September 2020, Subject Property has 38 tenants (for office space) which include companies like UHG, Amazon, AMD, JP Morgan etc. The Subject Property's top 10 tenants account to ~64.5% of the Gross Rental income.

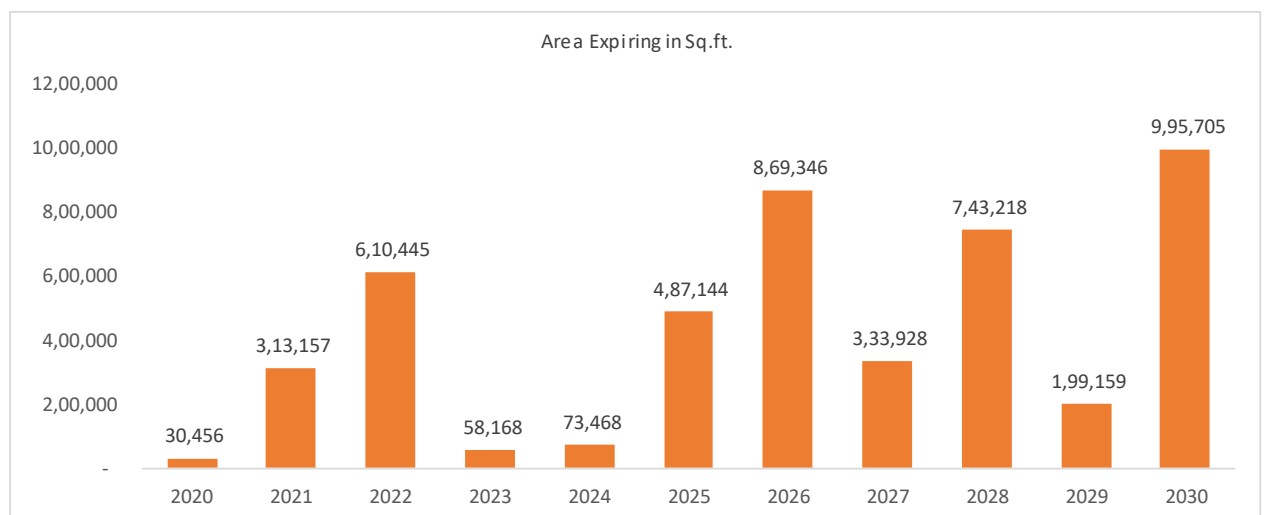
Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
1	Cognizant	8,55,690
2	UHG	4,07,401
3	Amazon	3,38,782
4	UTC	3,33,950
5	J.P.Morgan	2,85,803
6	Pegasystems	2,37,711
7	IBM	2,31,535
8	Open Text	2,10,400
9	Parexel	2,03,970

Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
10	Wipro	1,82,746
	<b>Total</b>	<b>3,287,988</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	Cognizant	16.8%
2	UHG	8.0%
3	Amazon	6.6%
4	UTC	6.5%
5	J.P.Morgan	5.6%
6	Pegasystems	4.7%
7	IBM	4.5%
8	Open Text	4.1%
9	Parexel	4.0%
10	Wipro	3.6%
	<b>Total</b>	<b>64.5%</b>

### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is 7.3 years, with 21% of occupied area expiring between CY 2020 and CY 2023 as shown in the chart below.



## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or sub markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market research. Accordingly, the review was carried out in the following manner

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and

achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon releasing).

2. The Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/proposed area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/proposed areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/proposed area, the achievable market rent led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/proposed area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any– the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Property Leasable Area	sq.ft.	55,84,764
Area Leased	sq.ft.	53,61,196
Leased	%	96.00%
Vacant Area	Sft	2,23,568
Vacancy	%	4.0%
Stabilized Vacancy	%	2.0%
Further leasing	Sft	1,11,873
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Over:	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	5,374
4W Slots-Paid	Number	2,213

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 Oct 2020) in order to retain and support them.
  - A stabilized vacancy of 2% is considered for the Subject Property which is in line with the current market trends
- **Future absorption:**

Since the Subject Property is 96.0% leased and the vacancy is above the stabilized vacancy of 2%, we have considered additional 6 months delay in leasing for the vacant spaces and 1 month delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, because of temporarily suppressed demand.

## Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq.ft./month	INR 68.00
Market Rent - Food Court	Per sq.ft./month	INR 25.00
Anchor Tenant Rent	Per sq.ft./month	INR 64.60
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market 2W Parking rent	Per slot/month	INR 0
Cafeteria Income	Per sq.ft./month	INR 0.0
Other income	% of Lease Rentals	1.00%
Market Rent growth rate	% p.a.	5.00%
Parking Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every years		1 years of lease tenure
Market escalation at end of escalation per %		4.5%
CAM/O&M Income prevailing in the market	Per sq.ft./month	11.03

- Market rent - office:**

Over last six months, the average rentals in Madhapur (in Subject Property and in competing buildings) transacted in the range of INR 60-70 per sq. ft. per month. Considering the location, accessibility, quality, size of the building, and keeping in view of the future supply expected in Madhapur, we have considered the market rental of INR 68 per sq. ft. per month for the subject property.

S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
1	Divyasree Orion (Block 8)	Wells Fargo	11,00,000	72
2	The Nexity	Providence	3,70,000	68
3	KRC Mindspace Building # 12D	IBM	2,35,535	66
4	Mindspace Building # 12D	Wipro	1,81,167	65
5	The Sky View Tower 20	Mindtree	1,49,630	80
6	KRC Mindspace Building # 12D	Mindtree	90,544	66
7	KRC Mindspace Building # 12D	Model N	69,949	66
8	Divyasree Trinity Block # 4	Hexagon	66,254	75
9	Mindspace Building # 12D	Pactera	58,200	66
10	KRC Mindspace Maximus 2A	Verizon	46,280	66
11	The Sky View Tower 20	Alliant Group	45,534	68
12	The Sky View Tower 20	TDCX (Teledirect)	45,534	68
13	KRC Mindspace Building # 12D	GEP	40,055	66
14	KRC Mindspace Building # 9	Verizon	36,644	66
15	TSI Phase Block 2.1	Birla Soft	30,600	72
16	Sarvotham	CenturyLink	18,972	65
17	The Skyview Tower 20	Cotelligent	18,751	72
18	I-Labs A, B,C,D,E	IGT India	14,700	70



S.No	Building	Tenant	Area (sq.ft.)	Rental (INR/sq. ft.per month)
19	Cyber Pearl Block 2	Allegis	12,500	64
20	Cyber Pearl Block 1	Inside View	3,500	65

- Market rent growth rate:** With stable political environment, absorption matching the supply, expansion of the existing tenants and entry of new tenants to the city, Hyderabad has witnessed robust growth in rentals in last 4-5 years. Approximately 8.8 Million sq.ft. new supply is coming in Madhapur by 2022 and 22% of the upcoming supply is pre-committed. Due to the ongoing Covid-19 pandemic, we expect lower level of absorption and stable rentals in next 6 months. However, Mindspace Madhapur is being strategically located in core commercial market of Madhapur, with good quality tenants, campus style development, current lower vacancy level, we expect rentals are expected to improve from April 2021 onwards. Hence we have considered a yearly rental growth of 5% from April 2021 onwards.
- Market Rent 4W Parking** - Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Madhapur.
- Other income:** Analysis of the historical trend of other income suggest a normalized level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. (Note: Other income constitute income from signage, kiosks, conferences and others)
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and received higher effective rent for the same area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%.

#### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalised CAM Margin	Per sq.ft./month	INR 2.10
Current CAM/ O&M cost	Per sq.ft./month	INR 8.34
Property Tax	Per sq.ft./month	INR 1.17
Insurance	Per sq.ft./month	INR 0.10
CAM Escalation	% p.a.	5%
Cost escalation	% p.a.	3%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Operating Income	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM Cost:** Current CAM cost has been projected considering the level of CAM cost incurred in the year ending 31 March 2020 and projected to increase at 5% per annum.
- **CAM Margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of operating income comprising lease rentals, parking income, Other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

### Capex Schedule

Following table represent the capex planned to be incurred for completed buildings

Quarter		01-Oct-20	01-Jan-21	01-Apr-21	01-Jul-21	01-Oct-21	01-Jan-22	01-Apr-22	01-Jul-22
		31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22
Capex	INR Million	818	591	-	-	75	75	75	65

*Note: We have relied on Client inputs for the assumptions relating to construction timeline and cost*

### Discount Rate & Capitalisation rate assumptions

- **Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better

liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tehman Speyer -GIC	Shapoorji Pallonji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi, Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

#### • Discount Rate

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Under-construction Building 22****Property details**

Property Details	Unit	Details
Total Property Leasable Area	sq.ft.	1,27,398
Area Leased	sq.ft.	1,27,398
Leased	%	100.00%
Vacancy	%	0.0%
Stabilized Vacancy	%	2.0%
Existing Lease rollovers	%	98.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	896.0
Paid 4W Slots	Number	0.0
Estimated leasing period	No. of quarter	1.0

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. However, the Subject Property is pre-leased to Chalet Hotels for a period of 67 years rent free period will not be applicable.

**Construction related assumptions**

Construction- Related Assumptions	Unit	Details
Start date of construction		1-Apr-18
End date of construction		31 – Mar - 2021
Total construction cost	INR Million	655
Construction cost incurred till date	INR Million	512
Construction cost to be incurred	INR Million	142

Quarter		01-Oct-20	01-Jan-21	01-Apr-21
		30-Sep-20	31-Dec-20	31-Mar-21
Construction Cost	INR Million	468.7	47.3	60.0
PSS Cost	INR Million	43.0	5.5	

Note: We have relied on Client inputs for the assumptions relating to construction.

### Revenue Assumptions

Revenue Assumptions	Unit	Details
Contracted Rent	Per sq.ft./month	INR 58.00
Cafeteria Income	Per sq.ft./month	INR 0.0
Other income	% Lease Rentals	0.0%
Contracted Rent growth rate	% p.a.	10.00%
Contracted Rent Escalation	years	3.00

- **Contracted rent - office:** Subject Property is already pre-leased to Chalet Hotels Limited for a period of 67 years to be operated as a Hotel at a rent of Rs 58 psft/month.
- **Contracted rent growth rate:** Subject Property is pre-leased to Chalet Hotel for a period of 67 years with rental escalation of 10% at the end of every three years.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
CAM Margin (% on Cost)	%	0%
Current CAM/ O&M cost	Per sq.ft./month	INR 0.00
Property Tax	Per sq.ft./month	INR 1.17
Insurance	Per sq.ft./month	INR 0.10
Signage licence fees	Per sq.ft./month	INR 0.00
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals	3.50%

- **CAM cost:** We have not considered any CAM cost, since the Subject Property will be used as a hotel and the maintenance of the property will be taken care by tenant only.
- **Normalized CAM margin:** We have not considered any CAM margin since the Subject Property will be used as a hotel and the maintenance of the property will be taken care by the tenant only.
- **Property tax and insurance cost** have been benchmarked with the existing operational building in the Sundew portfolio. The existing operational buildings and building 22 are located in same revenue jurisdiction and are part of the Mindspace IT Park
- Other operating expenses and have been assumed at 2% of the lease rentals.
- Based on information received from the Client, property management fees have been assumed at 3.5% of operating income comprising lease rentals, parking income, other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

## Discount Rate & Capitalisation Rate assumptions

- Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year if Transaction	Area (sq.ft.)	Deal Size (INR mn)	Capitalization Rate
Tishman Speyer - GIC	Shapoorji Pallongji - Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	2,300,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	700,000	25,000	8% - 8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	1,250,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Bindiabulls	Commercial	2018	1,880,000	9,000	8.33%
JV of Shapoorji and CPJ	Mapletee	Perungudi, Chennai	Chennai	SP Infocity	Commercial	2018	2,700,000	24,000	7.75% - 8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

- Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 13.1% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures	In Words
Completed Buildings	30 Sep 2020	INR 49,489 Million	Indian Rupees Forty-Nine Billion Four Hundred and Eighty-Nine Million Only
Under Construction/ Proposed	30 Sep 2020	INR 632 Million	Indian Rupees Six Hundred and Thirty-Two Million Only

*Note: Based on the inputs provided by client, Mindspace REIT shall hold 89% of the interest in the Subject Property and the valuation presented is for 89% interest in the Subject Property only. The total value of the asset with 100% interest is INR 56,315 million for as on 30 September 2020.*

### Ready reckoner rate

Component	Rate
Built up Area	Ground Floor- INR 5,000 per sq. ft. First Floor- INR 3,500 per sq.ft. Other Floors- INR 2,500 per sq.ft.
Land Area	INR 30,000 per sq.yd.



I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

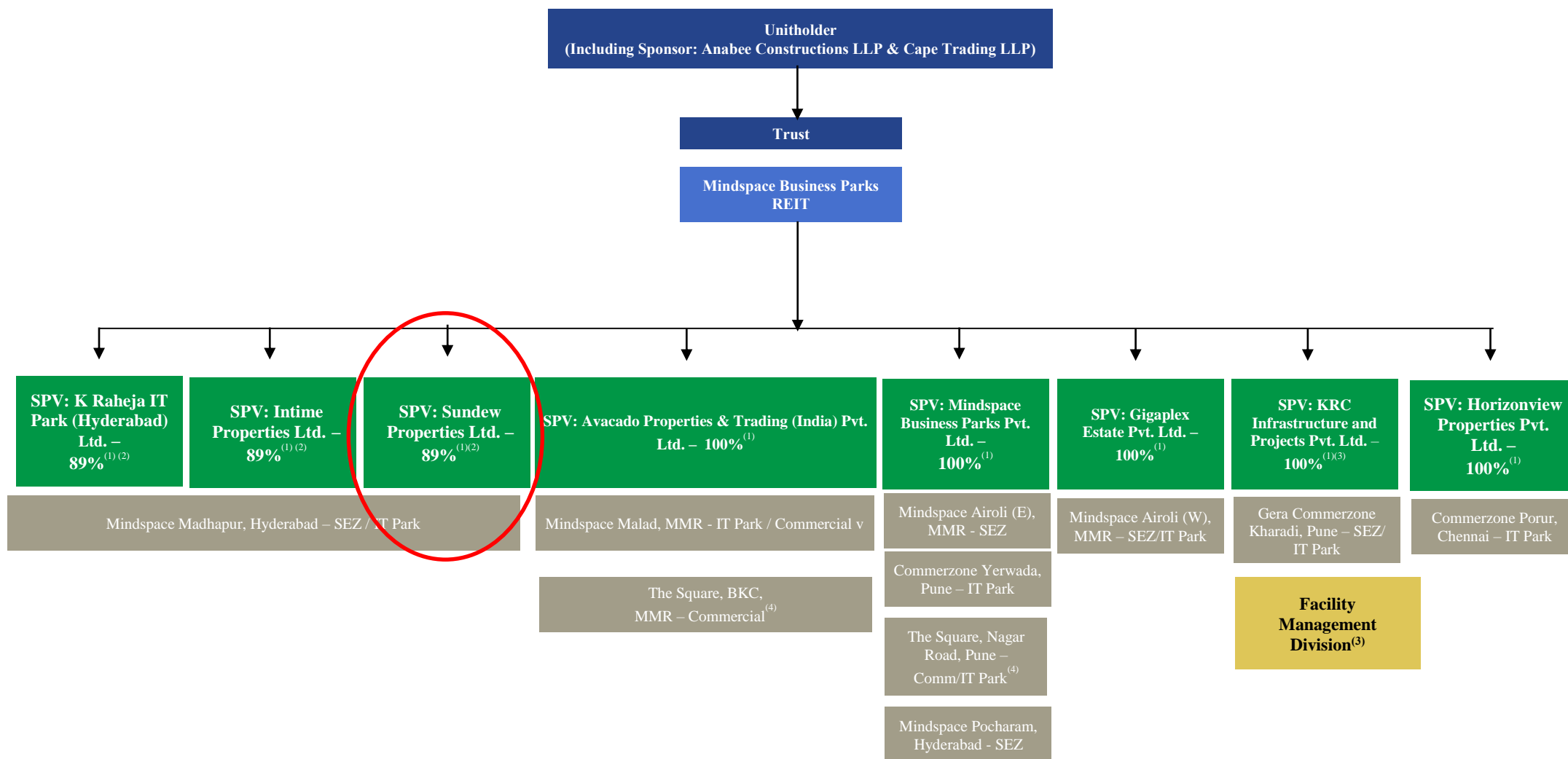
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

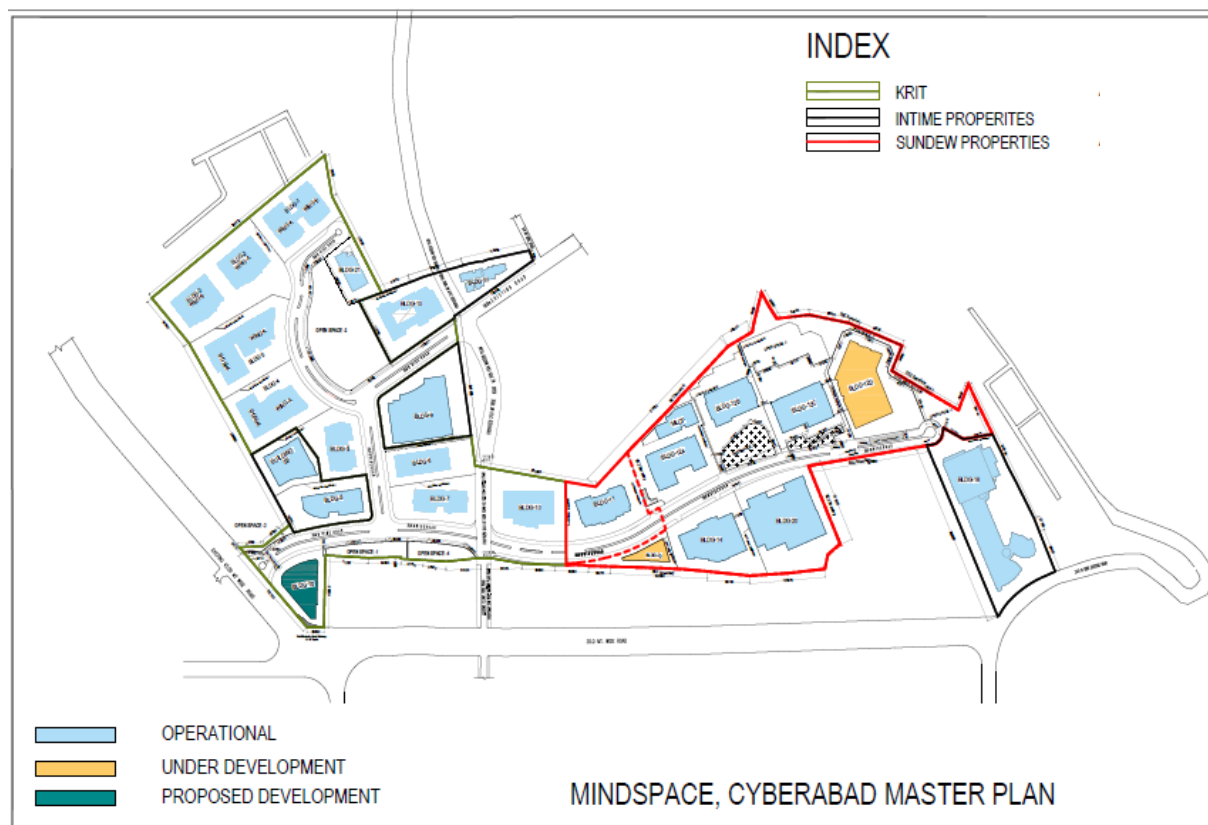


(Shubhendu Saha)

IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

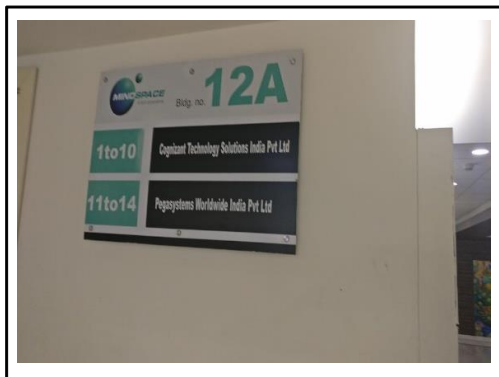
**Annexure 2: Site Layout**

**Annexure 3: Property Photographs**

Bldg #11 in the Subject Property



Bldg #11 in the Subject Property



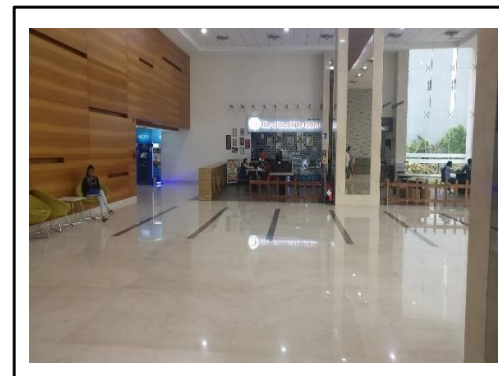
Bldg #12A in the Subject Property



Bldg #12A in the Subject Property



Bldg #12B in the Subject Property



Bldg #12B in the Subject Property



Bldg 12C in the Subject Property



Bldg 12C in the Subject Property



Bldg 14 in the Subject Property



Bldg 14 in the Subject Property



Bldg 22 in the Subject Property



Bldg 22 in the Subject Property

**Annexure 4: Statement of Key Assets**

Building	No. / Name	B11	B12A	B12B	B12C	B12D	B14	B20
Floor	Nos	B1+B2+B3 + G+14F	B1+B2+B3+ G+14 F, G+4F MLCP	B1+B2+G+14F	B1+B2+B3+GF+13F + Terrace cafeteria	B1+B2+B3+GF+ 1P+ 130+1Terrace Off	G+2P+ 8F	G+ 4.5P+7 F
No of DG / Capacity	No. / KVA	5No.s x 1500KVA	6No's/1650KVA	5/1500 KVA	6Nosx1500KVA	5Nosx2000KVA	4 x 1010KVA & 1No. 770KVA	6No.s x 1650KVA
No of Transformers / Capacity	KVA	3 x 2500KVA	3No's/2500KVA	3/2000 KVA	3Nos/2500KVA	4Nos/2000KVA	2 x 3MVA	3 x 2500KVA
Cooling tower		700 TR X 2 Nos, Make:- Advance 2020	750 TR X 2 Nos, Make:- Advance 2020	750 TR X 2 Nos, Make:- BELL	600 TR X 2 Nos, Make:- BELL	650TRx3nos Make: BELL	600 TR X 2 Nos, Make:- Marley	600 TR X 4 Nos, Make:- Advance 2020
FF System (Pumps) & Engine		1. DG PUMP- 149 HP, 2. Hydrant pump- 150 HP, 3. Sprinkler Pump-150 HP, 4.Jockey Pump-7.5 HP, 5.Booster pump- 15 HP	1. DG PUMP- 149 HP, 2. Hydrant pump- 150 HP, 3. Sprinkler Pump-150 HP, 4.Jockey Pump-10 HP, 5.Booster pump- 2 X 12.5 HP	1. DG PUMP- 149 HP, 2. Hydrant pump- 120 HP, 3. Sprinkler Pump-120 HP, 4.Jockey Pump-10 HP, 5.Booster pump- 2 X 12.5 HP	1. DG PUMP- 149 HP, 2. Hydrant pump- 120 HP, 3. Sprinkler Pump- 120 HP, 4.Jockey Pump-5.5 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 149 HPx2Nos, 2. Hydrant pump- 150 HP, 3. Sprinkler Pump-150 HP, 4. Water curtain pump - 150HP, 5.Jockey Pump-15 HP x 2 Nos, 6.Booster pump- 12.5 HP	1. DG PUMP- 133 HP, 2. Hydrant pump- 100 HP, 3. Sprinkler Pump-100 HP, 4.Jockey Pump-20 HP, 5.Booster pump- 12.5 HP	1. DG PUMP- 149 HP, 2. Hydrant pump- 150 HP, 3. Sprinkler Pump- 150 HP, 4.Jockey Pump- 15 HP, 5.Booster pump- 12.5 HP
Water pumping system (Domestic & Flushing)		Domestic pumps- 11KW - 2Nos, Flush pumps-7.5 KW - 2Nos	Domestic pumps- 18.5 KW - 2Nos, Flush pumps-11 KW - 2Nos	Domestic pumps- 22 KW - 2Nos, Flush pumps-15 KW - 2Nos	Domestic pumps- 18.5 KW -2Nos, Flush pumps-18.5 KW -	Domestic pumps- 18.5 KW - 2Nos, Flush pumps-22 KW - 2Nos	Domestic pumps- 7.5 KW -2Nos, Flush pumps-7.5 KW -2Nos	Domestic pumps- 15 KW -2Nos, Flush pumps-11 KW -2Nos
Chiller Rating	TR	WCC-2,ACC-2 / WCC- 700TR,ACC-330TR / Carrier	WCC- 427KW X 2 / ACC- 507KW X 2	1800	300TRx2nos,600TRx2n os	650TRx3nos (water cooled) &325TRx2nos (Air cooled)	2 no's water cooled chillers/600TR/Trane & 1no air cooled Chiller/350TR/TRANE	Trane, Total-5no's. 600TR*3no's WCC, 300TR-1no ACC, 330TR- 1no ACC
STP Rating	KLD	210	350	260	295.00	644	150	350
Warm Shell / Bare shell		Warm Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell	Warm Shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Approved masterplans
- b) Commencement Certificate for Building B22 and 12D
- c) Consent to Operate valid for all operational buildings except Buildings 12D
- d) Full Occupancy Certificates for all operational buildings except Buildings 12 B&C
- e) Height Clearance NOC from AAI
- f) Fire NOC for all buildings
- g) Environmental Clearances
- h) SEZ Notification
- i) Consent for Establishment

**Approvals Pending**

- a) Consent to Operate for Buildings 12D



**Annexure 6: Cash Flow Profile****Completed Building (Bldg. 11,12A, 12B, 12C, 14 20 and 12D)**


Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	3,040.1	3,635.3	3,947.2	4,205.0	4,421.8	4,770.6	5,295.4	5,718.1	6,075.8	6,466.1	7,228.8
Parking Income	INR Million	43.1	54.6	56.6	59.0	58.7	59.1	61.6	63.6	65.9	69.1	79.9
O&M income	INR Million	770.2	794.5	827.8	869.2	912.6	958.3	1,006.2	1,056.5	1,109.3	1,164.8	1,223.0
Other Income (Kiosk and Conference)	INR Million	30.4	36.4	39.5	42.0	44.2	47.7	53.0	57.2	60.8	64.7	72.3
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>3,883.8</b>	<b>4,520.8</b>	<b>4,871.0</b>	<b>5,175.2</b>	<b>5,437.3</b>	<b>5,835.7</b>	<b>6,416.1</b>	<b>6,895.3</b>	<b>7,311.7</b>	<b>7,764.6</b>	<b>8,604.0</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>3,883.8</b>	<b>4,520.8</b>	<b>4,871.0</b>	<b>5,175.2</b>	<b>5,437.3</b>	<b>5,835.7</b>	<b>6,416.1</b>	<b>6,895.3</b>	<b>7,311.7</b>	<b>7,764.6</b>	<b>8,604.0</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(599.7)	(629.7)	(661.2)	(694.3)	(729.0)	(765.4)	(803.7)	(843.9)	(886.1)	(930.4)	(976.9)
Insurance Cost	INR Million	(7.1)	(7.3)	(7.6)	(7.8)	(8.0)	(8.3)	(8.5)	(8.8)	(9.0)	(9.3)	(9.6)
Property Taxes	INR Million	(81.9)	(84.4)	(86.9)	(89.5)	(92.2)	(95.0)	(97.8)	(100.7)	(103.8)	(106.9)	(110.1)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(688.8)</b>	<b>(721.4)</b>	<b>(755.7)</b>	<b>(791.6)</b>	<b>(829.2)</b>	<b>(868.7)</b>	<b>(910.0)</b>	<b>(953.4)</b>	<b>(998.9)</b>	<b>(1,046.6)</b>	<b>(1,096.6)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>3,195.0</b>	<b>3,799.4</b>	<b>4,115.3</b>	<b>4,383.6</b>	<b>4,608.1</b>	<b>4,967.0</b>	<b>5,506.1</b>	<b>5,941.9</b>	<b>6,312.8</b>	<b>6,718.0</b>	<b>7,507.4</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	93,842.1	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(938.4)	
Fit Out Income	INR Million	131.7	163.8	163.1	162.5	155.3	152.3	150.7	150.6	150.6	150.6	
<b>Total Net income</b>	<b>INR Million</b>	<b>3,326.7</b>	<b>3,963.2</b>	<b>4,278.5</b>	<b>4,546.0</b>	<b>4,763.4</b>	<b>5,119.3</b>	<b>5,656.8</b>	<b>6,092.4</b>	<b>6,463.4</b>	<b>99,772.2</b>	
Property Mangement Fees	INR Million	(113.6)	(136.2)	(147.2)	(156.4)	(163.8)	(176.0)	(194.6)	(209.6)	(222.4)	(236.3)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(61.7)	(73.8)	(80.1)	(85.3)	(89.6)	(96.6)	(107.1)	(115.6)	(122.8)	(130.7)	
Brokerage Expenses	INR Million	(32.6)	(26.1)	(33.5)	(6.1)	(34.6)	(74.6)	(44.9)	(5.8)	(87.8)	(113.8)	
<b>Net Cashflows- Before Construction</b>	<b>INR Million</b>	<b>3,118.9</b>	<b>3,727.1</b>	<b>4,017.7</b>	<b>4,298.3</b>	<b>4,475.4</b>	<b>4,772.1</b>	<b>5,310.1</b>	<b>5,761.4</b>	<b>6,030.4</b>	<b>99,291.5</b>	
Construction Cost	INR Million	(1,408.3)	(290.4)	-	-	-	-	-	-	-	-	
<b>Net Cashflows</b>	<b>INR Million</b>	<b>1,711</b>	<b>3,437</b>	<b>4,018</b>	<b>4,298</b>	<b>4,475</b>	<b>4,772</b>	<b>5,310</b>	<b>5,761</b>	<b>6,030</b>	<b>99,291</b>	



## Under Construction Building 22

Particulars	Unit	01-Oct-20 30-Sep-21	01-Oct-21 30-Sep-22	01-Oct-22 30-Sep-23	01-Oct-23 30-Sep-24	01-Oct-24 30-Sep-25	01-Oct-25 30-Sep-26	01-Oct-26 30-Sep-27	01-Oct-27 30-Sep-28	01-Oct-28 30-Sep-29	01-Oct-29 30-Sep-30	01-Oct-30 30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	88.7	88.7	97.5	97.5	97.5	107.3	107.3	107.3	118.0	118.0
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Other Income (Kiosk and Conference)	INR Million	-	-	-	-	-	-	-	-	-	-	-
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>-</b>	<b>88.7</b>	<b>88.7</b>	<b>97.5</b>	<b>97.5</b>	<b>97.5</b>	<b>107.3</b>	<b>107.3</b>	<b>107.3</b>	<b>118.0</b>	<b>118.0</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>-</b>	<b>88.7</b>	<b>88.7</b>	<b>97.5</b>	<b>97.5</b>	<b>97.5</b>	<b>107.3</b>	<b>107.3</b>	<b>107.3</b>	<b>118.0</b>	<b>118.0</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	-	-	-	-	-	-	-	-	-	-
Insurance Cost	INR Million	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Property Taxes	INR Million	(1.0)	(1.9)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)	(2.4)	(2.4)	(2.5)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(2.3)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>(2.6)</b>	<b>(2.7)</b>	<b>(2.7)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>(1.0)</b>	<b>86.6</b>	<b>86.5</b>	<b>95.3</b>	<b>95.2</b>	<b>95.2</b>	<b>104.9</b>	<b>104.8</b>	<b>104.7</b>	<b>115.4</b>	<b>115.3</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	1,441.0	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(14.4)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>(1.0)</b>	<b>86.6</b>	<b>86.5</b>	<b>95.3</b>	<b>95.2</b>	<b>95.2</b>	<b>104.9</b>	<b>104.8</b>	<b>104.7</b>	<b>1,542.0</b>	<b>115.3</b>
Property Mangement Fees	INR Million	-	(3.1)	(3.1)	(3.4)	(3.4)	(3.4)	(3.8)	(3.8)	(3.8)	(4.1)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	(1.8)	(1.8)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)	(2.1)	(2.4)	-
Brokerage Expenses	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cashflows- Before Construction</b>	<b>INR Million</b>	<b>(1.0)</b>	<b>81.7</b>	<b>81.6</b>	<b>89.9</b>	<b>89.9</b>	<b>89.8</b>	<b>99.0</b>	<b>99</b>	<b>99</b>	<b>1,535</b>	<b>-</b>
Construction Cost	INR Million	(142)	-	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>(143)</b>	<b>82</b>	<b>82</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>1,535</b>	<b>-</b>

**Annexure 7: Ready Reckoner Rate**



Registration & Stamps Department

Government of Telangana

Toll Free No for Enquiries

1800 599 4788

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Organization

Acts&Rules

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Unit Rates - Locality Wise

Door No. Wise Details

District Name

RANGAREDDY

Locality

MADHAPUR MAIN ROAD

S.No.	Ward Block	Door No.	Land Rate Rs. per Sq. Yard	Composite Rate (Rs. per Sq.Ft)			Effective Date (dd/mm/yyyy)
				Ground Floor	First Floor	Other Floors	
1.	0 - 2	14/7	30,000	5,000	3,500	2,500	01/04/2013
2.	0 - 2	20	30,000	5,000	3,500	2,500	01/04/2013
3.	0 - 2	21	30,000	5,000	3,500	2,500	01/04/2013
4.	0 - 2	22	30,000	5,000	3,500	2,500	01/04/2013
5.	0 - 2	29	30,000	5,000	3,500	2,500	01/04/2013
6.	0 - 2	30	30,000	5,000	3,500	2,500	01/04/2013
7.	0 - 2	37/C	30,000	5,000	3,500	2,500	01/04/2013
8.	0 - 2	46/1/B	30,000	5,000	3,500	2,500	01/04/2013
9.	0 - 2	49	30,000	5,000	3,500	2,500	01/04/2013
10.	0 - 2	52/1/1	30,000	5,000	3,500	2,500	01/04/2013
11.	0 - 2	52/1/3	30,000	5,000	3,500	2,500	01/04/2013
12.	0 - 2	54	30,000	5,000	3,500	2,500	01/04/2013
13.	0 - 2	54/1	30,000	5,000	3,500	2,500	01/04/2013
14.	0 - 2	63/4	30,000	5,000	3,500	2,500	01/04/2013
15.	0 - 2	66/3/A	30,000	5,000	3,500	2,500	01/04/2013
16.	0 - 2	8	30,000	5,000	3,500	2,500	01/04/2013
17.	0 - 2	8/1	30,000	5,000	3,500	2,500	01/04/2013

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.

- g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
  4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
  6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
  7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any except as set out herein..
  8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: Mindspace Airoli East, Mumbai Region**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ( "Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020 .The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

### Mindspace Airoli East, Mumbai Region

<b>Valuation Date:</b>	30 September, 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property Mindspace Airoli East (hereinafter referred to as the Subject Property) is located at Airoli, within Thane Belapur Road micro market which is home to a number of IT and SEZ establishments. The micro market has established buildings by prominent developers like K Raheja Corp, Reliable Group, Loma Group etc. The micro market is strategically located in rapidly growing city of Navi Mumbai with close proximity to the residential areas. It also houses prominent tenants such as Accenture, UBS, IBM, etc.	
<b>Description:</b>	<p>Mindspace Airoli East is a Grade A, SEZ and IT Park located in Navi Mumbai. The Subject Property has two components i.e. a completed component and an under-construction component.</p> <p><b>Completed Buildings – Building 1, 2, 3, 4, 5&amp;6, 7, 8, 9, 10, 11, 12, 14</b></p> <p>The completed buildings admeasure ~4.7 Million sq. ft. of leasable area. All the 12 are SEZ buildings.</p> <p><b>Under-Construction/Future Development – Building 15 and High Street</b></p> <p>Building 15 and High Street are Non-SEZ building admeasuring 850,000 sq. ft. of leasable area. The building 15 and High Street are expected to be completed in Q4 FY 2023-2024 and Q4 FY 2021-2022 respectively.</p> <p>Additional future development land area admeasures 1.76 acres.</p>	  
<b>Total Area:</b>	<p>Total Plot Area: 50<sup>1</sup> Acres</p> <p>Completed Leasable Area – 4,706,123 sq. ft.</p> <p>Under Construction/ Future Development Leasable Area - 850,000 sq. ft.</p> <p>Future Development Land – 1.76 acres</p> <p>Total – 5,556,123 sq. ft.</p>	

### MARKET VALUE OF THE SUBJECT PROPERTY BASED ON

Component	Market Value as on	In Figures	In Words
Completed Building (inclusive of power distribution business)	30 September 2020	INR 40,644 Million	India Rupees Forty Billion Six Hundred and Forty-Four Million Only
Under Construction/ Future Developments	30 September 2020	INR 1,781 Million	India Rupees One Billion Seven Hundred and Eighty-One Million Only

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

<sup>1</sup> From Architect's Certificate shared by the client



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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT/ITeS SEZ and IT Park christened “Mindspace Airoli East” located at Thane Belapur Road, Navi Mumbai

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014. The Subject Properties comprise of land for future development or part of which may be considered for sale. The same have been valued separately. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private

Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange together with the clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. In addition, other documents in relation to the initial public offer such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

### **5 Basis of Valuation**

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the "Market Value" of

the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## **6 Valuation Approach & Methodology**

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### **Market Approach**

In '**Market Approach**', the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### **Income Approach**

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### **Income Approach - Direct Capitalization Method**

Direct capitalization involves capitalizing a 'normalized' single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### **Income Approach - Discounted Cash Flow Method**

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

#### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time

of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Property (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation.

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT.

## 11 Authority

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favour, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## 12 Reliant Parties

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## 13 Limitation of Liability

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.
- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of

the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.

- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B MUMBAI REGION CITY REPORT**



For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Mumbai Region City Overview

Particulars	Mumbai Region- Overall	CBD	Andheri and Powai	*Thane Belapur Rd	*Malad - Goregaon	Worli - Lower Parel	*BKC & Annex	Thane	Central Suburbs	Eastern Suburbs	Vashi & Others
Total completed stock Q3 2020 (msf)	94.7	2.1	20.7	14.2	13.5	10.2	9.5	9.8	5.6	5.5	3.7
Current occupied stock Q3 2020 (msf)	77.1	1.9	17.1	11.9	11.1	8.1	8.1	8.4	3.6	4.8	2.2
Current Vacancy Q3 2020 (%)	18.6%	6.8%	17.1%	16.4%	18.0%	20.4%	15.1%	14.1%	36.6%	13.3%	41.3%
Avg. Annual Absorption - 2015 – Q3 2020 (msf)	4.4	0.01	0.6	0.8	0.5	0.3	0.5	0.9	0.3	0.3	0.2
Future Supply – Q4 2020 – 2022 (msf)	13.0	-	0.7	4.0	2.3	2.5	1.0	1.1	0.2	0.5	0.8
Market Rent – Q3 2020 (INR psf / month)	135.7	230.4	133.6	61.6	118.5	197.3	274.4	69.2	143.5	125.8	94.4

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District. \*Mindspace REIT's micro markets.

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders

Mumbai is India's financial and commercial capital. The presence of vibrant capital and money markets makes the city the first choice of entry for financial services firms. Mumbai houses the headquarters of major corporates & financial institutions such as ICICI Bank, HDFC Bank, Life Insurance Corporation of India, etc. India's main stock exchanges & capital market and commodity exchanges (National Stock Exchange – NSE, Bombay Stock Exchange – BSE and Multi Commodity Exchange – MCX) are also located in Mumbai. It is also home to Bollywood, the Indian Television and Film Industry.

The key drivers of demand for office space in Mumbai Region are as follows:

- **Financial capital and Services hub:** Mumbai which is referred as India's financial capital and houses corporate head offices of many Indian banks. It is also home to global consultancy firms, legal and professional services, media houses, accounting professionals, etc.
- **Global In-house Centers/ Global Capability Centers:** Mumbai is a hub for Global In-house centers (GICs) / Capability centers (GCCs) of many Investment Banks mainly from the North American and European markets such as Deutsche Bank, Bank of America, JP Morgan, etc.
- **Social Infrastructure:** Mumbai has established educational institutions and colleges, Malls, Hospitals and hotels
- **Transport infrastructure:** Mumbai is well connected via road with availability of infrastructure like the Eastern Express Highway, Western Express Highway, Eastern Free Way, Bandra-Worli Sea Link, etc. It also provides good railway connectivity with three railway lines, an operational metro line and a mono rail line. Mumbai is also well connected via air with other cities in India and other global cities with the help of 2 operational passenger terminals (Domestic and International) and one cargo terminal at Chhatrapati Shivaji Maharaj International Airport.
- **Ongoing/Planned infrastructure projects:** Key initiatives include multiple metro lines, various road projects (proposed 29 km Coastal Road, Mumbai Trans Harbour Link, Goregaon Mulund Link Road), monorail and the Navi Mumbai International airport.

## 2 Mindspace REIT's Micro-Markets (Thane Belapur Road)

### 2.1 Overview

Navi Mumbai was developed in 1972 as a twin city of Mumbai and is one of the largest planned cities in the world. Navi Mumbai lies on the mainland on the eastern seaboard of Thane Creek. The city limits stretch from Airoli near Thane in the north, to Uran in the south. Navi Mumbai has seen establishment of key industries and companies since late 1990s. CBD Belapur witnessed establishment of BFSI regional presence with offices of RBI, SBI and various other public sector banks. Over the last decade, Navi Mumbai has become an established corridor with large commercial and IT developments which consists of a mix of Indian and multinational tenants.

Thane-Belapur Road micro market has been one of the key markets for Mindspace REIT in the Mumbai Region. Mindspace REIT has two SEZ & IT Park assets in the micro-market: Mindspace Airoli East and Mindspace Airoli West. The assets are located in among the best performing micro markets and are distinguished by scale and infrastructure and is well positioned in the micro-market, with proximity to major business, social and transportation hubs. This is a key differentiating factor, given an increasing focus by corporate occupiers on the ease of commute for their employees.

Rapid development of residential real estate & establishment of new growth vectors such as Belapur, Panvel, Palm Beach Road etc. has led to a successful establishment of Thane Belapur Road as a micro market. The Thane Belapur stretch has emerged as the preferred location for office tenants because of its proximity to the large residential catchment areas of Thane and Navi Mumbai, affordable rent and robust connectivity. Thane Belapur Road is presently connected to Mumbai and other parts of the country by a multi – modal integrated transport system such as expressways, highways and railways. A world-class international airport being developed in Navi Mumbai with a planned capacity of 60 million<sup>2</sup> is expected to improve direct domestic and international connectivity and drive office demand further; Mindspace Airoli assets are the closest high quality, large scale parks to the proposed airport site.

The Thane - Belapur stretch which includes Airoli, Ghansoli, Juinagar, Mahape and Rabale, today is one of the major roads that passes through the Navi Mumbai Municipal Corporation (NMMC) area. It is a major link road between the old Mumbai – Pune highway (NH4) and Sion – Panvel Expressway. With ample supply of A grade IT buildings such as Mindspace Airoli, Reliance Corporate Park, Mindspace Airoli West, etc. Thane Belapur Road has emerged as an established hub for office sector. The micro-market contributes approximately 15.0% of the office stock of Mumbai Region as of Q3 2020. The micro market has seen sustained interest due to large scale developments, competitive rentals to most other Technology led office markets and proximity to the requisite talent pool. Supply

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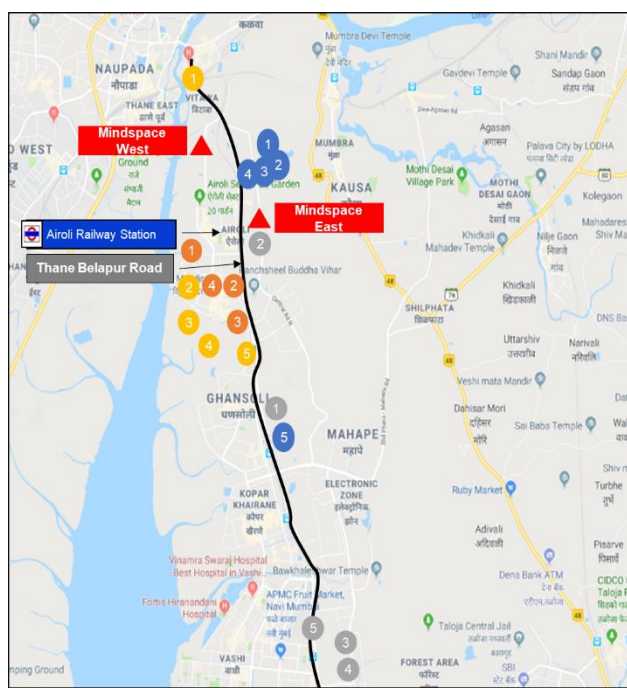
<sup>2</sup> [https://cidco.maharashtra.gov.in/navi\\_mumbai\\_airport](https://cidco.maharashtra.gov.in/navi_mumbai_airport)

of space for IT and IT related activities has increased tremendously in this market leading to high vacancy levels.

Airoli which is present on the Thane-Belapur Stretch transformed after the development of Airoli-Mulund bridge. It is well-linked to various developed areas of Mumbai and a number of hotels, schools, banks and hospitals via an excellent network of railways and roadways. The micro market is witnessing an increase in population in recent years, owing to its proximity to various employment hubs and offices.

Mindspace Airoli West is a Grade-A, leasehold business park located in the Mumbai Region, Maharashtra. Mindspace Airoli East is a Grade-A, leasehold business park that has established itself as the “new age district” for the rapidly growing IT/ITeS services, housing the leading IT and fintech companies. Mindspace Airoli East is amongst the largest business parks in Thane Belapur Road micro market with best-in-class infrastructure and amenities catering to the needs of “new age businesses”. The park is well positioned within Navi Mumbai and is in proximity to Airoli Railway Station and the upcoming international airport.

With large scale campus style commercial development, the Thane Belapur Road has emerged as the hub for office tenants in technology and financial services. With campus style development, high-speed connectivity through next-door railway stations and limited number of office parks with comparable scale, Mindspace REIT's assets have emerged as one of the preferred location of choices.



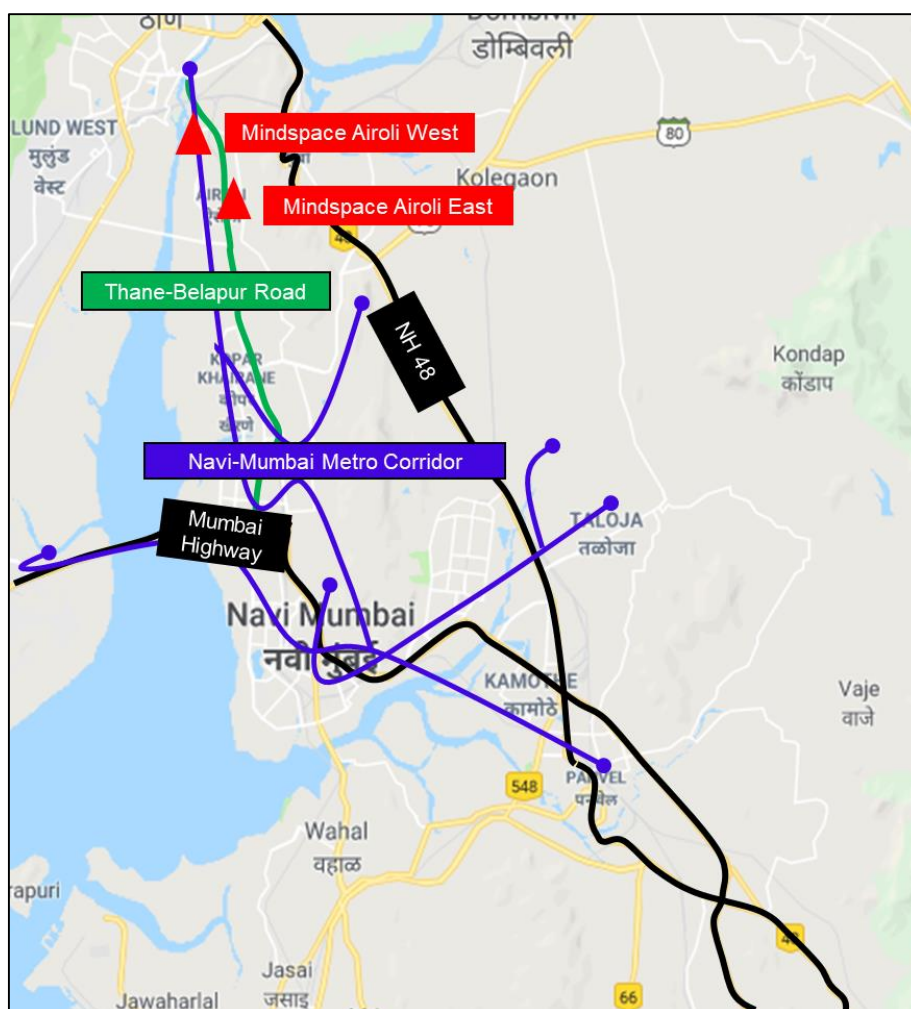
(Map not to Scale)

● Key Office Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure 
 ● Proposed Development

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Empire Tower	1. Jai Bhagwan College	1. Smokin Joes (*QSR)	1. Aurum Q Park 2
2. Reliable Tech Park	2. National Burns Hospital	2. The Mint Leaf (*QSR)	2. Mindspace Airoli West, Tower 9
3. Liberty Tower	3. DAV Public School	3. Hotel Golden Crest	3. Rupa Renaissance
4. Reliable Tech Plaza	4. Apple Hospital	4. Mc Donald's	4. Mindspace Juinagar building 3
5. Aurum Q Park 1	5. St. Xavier's High School		5. Arihant Aura-Tower C

\*QSR stands for Quick Service Restaurant

## 2.2 Existing and Upcoming Infrastructure



(Map not to Scale)

The Thane-Belapur micro market is well connected with Navi Mumbai by the Thane-Belapur Road and Panvel Road. The upcoming Navi Mumbai metro corridor which has 4 corridors will together provide good connectivity from Airoli to Panvel. The upcoming Navi Mumbai International Airport will also result in substantial demand for commercial, hospitality and residential real estate.

## 2.3 Key Statistics

Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 14.2 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 11.9 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 16.4%
<b>Avg. Absorption (2015 – Q3 2020)</b>	Approximately 0.8 msf
<b>Future Supply (Q4 2020 – 2022)</b>	Q4 2020: Approximately 0.0 msf 2021: Approximately 3.4 msf 2022: 0.7 msf

Source: Cushman & Wakefield Research

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

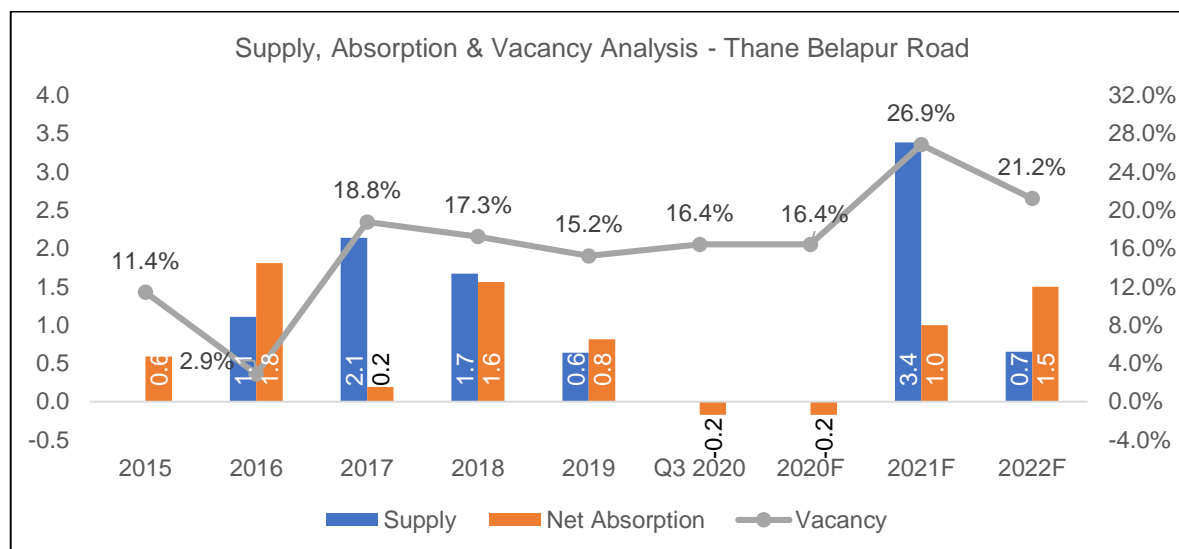
## 2.4 Supply, Absorption & Vacancy

Owing to the growth of technology sector in India, the commercial space demand has also increased, the effect of which can be witnessed in the Thane Belapur Road micro market. Further, due to enhanced connectivity, premium quality developments, availability of integrated parks with larger floor plates and relatively affordable rentals, the micro market is also witnessing an increasing traction from BFSI companies. Absorption in Thane Belapur Road has been a function of supply over the past few years, with average absorption of ~0.8 msf per year (2015 – Q3 2020). 58% of the stock as on Q1 2020 in Thane Belapur Road micro market belongs to Mindspace REIT assets; Mindspace Airoli East and Mindspace Airoli West.

~4.0 msf of supply is expected to be delivered by the year 2022, of which ~1.0 msf belongs to the REIT assets. Due to the outbreak of Covid-19 and the challenges faced by the commercial real estate sector, we expect a delay in completion of commercial projects. Vacancy in the Thane Belapur market is witnessing a declining trend and stood at 15.2% as of 2019. Owing to challenges faced by commercial real estate sector due to COVID-19, the vacancy increased marginally to 16.4% as of Q3 2020. However, vacancy is expected to increase further in 2021 before reducing to 21.2% by 2022.

Mindspace REIT assets enjoy approximately 620 bps lower vacancy in comparison to the rest of the market in Q3 2020 (comprising of strata buildings with fewer amenities and smaller floor plates which are unsuitable for large tenants).

The following graph represents supply, net absorption and vacancy levels in Thane-Belapur Road micro-market (2015-2022F):



Source: Cushman & Wakefield Research

Note: 1. Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

2. Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

3. Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

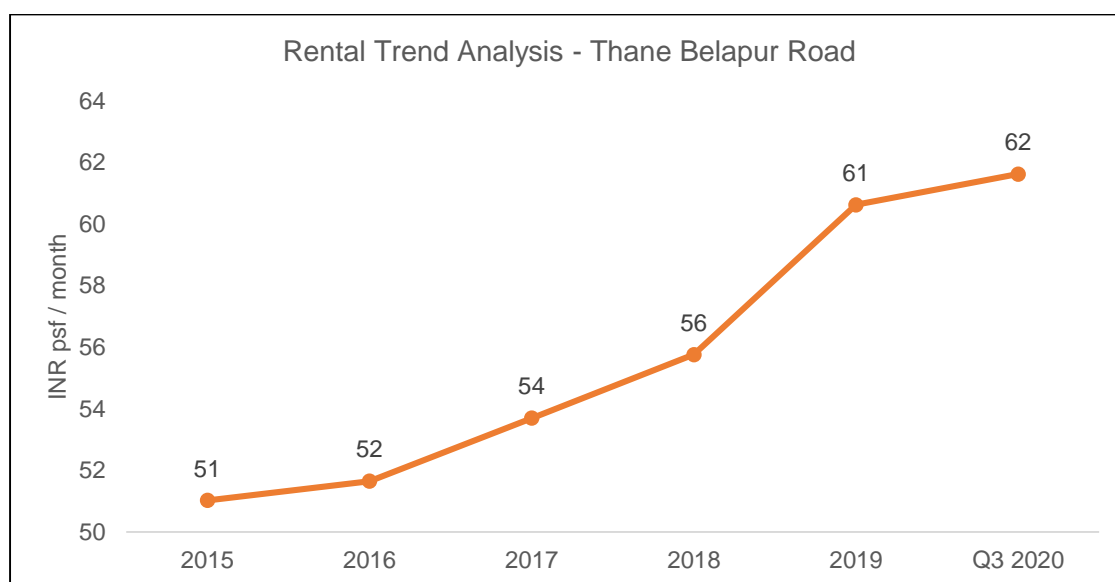
## 2.5 Rental Trend Analysis

Thane Belapur rents have seen an increasing trend since the year 2015 with a CAGR of 4.1% for the time period 2015 – Q3 2020. This is primarily due to increasing traction from tenants of sectors like technology, BFSI, Healthcare & Pharmaceutical etc. on the back of sustained demand /supply dynamics. Availability of affordable rentals when compared to Mumbai region, enhanced connectivity and larger floor plates also acted as a catalyst to the increasing rentals in this micro market.

However, because of abundant supply coupled with limited traction, the rentals have not witnessed a significant increase from the 2019 levels and stand at INR 62 psf / month as of Q3 2020. Further, due to the pandemic of Covid-19, we understand that the rentals shall remain stagnant in the near term.



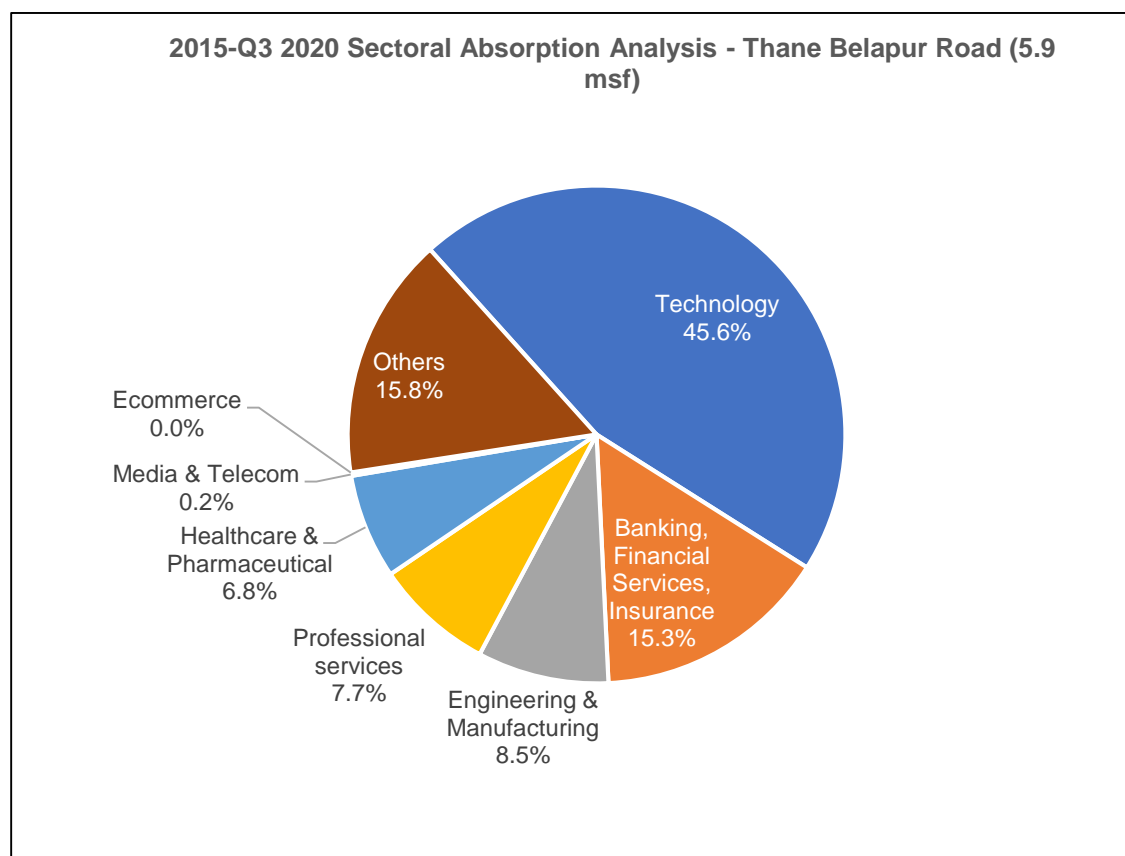
The following graph depicts the rental trend in Thane-Belapur Road micro-market (2015-Q3 2020):



Source: Cushman & Wakefield Research,

Note: The rentals are basis the prevailing quotes in the micro market. Actual achievable rent may vary +/- 10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.6 Sector Demand Analysis



Source: Cushman & Wakefield Research

*Note: Others include Automobile, Education, Flexible Workspaces, Hospitality, Logistics & Shipping, Oil & Gas, Research & Analysis, Food & Beverage, Real Estate & Related Services, etc. The sectoral absorption analysis is based on gross absorption activity of micro market i.e. including any relocations, consolidations etc.*

Thane Belapur Road micro market has witnessed an increased traction from Technology sector which contributed to 45.6% of the leasing activity in the years 2015 – Q3 2020. The tenants are attracted to this micro market due to availability of larger floor plates, affordable rentals and enhanced connectivity. The technology occupiers in this micro market are involved in the activities of software developments, Research and Development etc. This micro market is also gradually witnessing traction from BFSI sector with prominent tenants such as Yes Bank, ICICI, etc. moving to this micro market recently. BFSI sector contributed 15.3% to the leasing activity in 2015 – Q3 2020.

## 2.7 Market Outlook

According to the market assessment report of Cushman & Wakefield current market rentals in the Thane Belapur micro market are in the range of INR 50-60 psf / month which is broadly in line with the recent leases signed in the Subject Property. Further over 2015-Q3 2020 the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market and the upcoming Navi Mumbai International Airport and Metro Corridor will have a positive impact on the rentals, annual growth rate of 5-6% in the market rentals appears achievable.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long-term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long-term expectation while taking into account any short-term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the markets commercial real estate markets are likely to attain its long term growth trajectory.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	MIDC Plot No. 3, Kalwa Trans Thane Creek Industrial Area, Mindspace, Opp. Airoli Station, Airoli, Navi Mumbai 400708
Ownership & title details:	Underlying land is on leasehold basis from MIDC; the buildings thereupon are owned by the Mindspace REIT

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani and Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

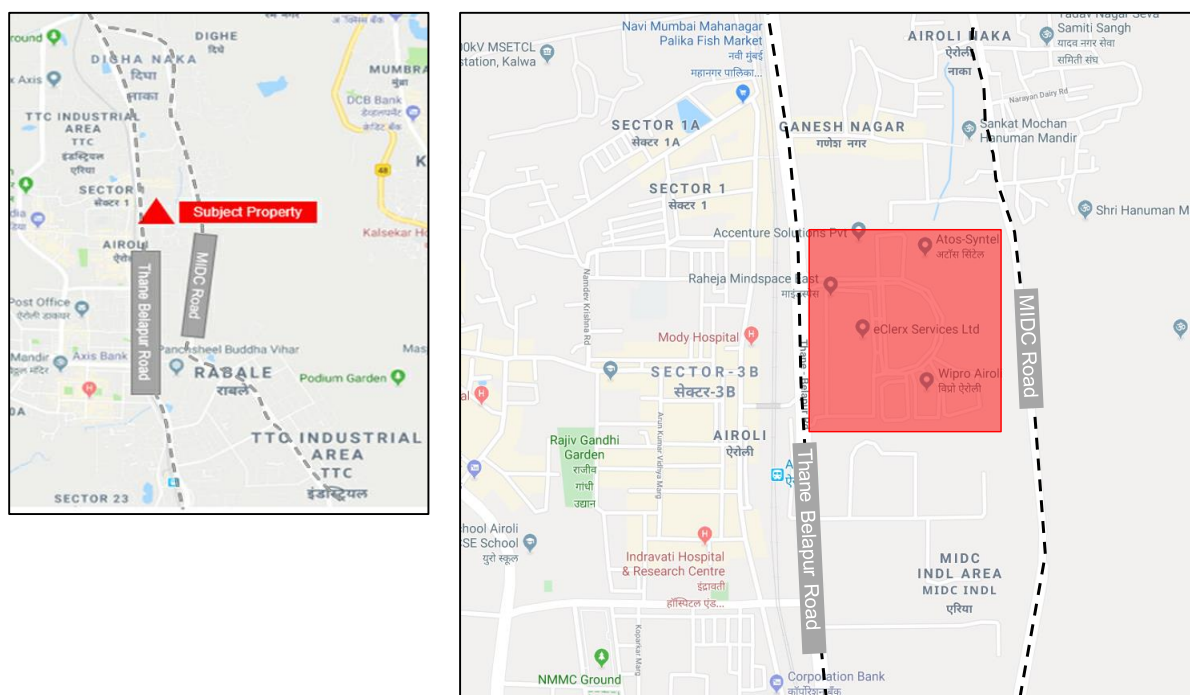
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

Subject property comprises operational and completed buildings 1, 2, 3, 4, 5&6, 7, 8, 9, 10, 11, 12, 14 and under construction buildings/ future development of Building 15 and High Street (hereinafter referred to as Subject Property), which are part of Mindspace IT park located in Airoli East, Navi Mumbai. Mindspace, is spread over 50 acres comprising SEZ and future Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. The Subject Property also has a club house which has F&B outlets of CCD, Grapevine, Subway on the ground floor. The Subject Property also has a gaming zone for employees.

The location map of the Subject Property is set out below:



(Map not to scale)

The subject property is spread out over ~50 acres of land parcel leased from MIDC. Located on the Thane – Belapur Road opposite Airoli Station, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land. Further, basis our perusal of the site map provided by the client, we noted that the land plot is in regular shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 1-1.5 kms from Airoli Railway Station
- Approximately 8-10 kms from Thane Railway Station
- Approximately 9-11 kms from Eastern Express Highway
- Approximately 23-25 kms from Mumbai International Airport

The Subject Property is well accessible from all locations of Mumbai-Navi Mumbai and MMR. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system. The property photographs of the Subject Property are attached in Annexure 3.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## 2.4 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Mumbai where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## 2.5 Town Planning and Statutory Considerations

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## 3 Subject Property - Asset Description

Mindspace Airoli East is a Grade A, SEZ and IT Park located in Navi Mumbai. The Subject Property has two components i.e. a completed component and an under-construction component.

### **Completed Buildings – Building 1, 2, 3, 4, 5&6, 7, 8, 9, 10, 11, 12, 14**

The completed buildings collectively admeasure ~4.7 Million sq. ft. of leasable area. All the 12 are SEZ buildings. The IT park also has a club house which has F&B outlets of CCD, Grapevine, Subway on the ground floor.

The building wise Leasable Area break up for the Subject Property is mentioned in the table below:

*Source: Architect's Certificate, Rent Rolls, Lease Deeds/ Leave and License Agreements*

### **Under-Construction/ Future Development – Building 15**

Building 15 is a Non - SEZ building admeasuring ~ 800,000 sq. ft. of leasable area. Building 15 is expected to be completed by Q4 FY 2023-2024.

### **Under-Construction/ Future Development – High Street**

High Street a Non - SEZ building admeasuring ~ 50,000 sq. ft. of leasable area. High Street is expected to be completed by Q4 FY 2021-2022.

Particulars	Leasable Area (sq. ft.)	Usage type	Status
<b>Building 1</b>	353,852	SEZ	Completed
<b>Building 2</b>	344,370	SEZ	Completed
<b>Building 3</b>	354,404	SEZ	Completed
<b>Building 4</b>	349,433	SEZ	Completed
<b>Building 5 &amp; 6</b>	862,389	SEZ	Completed
<b>Building 7</b>	345,376	SEZ	Completed
<b>Building 8</b>	295,423	SEZ	Completed
<b>Building 9</b>	359,847	SEZ	Completed
<b>Building 10</b>	366,319	SEZ	Completed
<b>Building 11</b>	353,159	SEZ	Completed
<b>Building 12</b>	371,972	SEZ	Completed
<b>Building 14</b>	344,247	SEZ	Completed
<b>Club House</b>	5,332	SEZ	Completed
<b>Building 15</b>	800,000	Non-SEZ	Future Development
<b>Retail Space</b>	50,000	Non-SEZ	Future Development



### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	Mindspace
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Mindspace Business Parks Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 1 - 7 years and 2 months Building 2 - 8 years and 9 months Building 3 - 10 years and 8 months Building 4 - 9 years and 10 months Building 5&6 - 8 years and 6 months Building 7 - 9 years and 6 months Building 8 - 11 years and 5 months Building 9 - 6 years and 7 month Building 10 - 7 years and 5 months Building 11 - 5 years and 10 months Building 12 - 5 years and 8 months Building 14 - 10 years and 4 months Club House – 6 years and 9 months
Asset type:	SEZ and IT Park with 2 Non-SEZ building
Sub-market:	Thane Belapur Road
Approved and existing usage:	Commercial Office/IT SEZ
Site Area (acres):	~50
Freehold/Leasehold:	The underlying land is taken on leasehold basis from MIDC
Leasable Area:	4.7 million sq. ft.
Occupied Area:	4.5 million sq. ft.
Occupancy (%) <sup>2</sup>	96.5%
Committed Occupancy (%) <sup>3</sup>	96.5%
Number of Tenants	28

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants out of the total area that has received OC
3. Committed occupancy also includes area which has been pre-leased to tenants.

**Under-construction Buildings**

Particulars	Details
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by MBPPL Estate Private Limited which is 100% owned and controlled by the Mindspace REIT
Expected completion date of construction:	Building 15 – March 2024 High Street – March 2022
Asset type:	IT Park
Approved Usage:	Commercial office
Leasable Area:	~0.9 million sq. ft. <sup>1</sup>
Status of construction:	Future Development
Approvals received and pending as on Valuation Date:	List of approvals detailed in Annexure 5

Source: Client information

1. While the park has aggregate development potential of 2.1 msf, Mindspace REIT has currently formulated development plans for 0.9 msf (including High Street), and, accordingly, only 0.9 msf of the future development area has been considered for the purpose of valuation

The underlying land of the Subject Property is held as leasehold from Maharashtra Industrial Development Corporation (MIDC) with remaining tenure of 83 years. Given that the purpose and obligations associated with lease of the underlying land has essentially been achieved, the likelihood of lease getting cancelled or not renewed at the end of the tenure is negligible. Thus, no specific adjustments are required to be made towards the legal tenure of underlying land's ownership.

**3.2 Property Inspection**

The Subject Property was visually inspected by the valuer and his authorised representatives. The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, cumulative expenditure on major repairs and maintenance towards upgradation has been INR 647 Million till Q2 FY 2020-21. Also, remaining capital expenditure of INR 1,298 Million towards upgradation (including bareshell to warmshell conversion costs for Building 7 and excluding High Street CAPEX) is planned to be incurred until Q3 FY 2022-23.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top ten tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any

Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

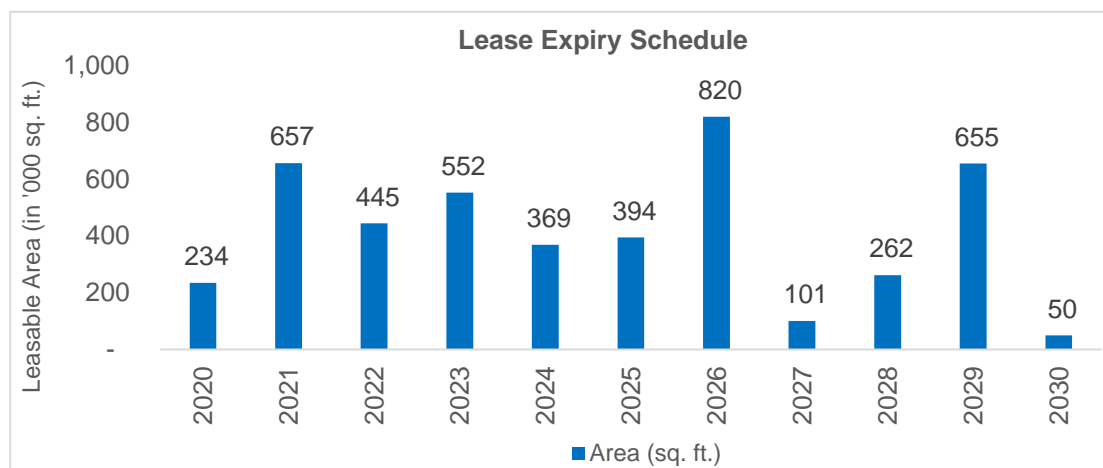
As of 30 September 2020, Subject Property has 21 tenants (for office space) which include companies like Wipro, Accenture, L&T, Citius, Cognizant, Syntel, Wipro etc. The Subject Property's top 10 tenants account to ~87% of the Gross Rental income.

Rank	Top 10 tenants according to Leasable Area	Leasable area (sq. ft.)
1	Accenture	1,036,722
2	L&T	908,215
3	Syntel	441,387
4	Cognizant	391,843
5	Wipro	345,376
6	Citius	268,144
7	eClerx	220,078
8	Inventurus	149,659
9	Gebbs	148,241
10	Globeop	121,295
<b>Total</b>		<b>4,030,960</b>

Rank	Top 10 tenants according to Gross Rentals	Share of Gross Rentals
1	L&T	20%
2	Accenture	19%
3	Cognizant	9%
4	Syntel	8%
5	Wipro	7%
6	Citius	7%
7	eClerx	5%
8	Inventurus	4%
9	DST Worldwide	4%
10	Gebbs	3%
<b>Total</b>		<b>87%</b>

### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is 4.5 years, with ~56% of occupied area expiring between CY 2020 and CY 2025 as shown in the chart below.



### 3.6 Power Distribution Services

In accordance with Section 14 (b) of the Electricity Act, 2003 read with Section 4(1) of the SEZ Act, 2005, entities that own and operate SEZ Parks are considered Deemed Distribution Licensee for supplying electricity to consumers within the SEZ area. Pursuant to the above regulations, Mindspace Business Parks Private Limited (SPV) also has the license to distribute power within the Subject Property.

The SPV has invested in the infrastructure to facilitate the distribution of the power to the customers (occupiers and operators within the subject properties). It procures power from Power generators/traders supplying to the grid and then distribute it to the end consumers within the Subject Property. The SPV is not allowed to expand the power distribution outside the limits of the SEZ, i.e., the Subject Property in this case.

## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/ Future Development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any– the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

#### **4.4 Approach for Power Distribution Services**

Mindspace Business Parks Private Limited (SPV) submitted the detailed tariff petition to Maharashtra Electricity Regulatory Commission (MERC or the Commission), which included demand projections, power procurement plan, capital investment plan, financing plan, and expected revenue (aggregate revenue requirement) from tariff and charges for its power distribution services for a projected period of 5 years. The Commission in accordance with prevailing regulations determined the tariff that may be charged to the customers/operators within the Subject property over the said projected period. The aggregate revenue requirement for the distribution business for each projected year contained mainly power purchase cost, operational & maintenance expenses, depreciation, interest on loan, interest on working capital, return on equity, etc. In other words, licensee can charge cost plus mark up as approved by the Commission to the end users. This mark-up is equivalent to return on its investment in power distribution infrastructure and enabling services. The return on investment comprise annual depreciation on investment, interest expenses on notional debt and return on equity.

1. As the first step to the valuation of the power distribution service, the tariff order from Maharashtra Electricity Regulatory Commission determining the aggregate revenue requirement for 5 years from the date of order has been reviewed.
2. Earnings before interest, depreciation & tax (EBITDA) for each year is projected for the balance life of the license and NPV (net present value) is computed as on valuation date at appropriate discounting rate
3. EBITDA is projected based on the component of aggregate revenue requirement in the latest order from the commission.
4. For the future project capex requirement has been given by the client.



## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

#### Property details

Property Details	Unit	Details
Total Property Leasable Area	Sq. Ft.	4,706,123
Area Leased	Sq. Ft.	4,540,726
Leased	%	96.5%
Vacant Area	Sq. Ft.	1,65,397
Vacancy	%	3.5%
Stabilized Vacancy	%	2.0%
Further leasing	Sq. Ft.	71,725
Existing Lease rollovers	%	100%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
4W parking slots – paid	Number	519
Estimated leasing period	No. of quarter	1

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 October 2020) in order to retain and support them.
- Future absorption: (As per Section 4.1.1 - Supply, Absorption & Vacancy)**
  - Over 2015 – Q3 2020, the Thane Belapur road micro market has witnessed an annual absorption of approximately 0.8 Million sq. ft. The Subject Property's share (Airoli East and West) in the historical absorption was approximately 30% over the same period.
  - Going forward, the micro market is expected to have an average annual demand of approximately 1.3 Million sq. ft. per annum over CY 2021-2022. Assuming a similar share for the Subject Property (40%), annual leasing of about 0.5-0.6 Million sq. ft. can reasonably be assumed.

- Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
  - Existing - Q Park- Q1(LOMA IT Park) with 0.64 Million sq. ft. and vacancy of 47%
  - Existing - Empire Tower with 1.4 Million sq. ft. and vacancy of 9%
  - Existing – Rupa Solitaire Park with 1.0 million sq. ft. and vacancy of 15%,
  - Future supply - Q Park- Q2(LOMA IT Park) with 0.85 Million sq. ft. and which is expected to be delivered in 2021.
  - Future supply – Rupa Juinagar with 1.40 Million sq. ft. and which is expected to be delivered in 2021.

#### Subject Property and Relevant Existing/Upcoming Supply



- Considering the above, it would be reasonable to believe that the Subject Property (as well as Airoli East) shall be able to lease:
  - approx. 71,275 sq. ft. of vacant space Airoli East in Q2 FY 2021
  - approx. 0.29 Million sq. ft. of vacant space in Airoli West in FY 2022
- Further leasing of 71,275 sq. ft. has been assumed after incorporating a 2% stabilised vacancy which is a standard for Grade A properties in Commercial Parks.
- We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 58.00
Market Rent - Food Court	Per sq. Ft./month	INR 135.00
Market Rent – Services	Per sq. Ft./month	INR 46.00
Market Rent – Anchor	Per sq. Ft./month	INR 55.00
Market 4 W Parking Rent	Per slot/month	INR 1,500
Other operating income	% of lease rental	1.00%
Market Rent growth rate - upto FY 2024	% p.a.	5.00%
Market Rent growth rate - beyond FY 2024	% p.a.	6.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target efficiency	%	76.0%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	10.64

- **Market rent - office:**

- Over 2018-2020, approximately 0.9 million sq. ft. was leased in the rental range of INR 57-63 per sq. ft. per month.

**Lease Transactions 2018-2020**

Tenant	Year	Area	Rent
Inventurus Knowledge Solutions Pvt. Ltd.	2020	81,373	59
DST Worldwide Services India Pvt. Ltd.	2020	50,301	62
Neural IT Pvt Ltd	2020	11,080	62
L & T Technology Services Limited	2019	17,986	63
L & T Technology Services Limited	2019	24,274	59
L & T Technology Services Limited	2019	41,334	59
Larsen & Toubro Infotech Limited	2019	47,811	57
Citius Healthcare Technology Pvt. Ltd	2019	45,237	57
DST Worldwide Services India Pvt. Ltd.	2019	50,310	62
DST Worldwide Services India Pvt. Ltd.	2019	56,318	59
Larsen & Toubro Infotech Limited	2019	47,811	57
Larsen & Toubro Infotech Limited	2019	47,811	57
Larsen & Toubro Infotech Limited	2019	47,811	57
Citius Healthcare Technology Pvt. Ltd.	2019	56,715	57
WNS Global Services Pvt. Ltd.	2019	87,264	57
Larsen & Toubro Infotech Limited	2018	46,667	57
Citius Healthcare Technology Pvt. Ltd.	2018	43,896	53
Gebbs Healthcare Solutions Pvt. Ltd.	2018	25,752	57
Globeop Financial Services Technologies (I) Pvt. Ltd.	2018	38,151	59
Globeop Financial Services (I) Pvt. Ltd.	2018	21,325	59

- Considering the location, accessibility, quality, size of the building and keeping in view of the future supply which consists majorly of Non SEZ buildings thereby enabling the SEZ buildings to command a premium hence it can reasonably be assumed that

Mindspace Airoli East office space shall be able to command a monthly rental of INR 58 per sq. ft. per month.

- Market rent growth rate:** Over 2015 – Q3 2020, the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market, the annual growth in market rentals over 2020-2023 has been assumed. With the second airport in Mumbai is expected becoming operational in 2023 and major future infrastructure development in Navi Mumbai like the Trans Harbour Link road and Navi Mumbai Metro the connectivity with residential hubs shall be greatly enhanced. Accordingly, we can expect annual growth in market rentals to be 5-6% in medium to long term. However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) considered annual rental growth rate of 5-6% for the Subject Property.
- Market rent – 4W parking:** Rent for car parks are assumed at INR 1,500 per slot per month in line with the current rentals for paid car parks in Mindspace Airoli East.
- Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 3%. Other income includes Car Park, Signage, ATM, Telecom Tower, Kiosk, Event, Vending Machine, service connection and other charges and miscellaneous income.
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and receive higher rentals for the same carpet area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at lower of actuals or 76%.

#### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 8.54
Property Tax	Per sq. Ft./month	INR 1.60
Insurance	Per sq. Ft./month	INR 0.17
CAM cost escalation	% p.a.	5.0%
Cost escalation	% p.a.	3.0%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals, parking income, fit out income and other operating income	3.5%

- Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.

- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.10 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1 April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, other operating income and fit-out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Discount Rate & Capitalisation rate assumptions**

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallongji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Under-construction/Future Development Area****Property details**

Property Details	Unit	Building 15	High Street
Total Leasable Area	sq. Ft.	800,000	50,000
Vacancy	%	100%	100%
Stabilized Vacancy	%	2.0%	2.0%
Further leasing	sq. Ft.	784,000	49,000
Existing Lease rollovers	%	100%	100%
Rent Free Period- New Lease	Months	3	3
Estimated leasing period	No. of quarter	6	6

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 30 September 2020) in order to retain and support them.
- **Future absorption:**
  - Over 2015 – Q3 2020, the Thane Belapur road micro market has witnessed an annual absorption of approximately 0.8 Million sq. ft. The Subject Property's share (Airoli East and West) in the historical absorption was approximately 30% over the same period.
  - Going forward, the micro market is expected to have an average annual demand of approximately 1.3 Million sq. ft. per annum over CY 2021-2022. Assuming a similar share for the Subject Property (40%), annual leasing of about 0.5-0.6 Million sq. ft. can reasonably be assumed.
  - Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
    - Existing - Q Park- Q1(LOMA IT Park) with 0.64 Million sq. ft. and vacancy of 47%
    - Existing - Empire Tower with 1.4 Million sq. ft. and vacancy of 9%
    - Existing – Rupa Solitaire Park with 1.0 million sq. ft. and vacancy of 15%,
    - Future supply - Q Park- Q2(LOMA IT Park) with 0.85 Million sq. ft. and which is expected to be delivered in 2021.
    - Future supply – Rupa Juinagar with 1.40 Million sq. ft. and which is expected to be delivered in 2021.



**Subject Property and Relevant Existing/Upcoming Supply**

- Considering the above, it would be reasonable to believe that the Subject Property (as well as Airoli East) shall be able to lease:
  - approx. 71,275 sq. ft. of vacant space Airoli East in Q2 FY 2021
  - approx. 0.29 Million sq. ft. of vacant space in Airoli West in FY 2022
- Further leasing of ~0.8 million sq. ft. has been assumed after incorporating a 2% stabilised vacancy which is a standard for Grade A properties in Commercial Parks.
- We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand

**Construction related assumptions**

Construction Related Assumptions	Unit	Building 15	High Street
Start Date of Construction		01-Oct-21	01-Oct-20
End Date of Construction		31-Mar-24	31-Mar-22
Total Construction Cost	INR Million	3,622	300
Construction Cost Incurred till Date	INR Million	0	0
Construction Cost to be Incurred	INR Million	3,622	300

*Note: Reliance on Client inputs for the assumptions relating to construction.*

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 58.00
Market Rent – Retail	Per sq. Ft./month	INR 63.00
Market 4 W Parking Rent	Per slot/month	INR 1,500
Other operating income	% of lease rental	1.00%
Market Rent growth rate - upto FY 2024	% p.a.	5.00%
Market Rent growth rate - beyond FY 2024	% p.a.	6.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	10.64

- Market rent - office:** Considering the location, accessibility, quality, size of the building and keeping in view of the future supply which consists majorly of Non SEZ buildings thereby enabling the SEZ buildings to command a premium hence it can reasonably be assumed that Mindspace Airoli East office space shall be able to command a monthly rental of INR 58 per sq. ft. per month.
- Market rent growth rate:** Over 2015 – Q3 2020, the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market, the annual growth in market rentals over 2020-2023 has been assumed. With the second airport in Mumbai is expected becoming operational in 2023 and major future infrastructure development in Navi Mumbai like the Trans Harbour Link road and Navi Mumbai Metro the connectivity with residential hubs shall be greatly enhanced. Accordingly, we can expect annual growth in market rentals to be 5-6% in medium to long term.  
 However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) considered annual rental growth rate of 5-6% for the Subject Property.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 8.54
Property Tax	Per sq. Ft./month	INR 1.60
Insurance	Per sq. Ft./month	INR 0.17
CAM cost escalation	% p.a.	5.0%
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Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals, parking income, fit out income and other operating income	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM cost and CAM margin:** Current CAM cost has been projected considering the level of CAM cost in the year ending 31 March 2020 and projected to increase at 5% per annum. CAM margin has been considered at a stabilised level of INR 2.10 per sq. ft. per month adjusted for CAM cost escalation of 5%. The escalation is effective 1 April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to the buildings, legal and professional fees, rates and taxes and other such expenses.
- Based on information received from the Client, property management fees have been assumed at 3.5% of lease rentals, parking income, other operating income and fit-out income
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc

### Discount Rate & Capitalisation rate assumptions

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
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Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 13.10% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Land for Future development – 1.76 acres**

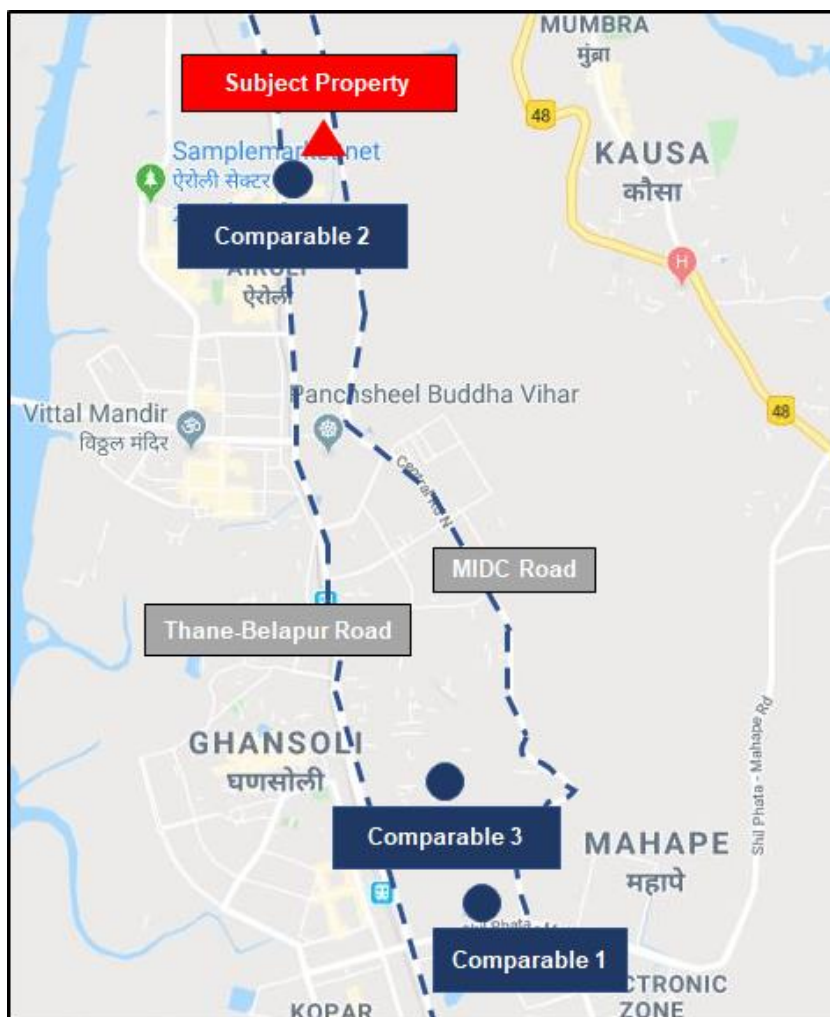
The subject property land for future development admeasuring 1.76 acres with a development potential of 15,092 sq. m

We have identified the following comparable properties to estimate the market value of the land portion of the Subject Property through market approach method. The market value has been derived after adjusting for the purchase cost of the additional FSI available.

Comparable Method	Subject Property	Comparable 1	Premium(+)/Discount(-)	Comparable 2	Premium(+)/Discount(-)	Comparable 3	Premium(+)/Discount(-)
Land Area (in Acre)	1.76	48		16		30	
Capital Value (INR million)		3,249		2,200		2,100	
Capital Value (INR per Acre)		68		113		70	
Quote / Transaction		Transaction - 2017		Transaction - 2018		Transaction - 2019	
<b>Parameters to arrive at premium(+)/discount(-)</b>							
Accessibility	Thane Belapur Road	Thane Belapur Road	0.0%	Thane Belapur Road	0.0%	Thane Belapur Road	0.0%
Location	Thane Belapur Road, Airoli	Thane Belapur Road, Ghansoli	0.0%	Thane Belapur Road, Rabale	0.0%	Thane Belapur Road, Ghansoli	0.0%
Frontage	On Main Road	On Main Road	0.0%	On Main Road	0.0%	On Main Road	0.0%
Size (in acres)	2	48	10.0%	16	5.0%	30	10.0%
Type of Land	Developed	Not Developed	5.0%	Developed	0.0%	Not Developed	5.0%
Quote / Transaction		Transaction - 2017	5.0%	Transaction - 2018	0.0%	Transaction - 2019	0.0%
Total premium/discount			<b>20.0%</b>		<b>5.0%</b>		<b>15.0%</b>
Adjusted approximate Capital value (INR per Acre)			82		118		81
Market Value of the Subject Land Parcel as per Land Sales Comparable method (INR per Acre)	94						
Discount for Shape of Land	10%						
Market Value of the Subject Land Parcel as per Land Sales Comparable method (INR per Acre)	85						
Market Value of the Subject Land Parcel as per Land Sales Comparable method (INR Million)	149						

**Net Land value after adjusting for FSI**

Particulars	Details
Market values as per Sales Comparable Method (INR Million)	149
Additional FSI available (Sqm)	8,696
MIDC Land Rate (per Sqm)	22,825
Total FSI Value (INR Million)	59.54
<b>Market Value (INR Million)</b>	<b>208</b>
<b>Market Value (INR per acre)</b>	<b>119</b>

**Comparable Location map**

In order to arrive at the current market value, the comparable properties have been given discount / premium for factors like accessibility, location, developers' premium and product positioning, possession, etc.

- **Accessibility** – Accessibility is determined by width and the quality of the access road to the Subject Property. Good accessibility facilitates development and therefore, properties with good accessibility are quoted at a premium. All Comparable having similar accessibility as subject property. Hence, no premium/discount is given to the subject property.
- **Location** – Proximity of the property to city centre, benchmark sites, business/industrial hub determine the attractiveness of the location. All the comparable having similar location as subject property, therefore no premium/discount is given to the subject property.
- **Frontage** – Property having good frontage generally trades at a premium as compared to a property having less frontage. All the comparable have similar frontage as subject property, therefore no premium/discount is given to the subject property.

- **Size-** A larger property due to its ticket size trades at a discount as compared to a smaller property. Comparable 1 and 3 are significantly larger in size compared to the subject property, hence a premium of 10% has been assigned to the subject property. Comparable 2 is also bigger in size compared to the subject property, hence premium of 5% has been assigned to the subject property respectively.
- **Type of land-** The value of the property differs based on the zone of the property/ type of land, which determines the end use of the property. Comparable 1 & 3 are barren land, hence a premium of 5% has been given to the subject property. Comparable 2 having similar type of existing development with infrastructure in place therefore no premium/discount is given to the subject property.
- **Quote/ Transaction –** Typically, the quoted prices in the market have a negotiation margin incorporated (based on our discussion with brokers). Comparable 1 is nearly three -year-old transaction and hence a premium of only 5% has been given to the subject property. Comparable 1 & 2 are though one-two year old transactions, given the current state of the market, no premium/discount is given to the subject property.
- **Shape:** Land parcels which are regular shape trades at a premium as compared to land parcel having irregular shape. The subject property land is divided into two parts connected by a very small land thus making it irregular in shape, hence a discount of 10% is assigned to the value of the land.



## 5.1 Valuation Methodology for Power Distribution Services

Referring to the commission's latest order for the operational facility, the cash flows from the power distribution services are projected in the following manner:

**Step 1:** Amount of approved Gross Fixed Assets ("GFA") is considered

**Step 2:** Further, Net Fixed Asset (NFA) which is GFA reduced by accumulated depreciation allowed as on date is computed.

**Step 3:** To compute the EBITDA, mainly return on equity, interest on notational debt, recovery of depreciation, interest on working capital have been added.

**Step 4:** Licensee is allowed to charge 14% return on equity which is 30% of GFA. Licensees is further allowed to charge interest on notional debt which is 70% of the GFA reduced by the depreciation for each year. Interest rate is equivalent to the actual cost of debt in the SPV which is 9.00%. SLM (Straight Line Method) is considered for depreciation, as per the average rate approved by the commission. Depreciation is considered to the extent of 90% of the GFA.

**Step 5:** Power procurement, operational and maintenance expenses are allowed completely pass through.

## 5.2 Valuation Assumptions for Power Distribution Services

Following are the key assumptions for in accordance with the Commission order dated 30 March 2020:

Assumptions	Unit	Figure
Gross Fixed Assets (GFA)	INR Million	474
Accumulated Depreciation YTD FY20	INR Million	-117
Notional Equity (30% of GFA)	INR Million	142
Notional Debt as on March 2020 (70% of GFA)	INR Million	332
Depreciation rate (Straight Line Method)	% pa	5.3%
Remaining License Period	years	20
WACC	%	10.5%

For the purpose of discounting the future cash flows Weighted Average Cost of Capital (WACC) of 10.5% has been utilised.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures	In Words
Completed Building (inclusive of power distribution business)	30 September 2020	INR 40,644 Million	India Rupees Forty Billion Six Hundred and Forty-Four Million Only
Under Construction/ Future Developments	30 September 2020	INR 1,781 Million	India Rupees One Billion Seven Hundred and Eighty-One Million Only

*\*The under construction/future development component includes the market value of land for future development (which may be considered for sale) as detailed below*

Component	Market Value as on	In Figures (INR Mn)	In Words
Land for future development	30 September 2020	INR 208 Million	India Rupees Two Hundred and Eight Million Only

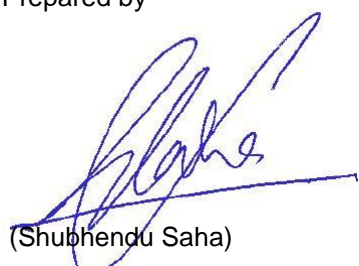
### Ready Reckoner Rate

Component	Rate
Built up Area	INR 5,797 per sq. ft.
Land Area	INR 1,932 per sq. ft.

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

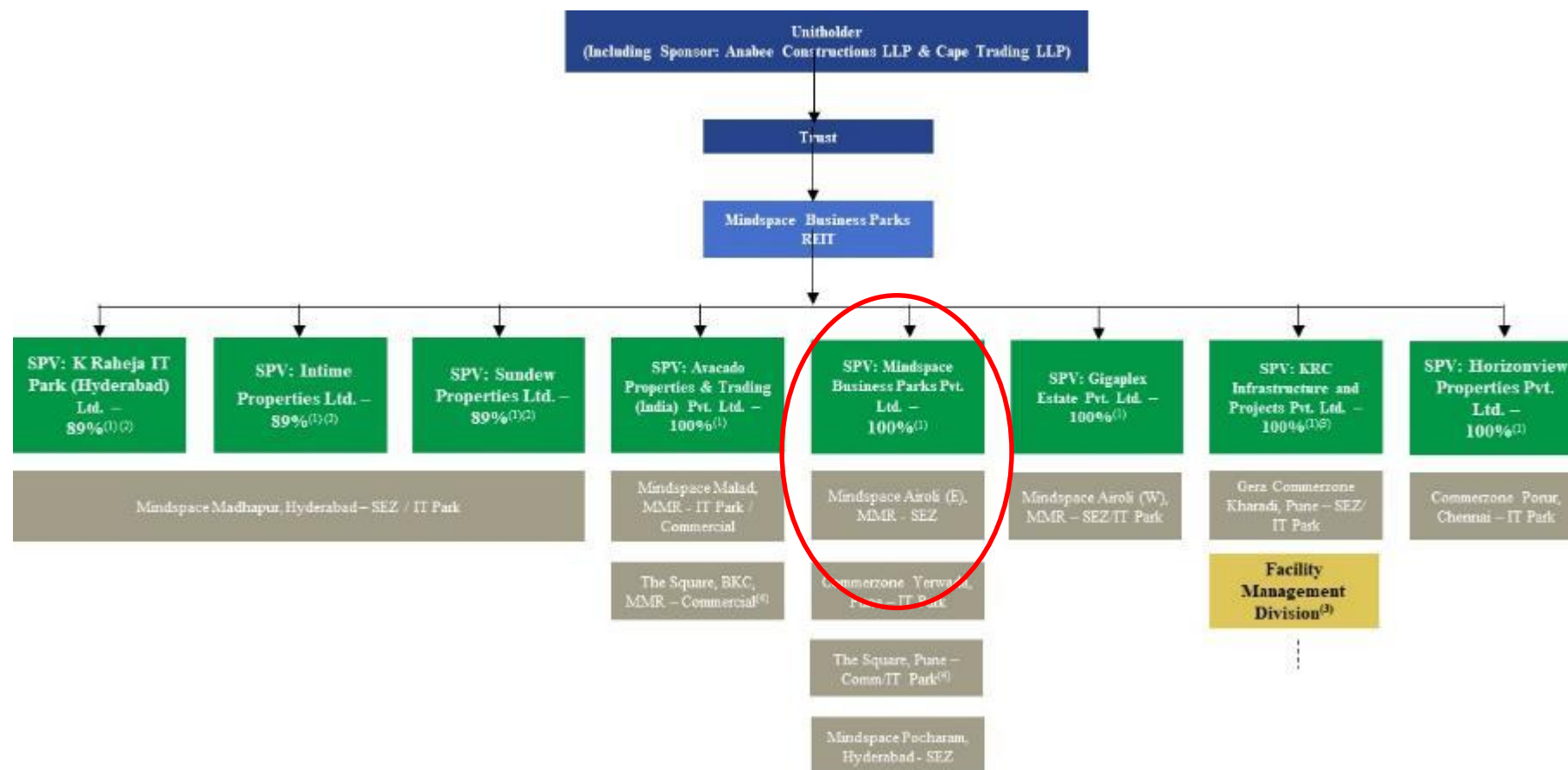
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

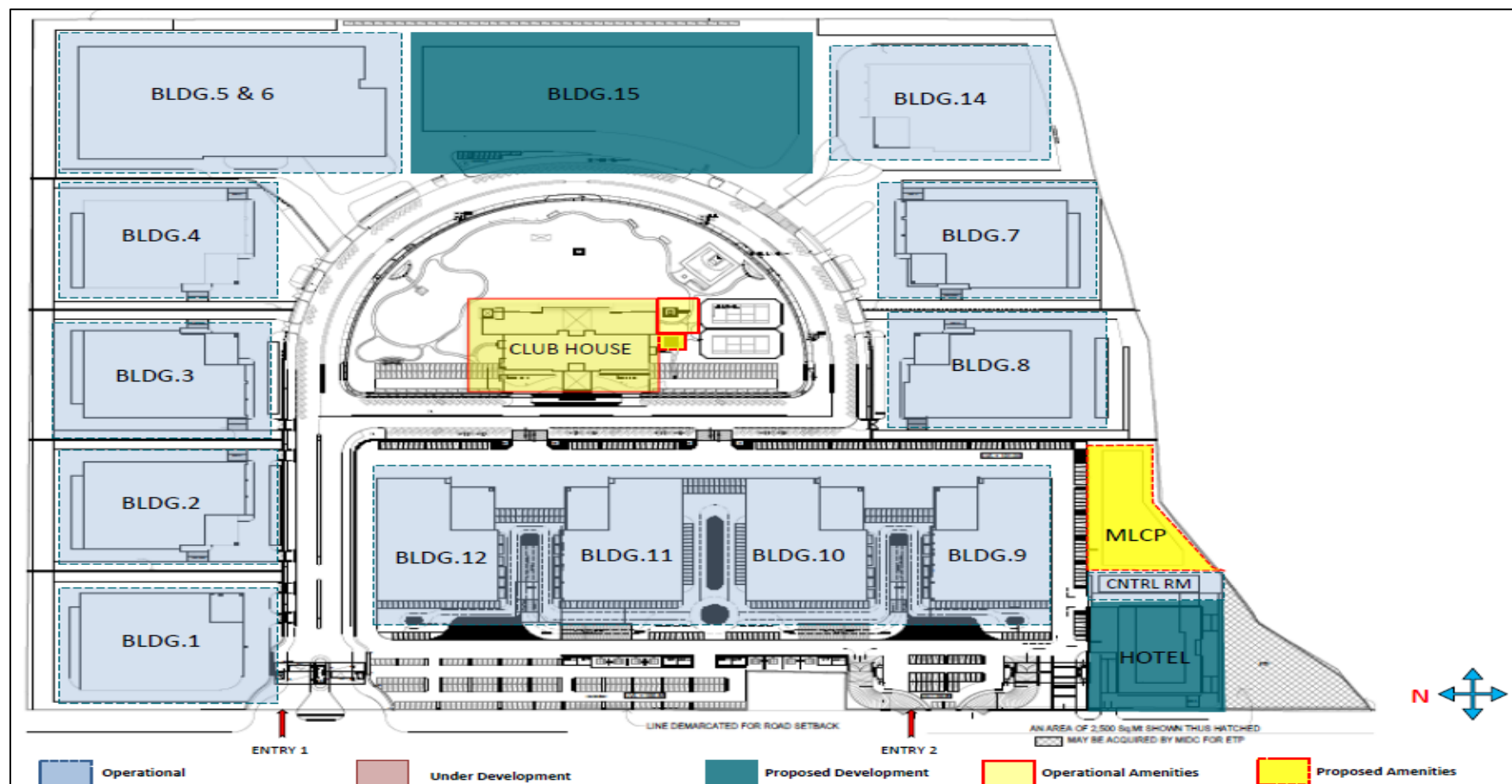


(Shubhendu Saha)

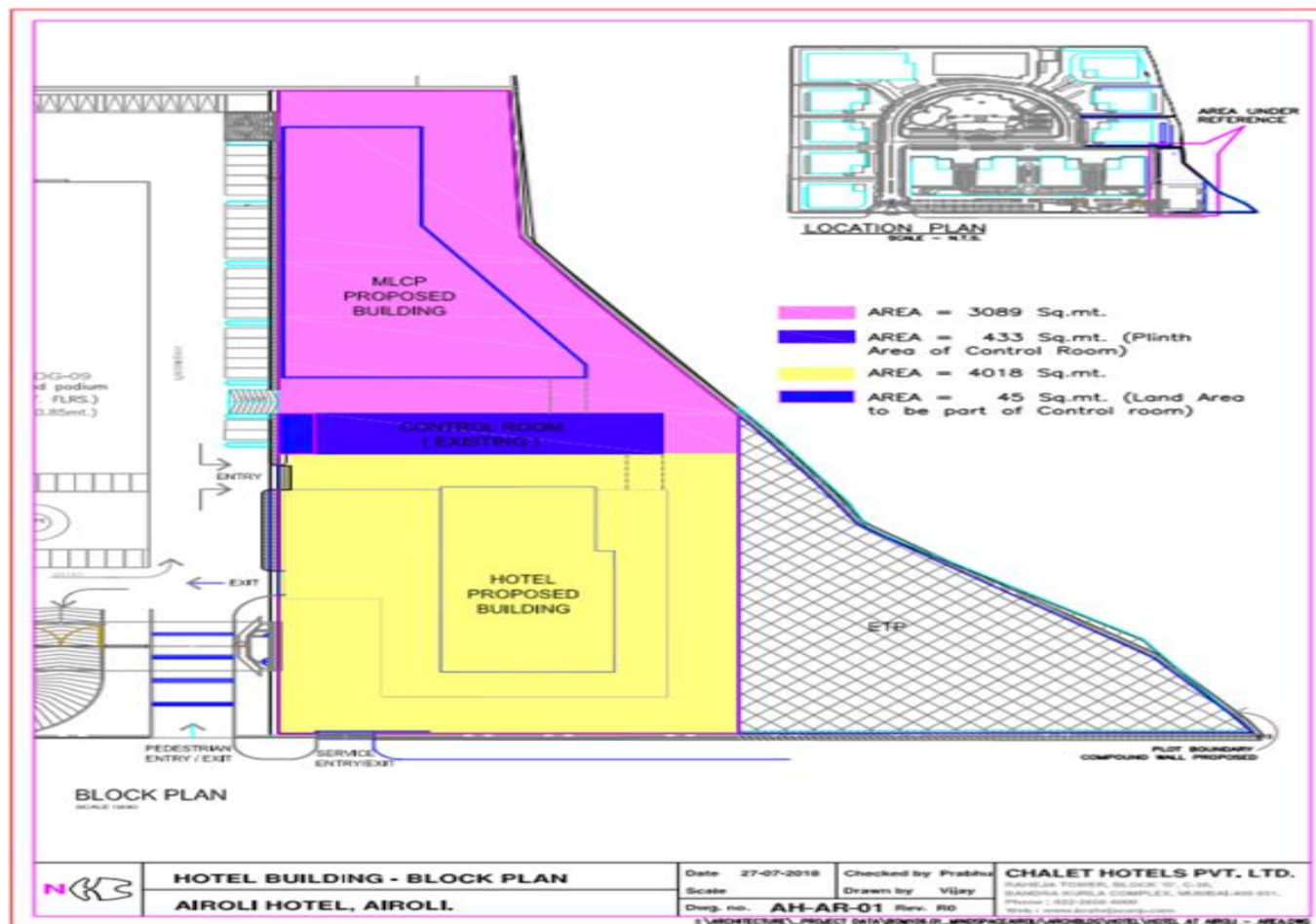
IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property****Note:**

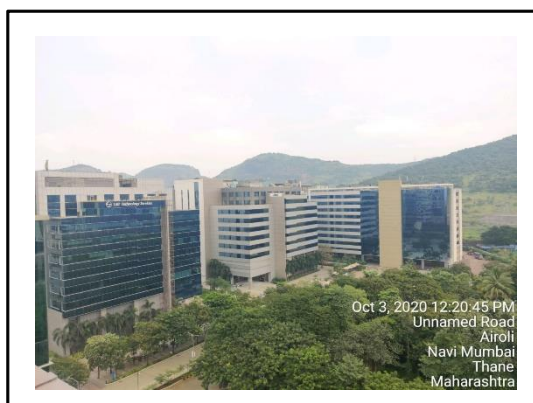
1. % indicate Mindspace REIT's proposed shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd

**Annexure 2: Property Layout Plan****Completed and Future Development Buildings**

## Future Development Land



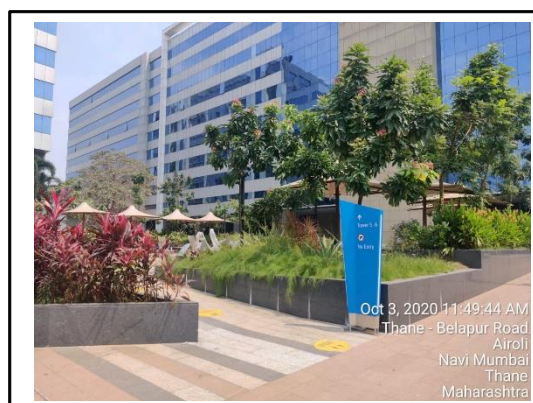


**Annexure 3: Property Photographs**

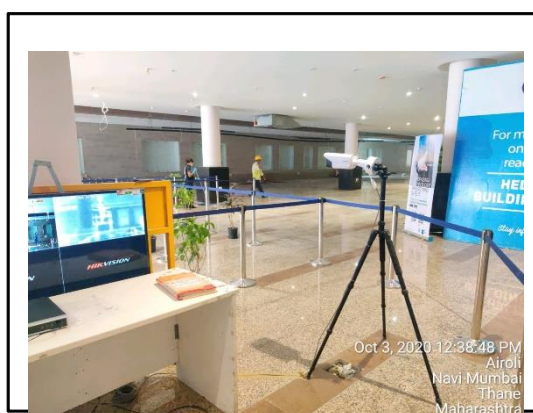
Business Park- Aerial View



Building 14



Building 5 &amp; 6

Building 15 – Proposed Development  
Land AreaCovid Protection Measures  
at Entrance Point

Club House

**Annexure 4: Statement of assets**

Complex	Name	Airoli MS												
Building	No. / Name	B1	B2	B3	B4	B5 & B6	B7	B8	B9	B10	B11	B12	B14	Club House
Floor	Nos	G+3 P+8	G+3 P+8	G+3 P+8	G+3 P+8	G+2 P+8		G+7	G+1 P+8	G+1 P+8	G+1 P+8	G+1 P+8	G+1 P+8	G+1
No of DG / Capacity	No. / KVA	4 x 1010	4 x 1010	2 x 1110	4 x 1010	4 x 2000	NA	2 x 1010 2 x 750	4 x 1010	4 x 1010	4 x 1110	4 x 1010	3 x 1010	Source given from Bldg 9
No of Transformers / Capacity	KVA	2Nos(2MV A each)	2Nos(2MV A each)	2Nos(2MV A each)	2Nos(2MV A each)	4Nos(2MV A each)	NA	2Nos (1.5MVA each)	2Nos(2MV A each)	2Nos(2MV A each)	2Nos(2MV A each)	2Nos(2MV A each)	2Nos(2MV A each)	Source given from Bldg 9
Chiller Rating	TR	W/C(325 TR *2 (275 TR *1) A/C(300TR *1)	W/C(258TR *2 (295TR*1) A/C 350TR*1	W/C(300.TR *1(250TR*2 ) (A/C 250TR)	W/C(300TR *3 (A/C350TR* 1)	W/C(600T R*3 (A/C 350TR*2)	NA	W/C280TR* 2(A/C300*1 )	W/C(450TR *2)A/C300T R*1)	W/C 50*2 (A/C350*1)	W/C(317TR *3 (A/C300TR* 1)	W/C550TR* 2(A/C451*1 )	W/C9300*3 (A/C300TR* 1)	Total 81 TR ductable unit
Cooling tower		3*370TR	3*320TR	3*400TR	3*410TR	3*702TR	Under Client scope	3*366TR	3*540TR	2*540TR	3*370TR	2*550TR	3*360TR	NA
FF System (Pumps) & Engine		6/1	6/1	6/1	6/1	6/1	Under Client scope	6/1	6/1	6/1	6/1	6/1	6/1	2/1
Water pumping system (Domestic & Flushing)		4-30HP/4-30HP	4-30HP/4-30HP	4-30HP/4-30HP	4-30HP/4-30HP	4-30HP/4-30HP	Under Client scope	2-15HP/3-22HP	2-15HP/2-15HP	2-15HP/2-15HP	2-15HP/2-15HP	2-15HP/2-15HP	4-30HP/4-30HP	
STP Rating	KLD	150	160	220	320	750	150	160	150	150	150	150	220	Nil
Warm Shell / Bare shell		Warm shell	Warm shell	Warm shell	Warm shell	Warm shell	Bare shell	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Building Approvals for all existing buildings and amendments thereof
- b) Full Occupancy Certificates received for all the existing/operational buildings
- c) Drainage Approvals for all buildings and the common campus area
- d) Approved master plan
- e) Environmental clearance for development and future development Building 15
- f) One-time Fire NOC and Form B for half year ending June 2019 for completed buildings
- g) Height clearance NOC from AAI
- h) Tree cutting NOCs
- i) SEZ Notification,
- j) MIDC Clearances
- k) Consent to Operate for all buildings
  - Renewals – B2, B3, B4, B5, B6, B7, B8, B14
  - Fresh CTO - B1, B9, B10, B11, B12
- l) Approved Master plan for Retail +Kiosk

**Approvals Pending**

- a) Fire NOC for Building 15
- b) Applied for partial denotification of the common building



**Annexure 6: Cash Flow Profile****Completed**

		1	2	3	4	5	6	7	8	9	10	11
Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	2,700.1	3,008.5	3,159.3	3,427.7	3,575.8	3,745.8	4,078.8	4,341.2	4,490.3	4,592.6	5,107.2
Parking Income	INR Million	9.5	9.7	10.2	10.5	11.2	11.5	12.4	12.5	13.0	14.3	16.4
O&M income	INR Million	622.6	679.3	713.3	749.0	786.4	825.7	867.0	910.4	955.9	1,003.7	1,053.9
Power income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Other operating income	INR Million	27.0	30.1	31.6	34.3	35.8	37.5	40.8	43.4	44.9	45.9	51.1
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Total Income	INR Million	3,359.2	3,727.6	3,914.4	4,221.4	4,409.2	4,620.5	4,999.0	5,307.6	5,504.2	5,656.5	6,228.5
Total Income from occupancy	INR Million	3,359.2	3,727.6	3,914.4	4,221.4	4,409.2	4,620.5	4,999.0	5,307.6	5,504.2	5,656.5	6,228.5
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(519.4)	(545.3)	(572.6)	(601.2)	(631.3)	(662.8)	(696.0)	(730.8)	(767.3)	(805.7)	(846.0)
Power expense	INR Million	-	-	-	-	-	-	-	-	-	-	-
Insurance Cost	INR Million	(10.3)	(10.6)	(11.0)	(11.3)	(11.6)	(12.0)	(12.3)	(12.7)	(13.1)	(13.5)	(13.9)
Property Taxes	INR Million	(94.5)	(97.3)	(100.2)	(103.2)	(106.3)	(109.5)	(112.8)	(116.2)	(119.7)	(123.3)	(127.0)
Total Operating Costs	INR Million	(624.1)	(653.3)	(683.8)	(715.7)	(749.2)	(784.3)	(821.1)	(859.7)	(900.1)	(942.4)	(986.8)
Net operating Income	INR Million	2,735.0	3,074.4	3,230.6	3,505.7	3,660.0	3,836.2	4,177.9	4,447.9	4,604.1	4,714.1	5,241.7
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	65,521.5	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(655.2)	
Fit Out Income	INR Million	16.0	14.0	14.0	14.0	13.7	11.6	8.9	-	-	-	
Total Net income	INR Million	2,751.0	3,088.4	3,244.7	3,519.7	3,673.7	3,847.8	4,186.7	4,447.9	4,604.1	69,580.3	
Property Mangement Fees	INR Million	(96.3)	(107.2)	(112.5)	(122.0)	(127.3)	(133.2)	(144.9)	(153.9)	(159.2)	(162.8)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(54.2)	(60.4)	(63.4)	(68.8)	(71.7)	(75.1)	(81.8)	(87.1)	(90.1)	(92.1)	
Brokerage Expenses	INR Million	(46.2)	(20.3)	(45.3)	(33.7)	(29.5)	(11.6)	(52.7)	(13.2)	(32.8)	(117.9)	
Capital expenditure - upgradation	INR Million	(559.8)	(595.7)	(142.9)	-	-	-	-	-	-	-	
Net Cashflows	INR Million	1,994.5	2,304.9	2,880.6	3,295.3	3,445.1	3,627.9	3,907.3	4,193.7	4,322.0	69,207.4	

## Under-Construction

## Building 15

Particulars	Unit	1	2	3	4	5	6	7	8	9	10	11
		30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	-	-	-	268.5	646.9	705.4	737.1	770.3	805.0	841.2
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	-	-	5.3	77.0	137.6	144.4	151.7	159.2	167.2	175.6
Other operating income	INR Million	-	-	-	-	2.68	6.47	7.05	7.37	7.70	8.05	8.41
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	-	-	-	5.3	348.1	790.9	856.9	896.2	937.3	980.2	1,025.2
<b>Total Income from occupancy</b>	<b>INR Million</b>	-	-	-	5.3	348.1	790.9	856.9	896.2	937.3	980.2	1,025.2
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	-	-	(26.2)	(67.4)	(98.9)	(118.3)	(124.2)	(130.4)	(137.0)	(143.8)
Insurance Cost	INR Million	-	-	-	(0.97)	(1.98)	(2.03)	(2.10)	(2.16)	(2.22)	(2.29)	(2.36)
Property Taxes	INR Million	-	-	-	(8.9)	(18.1)	(18.6)	(19.2)	(19.7)	(20.3)	(21.0)	(21.6)
<b>Total Operating Costs</b>	<b>INR Million</b>	-	-	-	(36.0)	(87.4)	(119.6)	(139.6)	(146.1)	(153.0)	(160.2)	(167.7)
<b>Net operating Income</b>	<b>INR Million</b>	-	-	-	(30.7)	260.7	671.3	717.3	750.0	784.3	820.0	857.4
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	10,717.9	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(107.2)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	-	-	-	(30.7)	260.7	671.3	717.3	750.0	784.3	11,430.8	-
Property Mangement Fees	INR Million	-	-	-	-	(9.5)	(22.9)	(24.9)	(26.1)	(27.2)	(28.5)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	-	-	-	(5.4)	(12.9)	(14.1)	(14.7)	(15.4)	(16.1)	-
Brokerage Expenses	INR Million	-	-	-	(17.7)	(73.0)	(18.8)	-	-	-	-	-
<b>Net Cashflows before construction cost</b>	<b>INR Million</b>	-	-	-	(48.4)	172.8	616.7	678.3	709.2	741.6	11,386.2	-
Construction Cost	INR Million	-	(1,131.1)	(1,448.6)	(1,041.8)	-	-	-	-	-	-	-
FSI Approval	INR Million	(475.0)	-	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	(475.0)	(1,131.1)	(1,448.6)	(1,090.3)	172.8	616.7	678.3	709.2	741.6	11,386.2	-

## High Street

		1	2	3	4	5	6	7	8	9	10	11
Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	-	16.4	39.3	42.8	44.7	46.8	48.9	51.1	53.4	56.1
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	0.3	4.4	7.8	8.2	8.6	9.0	9.5	10.0	10.5	11.0
Other operating income	INR Million	-	-	0.16	0.39	0.43	0.45	0.47	0.49	0.51	0.53	0.56
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Total Income	INR Million	-	0.3	20.9	47.5	51.4	53.8	56.3	58.8	61.5	64.3	67.6
Total Income from occupancy	INR Million	-	0.3	20.9	47.5	51.4	53.8	56.3	58.8	61.5	64.3	67.6
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	(1.5)	(3.9)	(5.7)	(6.8)	(7.0)	(7.4)	(7.8)	(8.2)	(8.6)	(9.0)
Insurance Cost	INR Million	-	(0.06)	(0.12)	(0.12)	(0.12)	(0.13)	(0.13)	(0.13)	(0.14)	(0.14)	(0.1)
Property Taxes	INR Million	-	(0.5)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)
Total Operating Costs	INR Million	-	(2.1)	(5.0)	(6.9)	(8.0)	(8.3)	(8.7)	(9.1)	(9.6)	(10.0)	(10.5)
Net operating Income	INR Million	-	(1.8)	15.8	40.6	43.4	45.5	47.5	49.7	52.0	54.3	57.1
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	714.0	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(7.1)	
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	
Total Net income	INR Million	-	(1.8)	15.8	40.6	43.4	45.5	47.5	49.7	52.0	761.2	
Property Mangement Fees	INR Million	-	-	(0.6)	(1.4)	(1.5)	(1.6)	(1.7)	(1.7)	(1.8)	(1.9)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	-	(0.3)	(0.8)	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)	(1.1)	
Brokerage Expenses	INR Million	-	(1.1)	(4.4)	(1.1)	-	-	-	-	-	-	
Net Cashflows before construction cost	INR Million	-	(3)	10.5	37	41	43	45	47	49	758	
Construction Cost	INR Million	(150.0)	(150.0)	-	-	-	-	-	-	-	-	
Net Cashflows	INR Million	(150.0)	(152.8)	10.5	37.3	41.0	43.0	44.9	47.0	49.1	758.2	

**Power Business**

Profit & Loss Statement	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31	30-Sep-32	3-Nov-32
Revenue	524	540	564	589	615	643	672	704	737	772	809	848	79
EBITDA	65	57	55	52	50	48	45	43	41	39	36	34	3

*Note: The license of power business will expire on 03 November 2032*

**Annexure 7: Ready Reckoner Rate and MIDC Land Rate****Ready Reckoner Rate**

Year	Annual Statement of Rates							
2020/2021								
Selected District	ठाणे							
Select Taluka	ठाणे							
Select Village	गावाचे नाव : ऐरोली							
Search By	<input checked="" type="radio"/> Survey No <input type="radio"/> Location							
Enter Survey No	145							Search
उपविभाग	खुली जमीन	निवासी सदनिका	ऑफ़ीस	दुकाने	औद्योगिक	एकक (Rs./)	Attribute	
1/54-ऐरोली नोड दिवे (उत्तर भाग)	20800	53400	62400	75600	62400	चौ. मीटर	सर्व्हे नंबर	

**MIDC Land Rate**

**परिशिष्ट अ**  
**औद्योगिक क्षेत्राचे दर**

अ.क्र.	औद्योगिक क्षेत्राचे नांव	ग्रुप स्कॉम- २००७ नुसार वर्गीकरण	औद्योगिक दर प्रति चौ.मी.	निवासी दर प्रति चौ.मी.	व्यापारी दर प्रति चौ.मी.
१	२	३	४	५	६
	<b>मुंबई विभाग (मुंबई प्राधिकरण विभाग)</b>				
	<b>मुंबई उपनगर जिल्हा</b>				
१	मरोळ (एम.एम.आर.-१)	अ	४९,९४०	-	१,४९,८२०
	<b>ठाणे जिल्हा</b>				
२	ठाणे	अ	२२,४००	४४,७९५	६७,१००
३	मिरा (एम.एम.आर. झोन-१)	अ	१४,६३०	-	४३,८९०
४	अ) टी.टी.सी. (एम. एम. आर. झोन-२)	अ	२२,८२५	-	६८,४७५
५	ब) टी.टी.सी. (इलेक्ट्रॉनिक्स झोन- माहिती तंत्रज्ञान उद्यान)	अ	२२,८२५	-	६८,४७५
६	क) ऐरोली नॉलेज पार्क	अ	२२,८२५	-	६८,४७५
७	खादा (एकाकी), नरुळ (एकाकी) खारघर (एकाकी), कामोटे (एकाकी)	अ	Isolated Plots are allotted. The Transfer will have to be permitted as per CIDCO'S rate from the adjacent Plots		

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP** (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services or an independent validation of the projections. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.

3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is bona-fidely believed to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum not exceeding the total fees paid for each instruction accepted. C&WI, unless specifically mentioned otherwise in the main report. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report:**

## **Mindspace Airoli West, Mumbai Region**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**



## Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*





*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

### Mindspace Airoli West, Mumbai Region

<b>Valuation Date:</b>	30 September 2020	   
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property Mindspace Airoli West (hereinafter referred to as the Subject Property) is located at Airoli, located within Thane Belapur Road micro market is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp Group, Reliable Group, Loma Group etc. The micro market is strategically located in rapidly growing city of Navi Mumbai with proximity to the residential areas. It also houses prominent tenants such as Accenture, UBS, IBM, etc.	
<b>Description:</b>	<p>Mindspace Airoli West is a Grade A, SEZ and IT Park located in Navi Mumbai. The Subject Property has two components i.e. a completed component and an under-construction component.</p> <p><b>Completed Buildings – Building 1, 2, 3, 4, 5, 6 and Centre Court</b></p> <p>The completed buildings collectively admeasure ~3.5 Million sq. ft. of leasable area. Of which 5 of them are SEZs whereas 1 building is a non-SEZ building. The non-SEZ building is located at the entrance of the Subject Property and remaining five buildings have an entry through a secured gate.</p> <p><b>Under-Construction – Building 9</b></p> <p>The under construction building 9 is an SEZ building admeasuring ~ 1,033,590 sq. ft. of leasable area and will be 14 floors tall. The building is expected to be completed in two phases, Phase 1 by Q4 FY 2020-2021 and Phase 2 by Q1 FY 2021-2022. The company has applied for denotification of this SEZ building. Post the approval, this building will be Non-SEZ.</p> <p>The future development land area admeasures 16.45 acres.</p>	
<b>Total Area:</b>	<p>Total Plot Area: 50<sup>1</sup> Acres</p> <p>Completed Building Leasable Area - 3,464,026 sq. ft.</p> <p>Under Construction Leasable Area – 1,033,590 sq. ft.</p> <p>Future Development Land – 16.45 acres</p> <p>Total - 4,497,616 sq. ft.</p>	

### MARKET VALUE OF THE SUBJECT PROPERTY BASED ON

Component	Market Value as on	In Figures	In Words
Completed Buildings (inclusive of power distribution business)	30 September 2020	INR 29,178 Million	India Rupees Twenty-Nine Billion One Hundred and Seventy- Eight Million Only
Under Construction/ Future Development	30 September 2020	INR 5,967 Million	India Rupees Five Billion Nine Hundred and Sixty-Seven Million Only

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT/ITeS SEZ and IT Park christened “Mindspace Airoli West” located at Thane Belapur Road, Navi Mumbai

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property.

These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Property (other than the portions of future development area part or whole of which may be considered for sale), Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.



This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext

of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B MUMBAI REGION CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Mumbai Region City Overview

Particulars	Mumbai Region- Overall	CBD	Andheri and Powai	*Thane Belapur Rd	*Malad - Goregaon	Worli - Lower Parel	*BKC & Annex	Thane	Central Suburbs	Eastern Suburbs	Vashi & Others
Total completed stock Q3 2020 (msf)	94.7	2.1	20.7	14.2	13.5	10.2	9.5	9.8	5.6	5.5	3.7
Current occupied stock Q3 2020 (msf)	77.1	1.9	17.1	11.9	11.1	8.1	8.1	8.4	3.6	4.8	2.2
Current Vacancy Q3 2020 (%)	18.6%	6.8%	17.1%	16.4%	18.0%	20.4%	15.1%	14.1%	36.6%	13.3%	41.3%
Avg. Annual Absorption - 2015 – Q3 2020 (msf)	4.4	0.01	0.6	0.8	0.5	0.3	0.5	0.9	0.3	0.3	0.2
Future Supply – Q4 2020 – 2022 (msf)	13.0	-	0.7	4.0	2.3	2.5	1.0	1.1	0.2	0.5	0.8
Market Rent – Q3 2020 (INR psf / month)	135.7	230.4	133.6	61.6	118.5	197.3	274.4	69.2	143.5	125.8	94.4

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District. \*Mindspace REIT's micro markets.

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders

Mumbai is India's financial and commercial capital. The presence of vibrant capital and money markets makes the city the first choice of entry for financial services firms. Mumbai houses the headquarters of major corporates & financial institutions such as ICICI Bank, HDFC Bank, Life Insurance Corporation of India, etc. India's main stock exchanges & capital market and commodity exchanges (National Stock Exchange – NSE, Bombay Stock Exchange – BSE and Multi Commodity Exchange – MCX) are also located in Mumbai. It is also home to Bollywood, the Indian Television and Film Industry.

The key drivers of demand for office space in Mumbai Region are as follows:

- **Financial capital and Services hub:** Mumbai which is referred as India's financial capital and houses corporate head offices of many Indian banks. It is also home to global consultancy firms, legal and professional services, media houses, accounting professionals, etc.
- **Global In-house Centers/ Global Capability Centers:** Mumbai is a hub for Global In-house centers (GICs) / Capability centers (GCCs) of many Investment Banks mainly from the North American and European markets such as Deutsche Bank, Bank of America, JP Morgan, etc.
- **Social Infrastructure:** Mumbai has established educational institutions and colleges, Malls, Hospitals and hotels
- **Transport infrastructure:** Mumbai is well connected via road with availability of infrastructure like the Eastern Express Highway, Western Express Highway, Eastern Free Way, Bandra-Worli Sea Link, etc. It also provides good railway connectivity with three railway lines, an operational metro line and a mono rail line. Mumbai is also well connected via air with other cities in India and other global cities with the help of 2 operational passenger terminals (Domestic and International) and one cargo terminal at Chhatrapati Shivaji Maharaj International Airport.
- **Ongoing/Planned infrastructure projects:** Key initiatives include multiple metro lines, various road projects (proposed 29 km Coastal Road, Mumbai Trans Harbour Link, Goregaon Mulund Link Road), monorail and the Navi Mumbai International airport.

## 2 Mindspace REIT's Micro-Markets (Thane Belapur Road)

### 2.1 Overview

Navi Mumbai was developed in 1972 as a twin city of Mumbai and is one of the largest planned cities in the world. Navi Mumbai lies on the mainland on the eastern seaboard of Thane Creek. The city limits stretch from Airoli near Thane in the north, to Uran in the south. Navi Mumbai has seen establishment of key industries and companies since late 1990s. CBD Belapur witnessed establishment of BFSI regional presence with offices of RBI, SBI and various other public sector banks. Over the last decade, Navi Mumbai has become an established corridor with large commercial and IT developments which consists of a mix of Indian and multinational tenants.

Thane-Belapur Road micro market has been one of the key markets for Mindspace REIT in the Mumbai Region. Mindspace REIT has two SEZ & IT Park assets in the micro-market: Mindspace Airoli East and Mindspace Airoli West. The assets are located in among the best performing micro markets and are distinguished by scale and infrastructure and is well positioned in the micro-market, with proximity to major business, social and transportation hubs. This is a key differentiating factor, given an increasing focus by corporate occupiers on the ease of commute for their employees.

Rapid development of residential real estate & establishment of new growth vectors such as Belapur, Panvel, Palm Beach Road etc. has led to a successful establishment of Thane Belapur Road as a micro market. The Thane Belapur stretch has emerged as the preferred location for office tenants because of its proximity to the large residential catchment areas of Thane and Navi Mumbai, affordable rent and robust connectivity. Thane Belapur Road is presently connected to Mumbai and other parts of the country by a multi – modal integrated transport system such as expressways, highways and railways. A world-class international airport being developed in Navi Mumbai with a planned capacity of 60 million<sup>2</sup> is expected to improve direct domestic and international connectivity and drive office demand further; Mindspace Airoli assets are the closest high quality, large scale parks to the proposed airport site.

The Thane - Belapur stretch which includes Airoli, Ghansoli, Juinagar, Mahape and Rabale, today is one of the major roads that passes through the Navi Mumbai Municipal Corporation (NMMC) area. It is a major link road between the old Mumbai – Pune highway (NH4) and Sion – Panvel Expressway. With ample supply of A grade IT buildings such as Mindspace Airoli, Reliance Corporate Park, Mindspace Airoli West, etc. Thane Belapur Road has emerged as an established hub for office sector. The micro-market contributes approximately 15.0% of the office stock of Mumbai Region as of Q3 2020. The micro market has seen sustained interest due to large scale developments, competitive rentals to most other Technology led office markets and proximity to the requisite talent pool. Supply

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<sup>2</sup> [https://cidco.maharashtra.gov.in/navi\\_mumbai\\_airport](https://cidco.maharashtra.gov.in/navi_mumbai_airport)

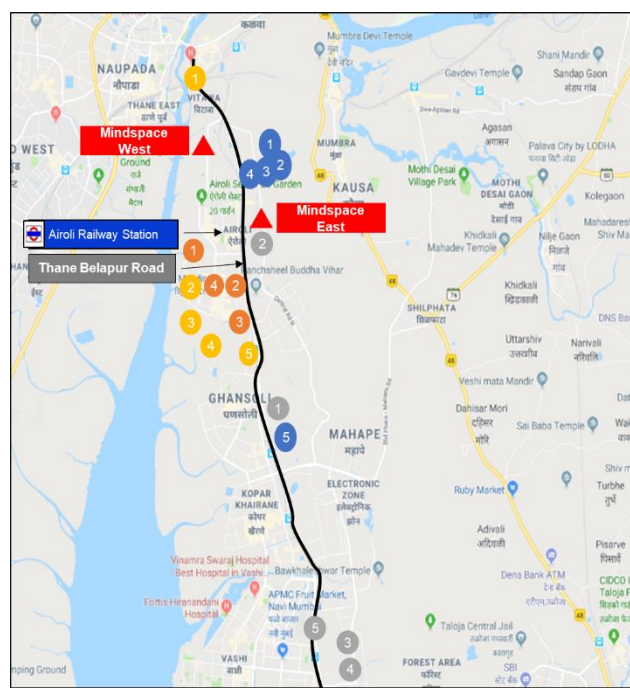
of space for IT and IT related activities has increased tremendously in this market leading to high vacancy levels.

Airoli which is present on the Thane-Belapur Stretch transformed after the development of Airoli-Mulund bridge. It is well-linked to various developed areas of Mumbai and a number of hotels, schools, banks and hospitals via an excellent network of railways and roadways. The micro market is witnessing an increase in population in recent years, owing to its proximity to various employment hubs and offices.

Mindspace Airoli West is a Grade-A, leasehold business park located in the Mumbai Region, Maharashtra. Mindspace Airoli East is a Grade-A, leasehold business park that has established itself as the “new age district” for the rapidly growing IT/ITeS services, housing the leading IT and fintech companies. Mindspace Airoli East is amongst the largest business parks in Thane Belapur Road micro market with best-in-class infrastructure and amenities catering to the needs of “new age businesses”. The park is well positioned within Navi Mumbai and is in proximity to Airoli Railway Station and the upcoming international airport.

With large scale campus style commercial development, the Thane Belapur Road has emerged as the hub for office tenants in technology and financial services. With campus style development, high-speed connectivity through next-door railway stations and limited number of office parks with comparable scale, Mindspace REIT's assets have emerged as one of the preferred location of choices.





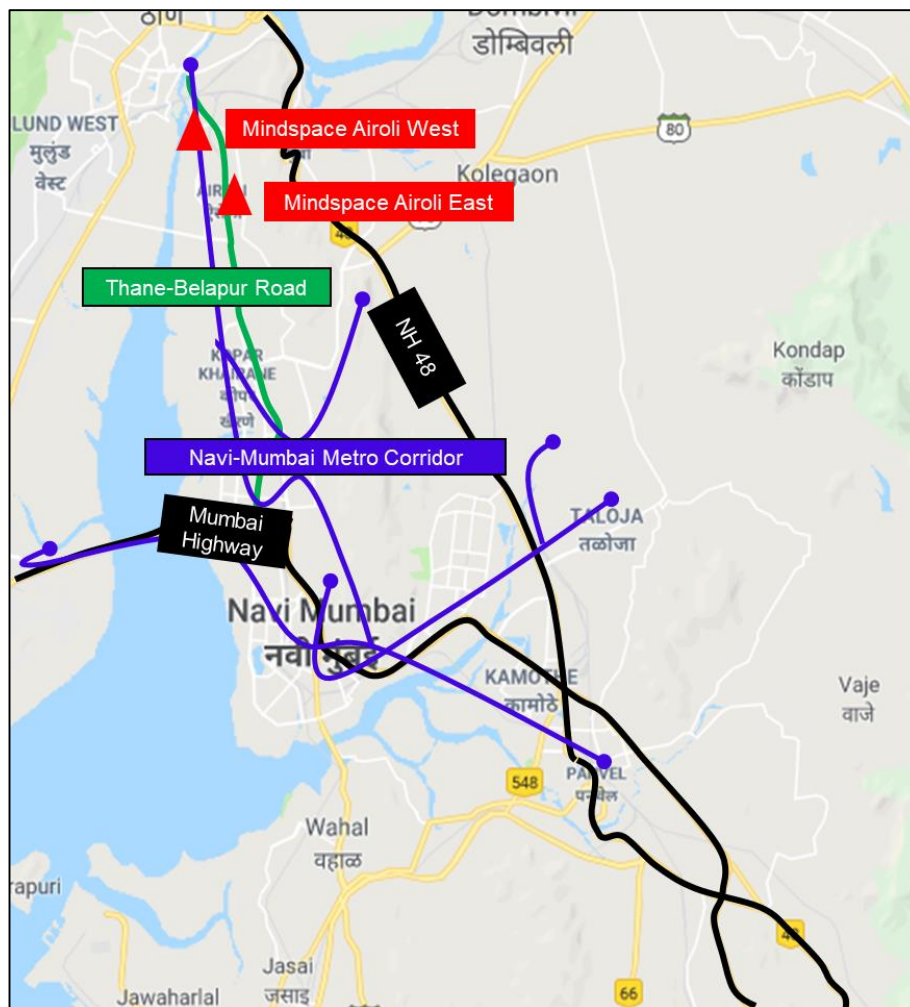
(Map not to Scale)

● Key Office Developments 
 ● Social Infrastructure 
 ● Lifestyle Infrastructure 
 ● Proposed Development

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Empire Tower	1. Jai Bhagwan College	1. Smokin Joes (*QSR)	1. Aurum Q Park 2
2. Reliable Tech Park	2. National Burns Hospital	2. The Mint Leaf (*QSR)	2. Mindspace Airoli West, Tower 9
3. Liberty Tower	3. DAV Public School	3. Hotel Golden Crest	3. Rupa Renaissance
4. Reliable Tech Plaza	4. Apple Hospital	4. Mc Donalds	4. Mindspace Juinagar building 3
5. Aurum Q Park 1	5. St. Xavier's High School		5. Arihant Aura-Tower C

\*QSR stands for Quick Service Restaurant

## 2.2 Existing and Upcoming Infrastructure



(Map not to Scale)

The Thane-Belapur micro market is well connected with Navi Mumbai by the Thane-Belapur Road and Panvel Road. The upcoming Navi Mumbai metro corridor which has 4 corridors will together provide good connectivity from Airoli to Panvel. The upcoming Navi Mumbai International Airport will also result in substantial demand for commercial, hospitality and residential real estate.

## 2.3 Key Statistics

Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 14.2 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 11.9 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 16.4%
<b>Avg. Absorption (2015 – Q3 2020)</b>	Approximately 0.8 msf
<b>Future Supply (Q4 2020 – 2022)</b>	Q4 2020: Approximately 0.0 msf 2021: Approximately 3.4 msf 2022: 0.7 msf

Source: Cushman & Wakefield Research

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

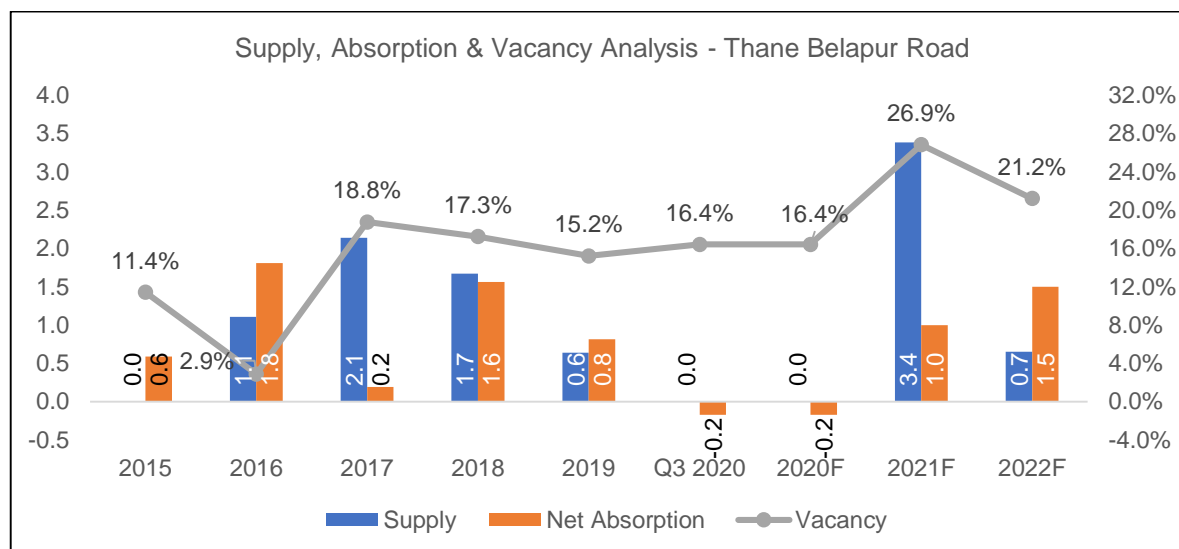
## 2.4 Supply, Absorption & Vacancy

Owing to the growth of technology sector in India, the commercial space demand has also increased, the effect of which can be witnessed in the Thane Belapur Road micro market. Further, due to enhanced connectivity, premium quality developments, availability of integrated parks with larger floor plates and relatively affordable rentals, the micro market is also witnessing an increasing traction from BFSI companies. Absorption in Thane Belapur Road has been a function of supply over the past few years, with average absorption of ~0.8 msf per year (2015 – Q3 2020). 58% of the stock as on Q1 2020 in Thane Belapur Road micro market belongs to Mindspace REIT assets; Mindspace Airoli East and Mindspace Airoli West.

~4.0 msf of supply is expected to be delivered by the year 2022, of which ~1.0 msf belongs to the REIT assets. Due to the outbreak of Covid-19 and the challenges faced by the commercial real estate sector, we expect a delay in completion of commercial projects. Vacancy in the Thane Belapur market is witnessing a declining trend and stood at 15.2% as of 2019. Owing to challenges faced by commercial real estate sector due to COVID-19, the vacancy increased marginally to 16.4% as of Q3 2020. However, vacancy is expected to increase further in 2021 before reducing to 21.2% by 2022.

Mindspace REIT assets enjoy approximately 620 bps lower vacancy in comparison to the rest of the market in Q3 2020 (comprising of strata buildings with fewer amenities and smaller floor plates which are unsuitable for large tenants).

The following graph represents supply, net absorption and vacancy levels in Thane-Belapur Road micro-market (2015-2022F):



Source: Cushman & Wakefield Research

Note: 1. Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

2. Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

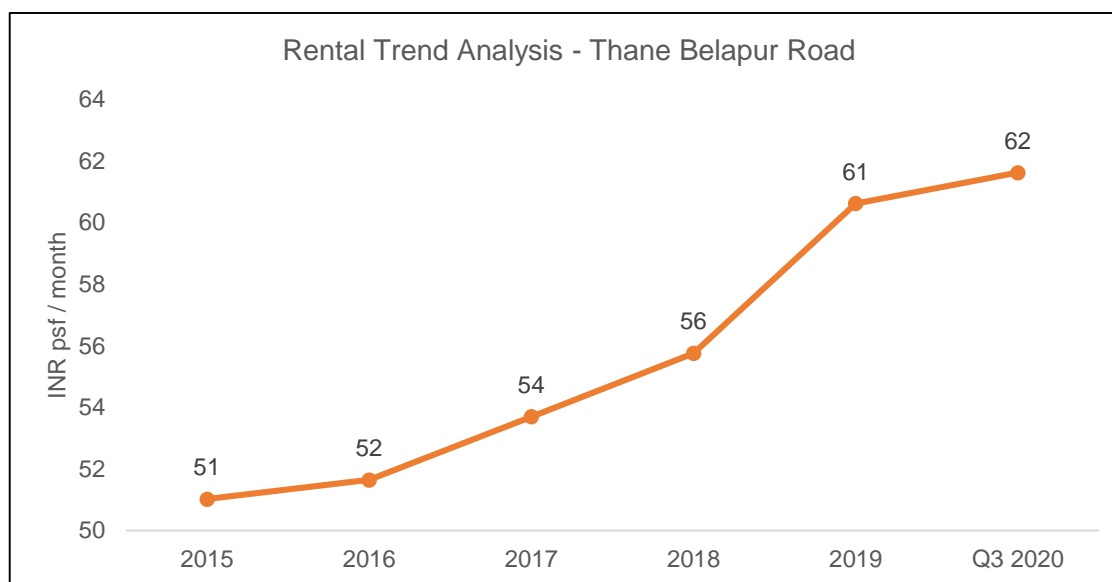
3. Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

## 2.5 Rental Trend Analysis

Thane Belapur rents have seen an increasing trend since the year 2015 with a CAGR of 4.1% for the time period 2015 – Q3 2020. This is primarily due to increasing traction from tenants of sectors like technology, BFSI, Healthcare & Pharmaceutical etc. on the back of sustained demand /supply dynamics. Availability of affordable rentals when compared to Mumbai region, enhanced connectivity and larger floor plates also acted as a catalyst to the increasing rentals in this micro market.

However, because of abundant supply coupled with limited traction, the rentals have not witnessed a significant increase from the 2019 levels and stand at INR 62 psf / month as of Q3 2020. Further, due to the pandemic of Covid-19, we understand that the rentals shall remain stagnant in the near term.

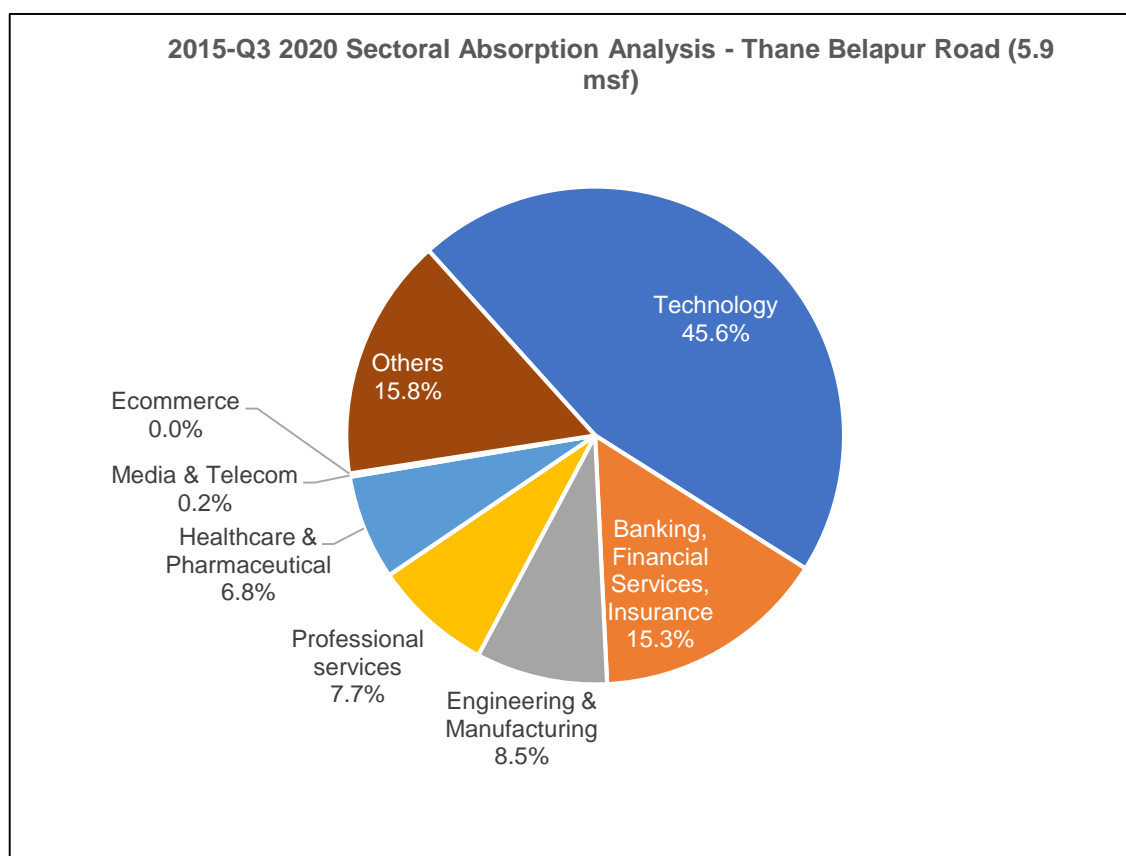
The following graph depicts the rental trend in Thane-Belapur Road micro-market (2015-Q3 2020):



Source: Cushman & Wakefield Research,

Note: The rentals are basis the prevailing quotes in the micro market. Actual achievable rent may vary +/- 10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.6 Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Automobile, Education, Flexible Workspaces, Hospitality, Logistics & Shipping, Oil & Gas, Research & Analysis, Food & Beverage, Real Estate & Related Services, etc. The sectoral absorption analysis is based on gross absorption activity of micro market i.e. including any relocations, consolidations etc.

Thane Belapur Road micro market has witnessed an increased traction from Technology sector which contributed to 45.6% of the leasing activity in the years 2015 – Q3 2020. The tenants are attracted to this micro market due to availability of larger floor plates, affordable rentals and enhanced connectivity. The technology occupiers in this micro market are involved in the activities of software developments, Research and Development etc. This micro market is also gradually witnessing traction from BFSI sector with prominent tenants such as Yes Bank, ICICI, etc. moving to this micro market recently. BFSI sector contributed 15.3% to the leasing activity in 2015 – Q3 2020.

## 2.7 Market Outlook

According to the market assessment report of Cushman & Wakefield current market rentals in the Thane Belapur micro market are in the range of INR 50-60 psf / month which is broadly in line with the recent leases signed in the Subject Property. Further over 2015-Q3 2020 the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market and the upcoming Navi Mumbai International Airport and Metro Corridor will have a positive impact on the rentals, annual growth rate of 5-6% in the market rentals appears achievable.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long-term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the markets commercial real estate markets are likely to attain its long term growth trajectory.

## **C      PROPERTY REPORT**



## 1 Address, ownership and title details of Subject Property

Address:	Plot IT - 5, Airoli Knowledge Park, Airoli and Dighe Special Economic Zone, Thane – 400710
Ownership & title details:	Underlying land is on leasehold basis from MIDC; the buildings thereupon are owned by the proposed Mindspace REIT

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani and Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

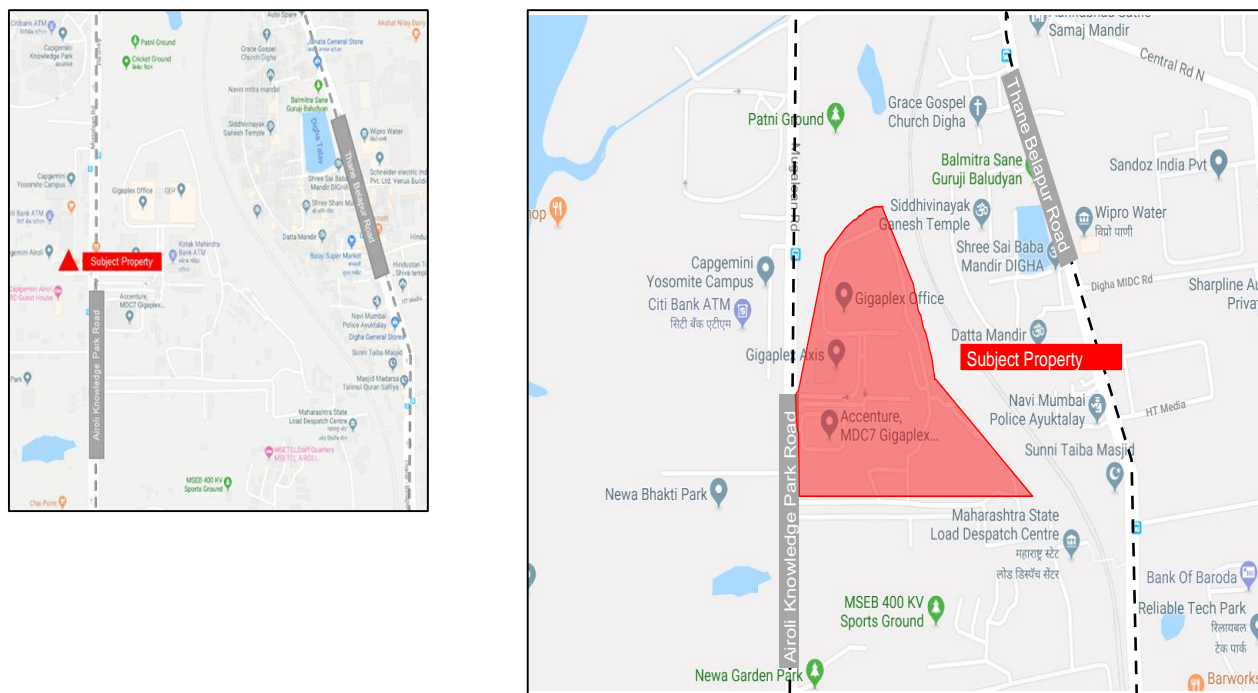
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

Subject property comprises operational and completed buildings 1, 2, 3, 4, 5 & 6 and under construction building 9 (hereinafter referred to as Subject Property), which are part of Mindspace IT park located in Airoli West, Navi Mumbai. Mindspace, is spread over 50 acres comprising SEZ and Non-SEZ office space. It enjoys good accessibility and connectivity with other parts of the city. The Subject Property also has two operational food courts namely Megabite and Gigabite. There are 3 private dining rooms (PDRs) also available to the employees with a seating capacity of 10 to 15 people. The park also offers day-care facilities to the employees.

The location map of the Subject Property is set out below:



(Map not to scale)

The subject property is spread out over ~50 acres of land parcel leased from MIDC. Located on the Airoli Knowledge Park road, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land. Further, basis our perusal of the site map provided by the client, we noted that the land plot is slightly irregular in shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 3-4 kms from Airoli Railway Station
- Approximately 5-6 kms from Thane Railway Station
- Approximately 7-8 kms from Eastern Express Highway
- Approximately 22-23 kms from Mumbai International Airport

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from all locations of Mumbai-Navi Mumbai and MMR. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Mumbai where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

Mindspace Airoli West is a Grade A, IT Park located in Navi Mumbai, comprises of SEZ and Non-SEZ buildings. The Subject Property has two components i.e. a completed component and an under-construction component.

#### Completed Buildings – Building 1, 2, 3, 4, 5 and 6

The completed buildings collectively admeasure ~3.5 Million sq. ft of leasable area. Of the total 6 completed buildings, 5 of them are SEZs whereas 1 building is a non-SEZ building. The non-SEZ building is located at the entrance of the Subject Property and remaining five buildings have an entry through a secured gate.

The building wise break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
<b>Building 1</b>	409,661	Non-SEZ	Completed
<b>Building 2</b>	715,270	SEZ	Completed
<b>Building 3</b>	740,153	SEZ	Completed
<b>Building 4</b>	831,731	SEZ	Completed
<b>Building 5</b>	374,636	SEZ	Completed
<b>Building 6</b>	391,779	SEZ	Completed
<b>Centre Court</b>	796	SEZ	Completed

Source: Architect's Certificate, Rent Rolls, Lease Deeds/Leave and License Agreements

The IT park also has two operational food courts namely Megabite and Gigabite. These are located on the stilt level and podium level of the cluster of buildings 2, 3 and 4. There are 3 private dining rooms (PDRs) also available to the employees with a seating capacity of 10 to 15 people. The park also offers day-care facilities to the employees. The day care is operational from 6 am to 8 pm. The Subject Property also consists of a gaming zone open for employees.

#### Under-Construction/ Future Development – Building 9

Building 9 is an SEZ building admeasuring ~1,033,590 sq. ft. of leasable area and will be 14 floors tall. The building is expected to be completed in two phases, Phase 1 by Q4 FY 2020-2021 and Phase 2 by Q1 FY 2021-2022. The company has applied for denotification of this SEZ building. Post the approval, this building will be Non-SEZ

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	Gigaplex
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Gigaplex Estate Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 1 - 10 years and 1 month Building 2 - 3 years and 7 months Building 3 - 4 years and 10 months Building 4 - 2 years and 3 months Building 5 - 6 years and 6 months Building 6 - 5 years and 1 month Centre Court - 2 years 4 months
Asset type:	SEZ and IT Park with 1 Non-SEZ building
Sub-market:	Thane Belapur Road
Approved and existing usage:	Commercial Office/IT SEZ
Site Area (acres):	~50
Freehold/Leasehold:	The underlying land is taken on leasehold basis from MIDC
Leasable Area:	3.5 Million sq. ft.
Occupied Area:	2.5 Million sq. ft.
Occupancy (%) <sup>2</sup>	68.8%
Committed Occupancy (%) <sup>3</sup>	72.3%
Number of Tenants	28

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants out of the total area that has received OC
3. Committed occupancy also includes area which has been pre-leased to tenants.

**Under-construction Building**

Particulars	Details
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Gigaplex Estate Private Limited which will be 100% owned and controlled by the Mindspace REIT
Expected completion date of construction:	Building 9 Phase 1- March 2021 Building 9 Phase 2- June 2021
Asset type:	IT Park / IT SEZ
Approved Usage:	Commercial office
Leasable Area:	Building 9 - ~1.0 Million sq. ft.
Status of construction:	The under-construction building is planned as a Basement + 4 podiums + 14 office floors and had completed laying of roof slab till 10 <sup>th</sup> floor. The fire fighting, plumbing work, electrical and HVAC system work has started, according to the information shared at the site. It is expected that the building shall be completed by June 2021.
Approvals received and pending as on Valuation Date:	List of approvals detailed in Annexure 5

Source: Client information

The underlying land of the Subject Property is held as leasehold from Maharashtra Industrial Development Corporation (MIDC) with remaining tenure of 44 years. There is an option to renew the lease for another 90 years. Given that the purpose and obligations associated with lease of the underlying land has essentially been achieved, the likelihood of lease getting cancelled or not renewed at the end of the tenure is negligible. Thus, no specific adjustments are required to be made towards the legal tenure of underlying land's ownership.

**3.2 Property Inspection**

The Subject Property was visually inspected by the valuer and his authorised representatives. The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. No instances of any major logging or water accumulation was observed during the inspections. The utility areas also appeared well maintained, visually. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, cumulative expenditure towards Building 4 has been INR 2,172 Million till Q2 FY 2020-21. Also, remaining expenditure of INR 19 Million towards the same is planned to be incurred until Q3 FY 2020-21.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top ten tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

As of 30 September 2020, Subject Property has 14 tenants (for office space) which include companies like Axis Bank, Accenture, Atos India, Capgemini, UBS, Alight, etc. The Subject Property's top 10 tenants account to ~93% of the Gross Rental income.

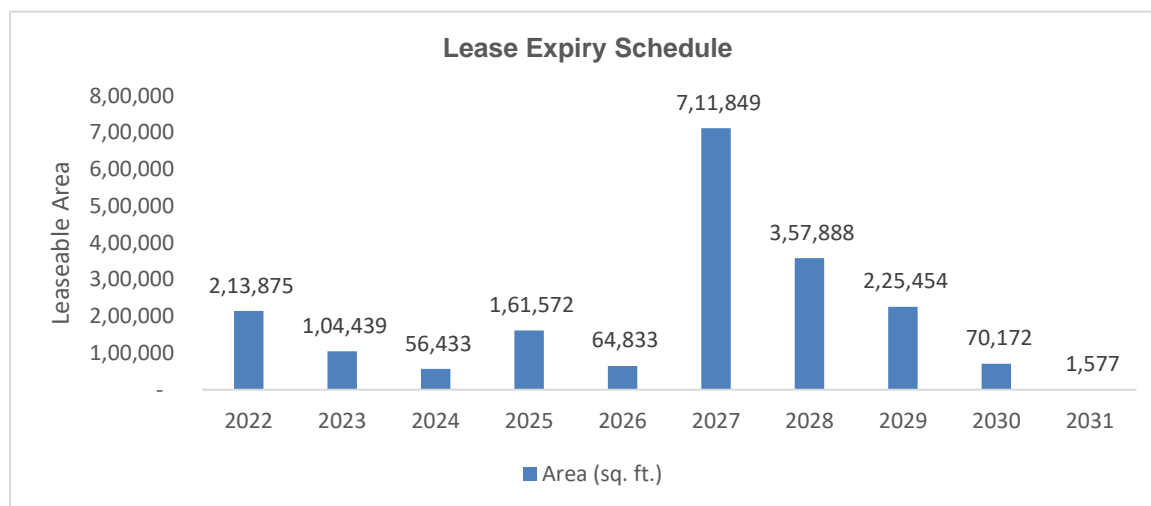
Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
1	Accenture	480,553
2	Axis	312,922
3	Worley Parsons	307,229
4	Here Sol	259,046
5	GeP	255,681
6	UBS	197,940
7	Atos India	194,430
8	Capgemini	129,627
9	IDFC Ltd	96,739
10	Alight HR	90,829
	<b>Total</b>	<b>2,324,996</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	Accenture	19%
2	Jacobs	13%
3	Axis	12%
4	GeP	11%
5	Here Sol	11%
6	UBS	9%
7	Atos India	7%
8	Capgemini	5%
9	Alight HR	4%
10	IDFC Ltd	4%
	<b>Total</b>	<b>93%</b>



### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is ~7 years, with 76% of occupied area expiring between CY 2020 and CY 2029 as shown in the chart below.



### 3.6 Power Distribution Services

In accordance with Section 14 (b) of the Electricity Act, 2003 read with Section 4(1) of the SEZ Act, 2005, entities that own and operate SEZ Parks are considered Deemed Distribution Licensee for supplying electricity to consumers within the SEZ area. Pursuant to the above regulations, Gigaplex Estate Private Limited (SPV) also has the license to distribute power within the Subject Property.

The SPV has invested in the infrastructure to facilitate the distribution of the power to the customers (occupiers and operators within the subject properties). It procures power from Power generators / traders supplying to the grid and then distribute it to the end consumers within the Subject Property. The SPV is not allowed to expand the power distribution outside the limits of the SEZ, i.e., the Subject Property in this case.

## 4 Valuation Approach & Methodology

### 4.1 Asset-specific Review:

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.

2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

#### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner.

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).
2. The Valuer also analysed the historical leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### **4.3 Cash Flow Projections:**

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the

operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

#### 4.4 Approach for Power Distribution Services

Gigaplex Estates Private Limited (SPV) submitted the detailed tariff petition to Maharashtra Electricity Regulatory Commission (MERC or the Commission), which included demand projections, power procurement plan, capital investment plan, financing plan, and expected revenue (aggregate revenue requirement) from tariff and charges for its power distribution services for a projected period of 5 years. The Commission in accordance with prevailing regulations determined the tariff that may be charged to the customers/operators within the Subject property over the said projected period. The aggregate revenue requirement for the distribution business for each projected year contained mainly power purchase cost, operational & maintenance expenses, depreciation, interest on loan, interest on working capital, return on equity, etc. In other words, licensee can charge cost plus mark up as approved by the Commission to the end users. This mark-up is equivalent to return on its investment in power distribution infrastructure and enabling services. The return on investment comprise annual depreciation on investment, interest expenses on notional debt and return on equity.

1. As the first step to the valuation of the power distribution service, the tariff order from Maharashtra Electricity Regulatory Commission determining the aggregate revenue requirement for 5 years from the date of order has been reviewed.
2. Earnings before interest, depreciation & tax (EBITDA) for each year is projected for the balance life of the license and NPV (net present value) is computed as on valuation date at appropriate discounting rate
3. EBITDA is projected based on the component of aggregate revenue requirement in the latest order from the commission.
4. For the future project capex requirement has been given by the client.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

#### Property Details

Property Details	Unit	Details
Super Built Up Area	Sq. Ft.	3,464,026
Area Leased	Sq. Ft.	2,503,048
Leased	%	72.3%
Vacant Area	Sq. Ft.	960,978
Vacancy	%	27.7%
Stabilized Vacancy	%	2.0%
Further leasing	Sq. Ft.	891,698
Existing Lease rollovers	%	100.0%
Rent Free Period - Existing Lease Roll Overs	Months	2
Rent Free Period - New Lease	Months	3
4W parking slots - paid	Number	166
Estimated leasing period	No. of quarter	7

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 October 2020) in order to retain and support them.
- Future absorption: (As per Section 4.1.1 - Supply, Absorption & Vacancy)**
  - Over 2015- Q3 2020, the Thane Belapur road micro market has witnessed an annual absorption of approximately 0.8 Million sq. ft. The Subject Property's share (Airoli East and West) in the historical absorption was approximately 30% over the same period.
  - Going forward, the micro market is expected to have an average annual demand of approximately 1.3 Million sq. ft. per annum over CY 2021-2022. Assuming a similar share for the Subject Property (40%), annual leasing of about 0.5-0.6 Million sq. ft. can reasonably be assumed.

- Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
  - Existing - Q Park- Q1(LOMA IT Park) with 0.64 Million sq. ft. and vacancy of 47%
  - Existing - Empire Tower with 1.4 Million sq. ft. and vacancy of 9%
  - Existing – Rupa Solitaire Park with 1.0 million sq. ft. and vacancy of 15%,
  - Future supply - Q Park- Q2(LOMA IT Park) with 0.85 Million sq. ft. and which is expected to be delivered in 2021.
  - Future supply – Rupa Juinagar with 1.40 Million sq. ft. and which is expected to be delivered in 2021.

#### **Subject Property and Relevant Existing/Upcoming Supply**



- Considering the above, it would be reasonable to believe that the Subject Property (as well as Airoli East) shall be able to lease:
  - approx. 71,275 sq. ft. of vacant space Airoli East in Q2 FY 2021
  - approx. 0.29 Million sq. ft. of vacant space in Airoli West in FY 2022
- Further leasing of ~1.0 Million sq. ft. has been assumed after incorporating a 2% stabilised vacancy which is a standard for Grade A properties in Commercial Parks.
- We have considered additional 6 months delay in leasing for the vacant spaces and and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand.

## Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 54.00
Market Rent - Food Court	Per sq. Ft./month	INR 64.80
Market Rent - Food Court (small)	Per sq. Ft./month	INR 315.00
Market Rent – Anchor	Per sq. Ft./month	INR 51.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Other operating income	% of lease rental	1.00%
Market Rent growth rate - upto 2023	% p.a.	5.00%
Market Rent growth rate - beyond 2023	% p.a.	6.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target efficiency	%	76.0%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	13.05

- Market rent - office:

- Over 2018-2020, approximately 0.97 Million sq. ft. was leased in the rental range of INR 53-59 per sq. ft. per month.

## Lease Transactions 2018-2020

Tenant	Year	Area	Rent
GeP Solutions Pvt. Ltd	2020	55,002	53
Rave Technologies (India) Pvt. Ltd	2020	17,960	59
CrossAsyst Infotech Pvt. Ltd	2020	15,170	52
Finicity Technologies Pvt. Ltd.	2020	33,132	56
Worley Parsons India Pvt. Ltd.	2019	55,077	50
Rave Technologies (India) Pvt. Ltd	2019	13,864	57
Finicity Technologies Pvt. Ltd.	2019	16,454	56
CMA CGM Shared Service Centre (India) Pvt Ltd	2018	22,086	51
Here Solutions India Private Limited	2018	36,045	53
Here Solutions India Private Limited	2018	28,645	53
Atos Global IT Solutions & services Pvt. Ltd.	2018	129,620	50
Atos Global IT Solutions & services Pvt. Ltd.	2019	64,810	50
GeP Solutions Pvt. Ltd	2018	64,792	55
Alight HR Services India Pvt. Ltd.	2018	90,829	56
Accenture Services Pvt. Ltd.	2019	124,462	56
Accenture Services Pvt. Ltd.	2019	62,206	56
Here Solutions India Private Limited	2018	64,690	55

- Considering the location, accessibility, quality, size of the building and keeping in view of the future supply which consists majorly of Non SEZ buildings and the recent



transactions in the subject property it can reasonably be assumed that Airoli West office space shall be able to command a monthly rental of INR 54 per sq. ft. per month.

- Market rent growth rate:** Over 2015- Q3 2020, the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market, the annual growth in market rentals over 2020-2023 has been assumed. With the second airport in Mumbai is expected becoming operational in 2023 and major future infrastructure development in Navi Mumbai like the Trans Harbour Link road and Navi Mumbai Metro the connectivity with residential hubs shall be greatly enhanced. Accordingly, we can expect annual growth in market rentals to be 5-6% in medium to long term.  
However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) considered annual rental growth rate of 5-6% for the Subject Property.
- Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in Airoli West.
- Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental. Other income includes Car Park, Signage, ATM, Telecom Tower, Kiosk, Event, Vending Machine, service connection and other charges and miscellaneous income.
- Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and receive higher rentals for the same carpet area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at 76% or actual, whichever is lower.

#### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 10.95
Property Tax	Per sq. Ft./month	INR 1.48
Insurance	Per sq. Ft./month	INR 0.29
CAM cost escalation	% p.a.	5.0%
Cost escalation	% p.a.	3.0%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rental	2.0%
Property Management Fees	% of Lease Rentals, Parking income, fit out income and other operating income	3.5%

- Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.10 per sq. ft., per month (at current cost, duly adjusted for inflation



till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1 April of every year.

- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rental, parking income, other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Discount Rate & Capitalisation rate assumptions**

- Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallongji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Under-construction /Future Development****Property details**

Property Details	Unit	Details
<b>Total Property Leasable Area<sup>1</sup></b>	Sq. Ft.	10,33,590
<b>Area Leased</b>	Sq. Ft.	45,847
<b>Leased</b>	%	4.7%
<b>Vacant Area</b>	Sq. Ft.	9,39,966
<b>Vacancy</b>	%	95.3%
<b>Stabilized Vacancy</b>	%	2.0%
<b>Further leasing</b>	Sq. Ft.	9,20,520
<b>Existing Lease rollovers</b>	%	100%
<b>Rent Free Period-Existing Lease Roll Overs</b>	Months	2
<b>Rent Free Period- New Lease</b>	Months	3
<b>Estimated leasing period</b>	No. of quarters	7

Notes:

1. The total leasable area includes 47,777 Sq. Ft. of Food Court area which is assumed to be leased out on expenditure reimbursement basis
- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 31 September 2020) in order to retain and support them.
  - **Future absorption: (As per Section 4.1.1 - Supply, Absorption & Vacancy)**
    - Over 2015- Q3 2020, the Thane Belapur road micro market has witnessed an annual absorption of approximately 0.8 Million sq. ft. The Subject Property's share (Airoli East and West) in the historical absorption was approximately 30% over the same period.
    - Going forward, the micro market is expected to have an average annual demand of approximately 1.3 Million sq. ft. per annum over CY 2021-2022. Assuming a similar share for the Subject Property (40%), annual leasing of about 0.5-0.6 Million sq. ft. can reasonably be assumed.
    - Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
      - Existing - Q Park- Q1(LOMA IT Park) with 0.64 Million sq. ft. and vacancy of 47%
      - Existing - Empire Tower with 1.4 Million sq. ft. and vacancy of 9%
      - Existing – Rupa Solitaire Park with 1.0 million sq. ft. and vacancy of 15%,
      - Future supply - Q Park- Q2(LOMA IT Park) with 0.85 Million sq. ft. and which is expected to be delivered in 2021.
      - Future supply – Rupa Juinagar with 1.40 Million sq. ft. and which is expected to be delivered in 2021.

**Subject Property and Relevant Existing/Upcoming Supply**

- Considering the above, it would be reasonable to believe that the Subject Property (as well as Airoli East) shall be able to lease:
  - approx. 71,275 sq. ft. of vacant space Airoli East in Q2 FY 2021
  - approx. 0.29 Million sq. ft. of vacant space in Airoli West in FY 2022
  - Under construction building 9 which is expected to be delivered by March 2021, we have assumed a leasing period of 7 quarters.
- Further leasing of 0.92 Million sq. Ft. has been assumed after incorporating a 2% stabilised vacancy which is in line with the market trends.
- We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand.

**Construction related assumptions**

Construction-related Assumptions	Unit	Details
Start date of construction		01-Oct-17
End date of construction		30-Jun-21
Total construction cost	INR million	5,236
Construction cost incurred till date	INR million	3,536
Construction cost to be incurred	INR million	1,700

Construction cost phasing		31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Cost to be incurred	INR million	307	204	578	611

*Note: We have relied on Client inputs for the assumptions relating to construction.*

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 54.00
Market 4 W Parking Rent	Per slot/month	INR 1,500
Other operating income	% of lease rental	1.00%
Market Rent growth rate - upto 2023	% p.a.	5.00%
Market Rent growth rate - beyond 2023	% p.a.	6.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target efficiency	%	76.0%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	13.05

- Market rent - office:** Considering the location, accessibility, quality, size of the building and keeping in view of the future supply which consists majorly of Non SEZ buildings and the recent transactions in the subject property it can reasonably be assumed that Airoli West office space shall be able to command a monthly rental of INR 54 per sq. ft. per month.
- Market rent growth rate:** Over 2015- Q3 2020, the rentals in Thane Belapur micro market grew at a CAGR of 4.05%. Going forward, considering the limited future supply in the Thane Belapur micro market, the annual growth in market rentals over 2020-2023 has been assumed. With the second airport in Mumbai is expected becoming operational in 2023 and major future infrastructure development in Navi Mumbai like the Trans Harbour Link road and Navi Mumbai Metro the connectivity with residential hubs shall be greatly enhanced. Accordingly, we can expect annual growth in market rentals to be 5-6% in medium to long term. However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) considered annual rental growth rate of 5-6% for the Subject Property.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 10.95
Property Tax	Per sq. Ft./month	INR 1.48
Insurance	Per sq. Ft./month	INR 0.29
CAM cost escalation	% p.a.	5.0%
Cost escalation	% p.a.	3.0%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rental	2.0%
Property Management Fees	% of Lease Rentals, Parking income, fit out income and other operating income	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.10 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1 April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of lease rental, parking income, other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

### Discount Rate & Capitalisation Rate assumptions

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallongji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.



- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 13.10% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Land for Future development – 16.45 acres**

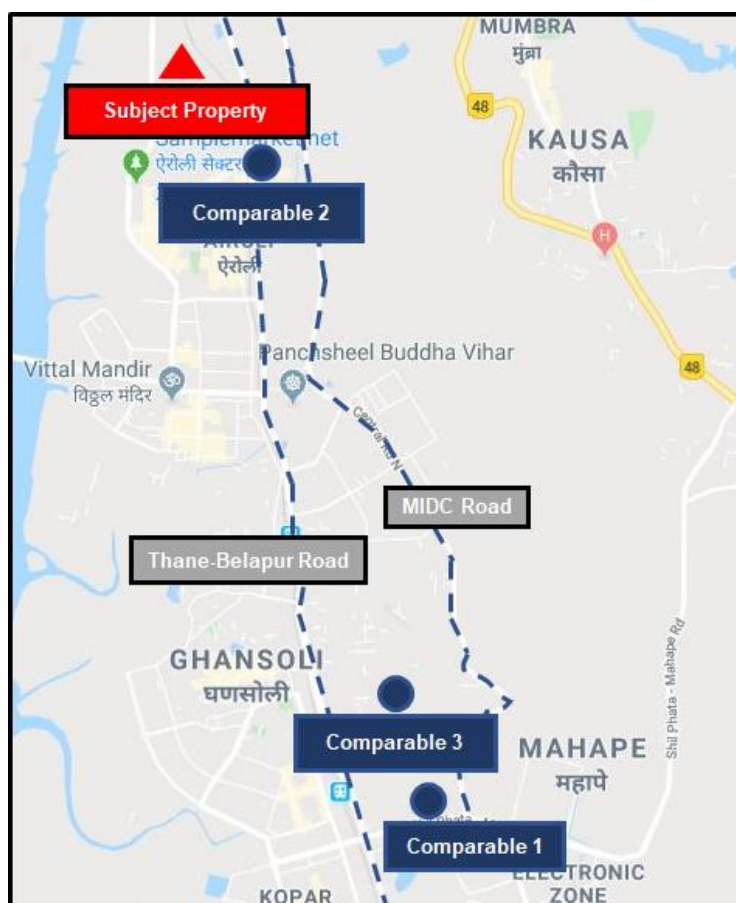
The subject property includes land for future development admeasuring 16.45 acres with a development potential of 30,389 sq. m

We have identified the following comparable properties to estimate the market value of the land portion of the Subject Property through market approach method. The market value has been derived after adjusting for the purchase cost of the additional FSI available.

Comparable Method	Subject Property	Comparable 1	Premium(+)/Discount(-)	Comparable 2	Premium(+)/Discount(-)	Comparable 3	Premium(+)/Discount(-)
Land Area (in Acre)	16.4	48		16		30	
Capital Value (INR million)		3,249		2,200		2,100	
Capital Value (INR per Acre)		68		113		70	
Quote / Transaction		Transaction - 2017		Transaction - 2018		Transaction - 2019	
<b>Parameters to arrive at premium(+)/discount(-)</b>							
Accessibility	Airoli Road	Thane Belapur Road	-2.5%	Thane Belapur Road	-5.0%	Thane Belapur Road	-2.5%
Location	Airoli Road, Airoli West	Thane Belapur Road, Ghansoli	0.0%	Thane Belapur Road, Rabale	0.0%	Thane Belapur Road, Ghansoli	0.0%
Frontage	Internal Airoli Road	On Main Road	-2.5%	On Main Road	-2.5%	On Main Road	-2.5%
Size (in acres)	16	48	10.0%	16	0.0%	30	10.0%
Type of Land	Developed	Not Developed	5.0%	Developed	0.0%	Not Developed	5.0%
Quote / Transaction		Transaction - 2017	5.0%	Transaction - 2018	0.0%	Transaction - 2019	0.0%
Total premium/discount			<b>15.0%</b>		<b>-7.5%</b>		<b>10.0%</b>
Adjusted approximate Capital value (INR per Acre)			79		104		77
Market Value of the Subject Land Parcel as per Land Sales Comparable method (INR per Acre)	87						
Market Value of the Subject Land Parcel as per Land Sales Comparable method (INR Million)	1,431						

**Net Land value after adjusting for FSI**

Particulars	Details
Market values as per Sales Comparable Method (INR Million)	1,431
Additional FSI available (Sqm)	29,521
MIDC Land Rate (per Sqm)	22,825
Total FSI Value (INR Million)	202
<b>Market Value (INR Million)</b>	<b>1,229</b>
<b>Market Value (INR per acre)</b>	<b>75</b>

**Comparable Location map**

In order to arrive at the current market value, the comparable properties have been given discount / premium for factors like accessibility, location, developers' premium and product positioning, possession, etc.

- Accessibility** – Accessibility is determined by width and the quality of the access road to the Subject Property. Good accessibility facilitates development and therefore, properties with good accessibility are quoted at a premium. The comparable 2 is abutting to the Thane Belapur Road hence a discount of 5% is assigned to the subject property as it is accessible by the internal road. Comparable 1 & 3 also has better accessibility as compared to subject property as they are abutting off the Thane- Belapur road, hence a discount 2.5% is assigned to the subject property respectively.
- Location** – Proximity of the property to city centre, benchmark sites, business/industrial hub determine the attractiveness of the location. All the comparable having similar location as subject property, therefore no premium/discount is given to the subject property.
- Frontage** – Property having good frontage generally trades at a premium as compared to a property having less frontage. All the Comparable enjoys a good frontage, hence a discount of 2.5% has been given to the subject property.

- **Size-** A larger property due to its ticket size trades at a discount as compared to a smaller property. Comparable 1 & 3 are bigger to the subject property, hence premium of 10% has been given to the subject property. Comparable 2 having similar of size as subject property, therefore no premium/discount is given to the subject property.
- **Type of land-** The value of the property differs based on the zone of the property/ type of land, which determines the end use of the property. Comparable 1 & 3 are barren land, hence a premium of 5% has been given to the subject property. Comparable 2 having similar type of existing development with infrastructure in place therefore no premium/discount is given to the subject property.
- **Quote/ Transaction –** Typically, the quoted prices in the market have a negotiation margin incorporated (based on our discussion with brokers). Comparable 1 is nearly three -year-old transaction and hence a premium of only 5% has been given to the subject property. Comparable 1 & 2 are though one-two year old transactions, given the current state of the market, no premium/discount is given to the subject property.

## 5.1 Valuation Methodology for Power Distribution Services

Referring to the commission's latest order for the operational facility, the cash flows from the power distribution services are projected in the following manner:

**Step 1:** Amount of approved Gross Fixed Assets ("GFA") is considered

**Step 2:** Further, Net Fixed Asset (NFA) which is GFA reduced by accumulated depreciation allowed as on date is computed.

**Step 3:** To compute the EBITDA, mainly return on equity, interest on notational debt, recovery of depreciation, interest on working capital have been added.

**Step 4:** Licensee is allowed to charge 14% return on equity which is 30% of GFA. Licensees is further allowed to charge interest on notional debt which is 70% of the GFA reduced by the depreciation for each year. Interest rate is equivalent to the actual cost of debt in the SPV which is 9.00%. SLM (Straight Line Method) is considered for depreciation, as per the average rate approved by the commission. Depreciation is considered to the extent of 90% of the GFA.

**Step 5:** Power procurement, operational and maintenance expenses are allowed completely pass through.

## 5.2 Valuation Assumptions for Power Distribution Services

Following are the key assumptions for in accordance with the Commission order dated 30 March 2020

Assumptions	Unit	Figure
Gross Fixed Assets (GFA)	INR Million	297
Accumulated Depreciation YTD FY20	INR Million	-37
Notional Equity (30% of GFA)	INR Million	89
Notional Debt as on March 2020 (70% of GFA)	INR Million	208
Depreciation rate (Straight Line Method)	% pa	5.3%
Remaining License Period	Years	21
WACC	%	10.5%

For the purpose of discounting the future cash flows Weighted Average Cost of Capital (WACC) of 10.5% has been utilised.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates

Component	Market Value as on	In Figures	In Words
Completed (inclusive of power distribution business)	30 September 2020	INR 29,178 Million	India Rupees Twenty-Nine Billion One Hundred and Seventy-Eight Million Only
Under Construction/ Future Development *	30 September 2020	INR 5,967 Million	India Rupees Five Billion Nine Hundred and Sixty-Seven Million Only

*\*The under construction/future development component includes the market value of land for future development (which may be considered for sale) as detailed below*

Component	Market Value as on	In Figures (INR Mn)	In Words
Land for future development	31 September 2020	INR 1,229 Million	India Rupees One Thousand Two Hundred and Twenty-Nine Million Only

### Ready reckoner rate

Component	Rate
Built up Area	INR 5,797 per sq. ft.
Land Area	INR 1,932 per sq. ft.

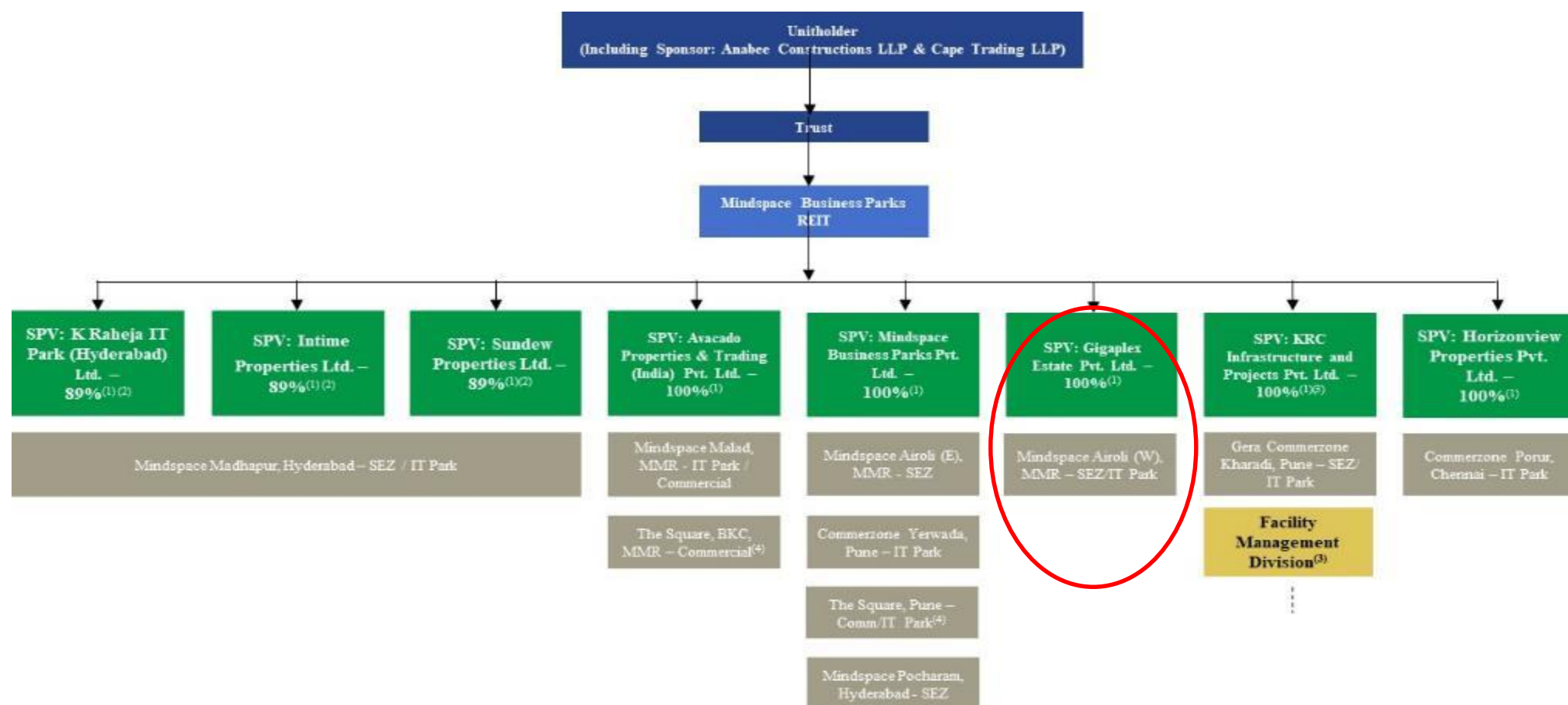
I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by



(Shubhendu Saha)  
IBBI/RV/05/2019/11552

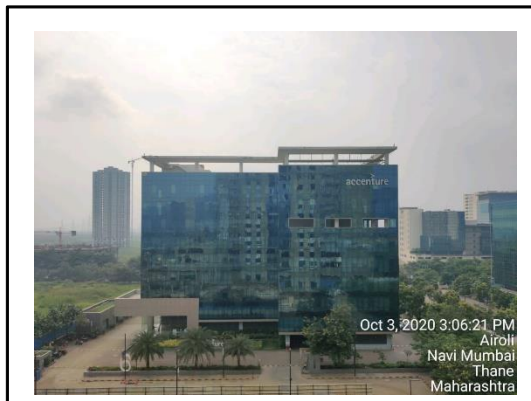
**Annexure 1      Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's proposed shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

**Annexure 2: Property Layout Plan****Completed and Future Development Buildings**



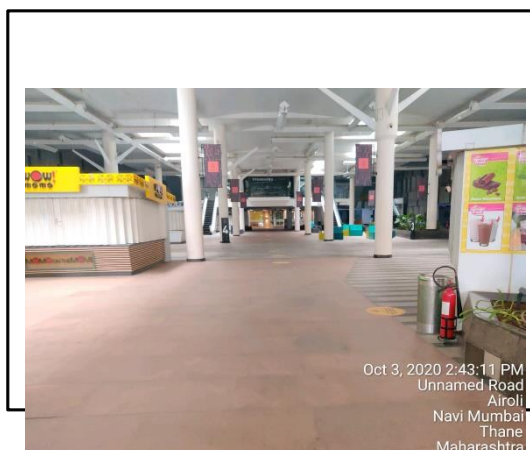
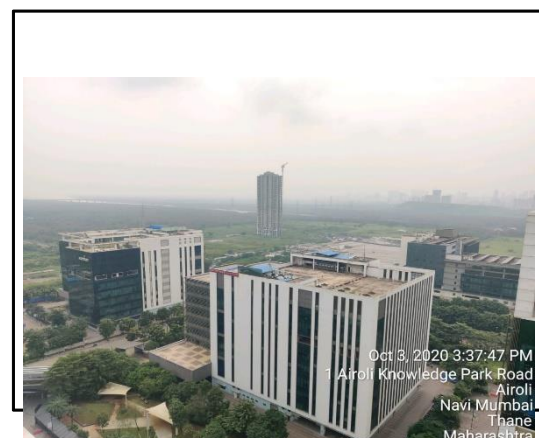
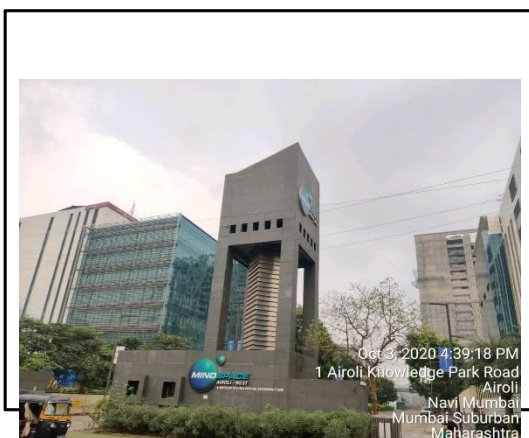
**Future Development Land**

**Annexure 3: Property Photographs**

Building 6



Under Construction Building 9



Lift Lobby

**Annexure 4: Statement of Key Assets**

Complex	Name	Gigaplex					
Building	No. / Name	B1	B2	B3	B4	B5	B6
Floor	Nos	B+S+8F	B+S+P1+P2+11+T			B+S+8F	B+S+8F
No of DG / Capacity	No. / KVA	3x1500	2x2250+2x1700	2250KVA X 2 1750 KVA X 2	2000 KVA x 4	4x1010	4x1010
Cooling tower		3 X 150Tr	3 x650Tr	3 x 650Tr	6 x 350	3 x 550	3 x 550
FF System (Pumps) & Engine		Main Sprinkler Pump- 1No x 100HP. Main Hydrant Pump- 1No x 100HP. Sprinkler JOCKY Pump- 1No x 9.3HP Hydrant Jockey Pump- 1No x 9.3HP Fire Diesel ENGINE- 1No x 85HP Booster Pump - 2No x 12.5HP	Main Sprinkler Pump- 1No x 240HP Main Hydrant Pump- 1No x 240HP Sprinkler JOCKY Pump- 1No x 10HP Hydrant Jockey Pump- 1No x 10HP Fire Diesel ENGINE- 1No x 240HP Booster Pump - 2No x 12.5HP	Main Sprinkler Pump- 1No x 240HP Main Hydrant Pump- 1No x 240HP Sprinkler JOCKY Pump- 1No x 10HP Hydrant Jockey Pump- 1No x 10HP Fire Diesel ENGINE- 1No x 240HP Booster Pump - 2No x 12.5HP	Main Sprinkler Pump- 1No x 240HP Main Hydrant Pump- 1No x 240HP Sprinkler JOCKY Pump- 1No x 10HP Hydrant Jockey Pump- 1No x 10HP Fire Diesel ENGINE- 1No x 240HP Booster Pump - 2No x 12.5HP	Main Sprinkler Pump- 1No x 100HP Main Hydrant Pump- 1No x 100HP Sprinkler JOCKY Pump- 1No x 4HP Hydrant Jockey Pump- 1No x 4HP Fire Diesel ENGINE- 1No x185HP Booster Pump - 2No x 15HP	Main Sprinkler Pump- 1No x 180HP Main Hydrant Pump- 1No x 180HP Sprinkler JOCKY Pump- 1No x 7.5HP Hydrant Jockey Pump- 1No x 7.5HP Fire Diesel ENGINE- 1No x167HP Booster Pump - 2No x 15HP
Water pumping system (Domestic & Flushing)		Domestic Pump- 2Nos x 5.5KW	Domestic Pump- 2Nos x 15KW	Domestic Pump- 2Nos x 15KW	Domestic Pump- 2Nos x 12KW	Domestic Pump- 2Nos x 12KW	Domestic Pump - 2 x 4KW
No of Transformers / Capacity	KVA	3/1600 KVA	4/2000 KVA	4 x 2000KVA	4 x 2000KVA	2/2000 KVA	2/2000 KVA
Chiller Rating	TR	650 X1 + 550 x 2	3 / (650 X3 + 325 x 2)/ Daikin	650 X3 + 325 x 2	700 TR x 3WC 350 x 2 AC	350 x 4	550 x 2 + 450 x1
STP Rating	KLD	200	300	300 KLD	350 KLD	200	165
Warm Shell / Bare shell		Warm shell	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell

**Annexure 5: List of sanctions and approvals****Property Inspection – Mindspace Airoli West**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Building Approvals for all buildings and amendments thereof
- b) Commencement certificate for under construction Building 9
- c) Consent to Operate for all buildings
- d) Full Occupancy Certificates received for all existing/operational buildings
- e) Drainage Approvals for all buildings and the common campus area
- f) Approved Master plan and layout plan
- g) Royalty Permissions
- h) Water Supply Agreement
- i) SEZ Notification
- j) NOC issued by AAI for height clearance
- k) Consent to expansion (CTE)
- l) Environmental clearances
- m) One-time Fire NOC and Form B for half year ending June 2019

**Approvals Pending**

- a) Applied for the amendment of Master Plan for Building 9

**Annexure 6: Cash Flow Profile****Completed Building**

Particulars	Unit	1	2	3	4	5	6	7	8	9	10	11
		30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	1,635.6	1,920.9	2,335.8	2,558.6	2,688.7	2,791.9	2,895.7	2,956.6	3,169.8	3,270.4	3,552.8
Parking Income	INR Million	3.8	3.8	3.8	3.6	3.9	4.5	4.9	5.1	5.8	6.4	6.8
O&M income	INR Million	504.5	640.2	643.7	675.9	709.7	745.1	782.4	821.5	862.6	905.7	951.0
Power income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	INR Million	16.4	19.2	23.4	25.6	26.9	27.9	29.0	29.6	31.7	32.7	35.5
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Total Income	INR Million	2,160.2	2,584.1	3,006.7	3,263.7	3,429.1	3,569.4	3,712.0	3,812.9	4,069.9	4,215.2	4,546.2
Total Income from occupancy	INR Million	2,160.2	2,584.1	3,006.7	3,263.7	3,429.1	3,569.4	3,712.0	3,812.9	4,069.9	4,215.2	4,546.2
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(489.9)	(514.4)	(540.1)	(567.1)	(595.5)	(625.2)	(656.5)	(689.3)	(723.8)	(760.0)	(798.0)
Power expense	INR Million	-	-	-	-	-	-	-	-	-	-	-
Insurance Cost	INR Million	(12.4)	(12.8)	(13.1)	(13.5)	(13.9)	(14.4)	(14.8)	(15.2)	(15.7)	(16.2)	(16.6)
Property Taxes	INR Million	(63.7)	(65.6)	(67.6)	(69.6)	(71.7)	(73.8)	(76.0)	(78.3)	(80.7)	(83.1)	(85.6)
Total Operating Costs	INR Million	(566.0)	(592.7)	(620.8)	(650.2)	(681.1)	(713.4)	(747.3)	(782.9)	(820.2)	(859.2)	(900.2)
Net operating Income	INR Million	1,594.3	1,991.3	2,385.9	2,613.5	2,748.1	2,856.0	2,964.6	3,030.0	3,249.7	3,356.0	3,645.9
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	45,574.2	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(455.7)	
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	
Total Net income	INR Million	1,594.3	1,991.3	2,385.9	2,613.5	2,748.1	2,856.0	2,964.6	3,030.0	3,249.7	48,474.4	
Property Mangement Fees	INR Million	(58.0)	(68.0)	(82.7)	(90.6)	(95.2)	(98.9)	(102.5)	(104.7)	(112.3)	(115.8)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(32.8)	(38.5)	(46.8)	(51.2)	(53.9)	(55.9)	(58.0)	(59.2)	(63.5)	(65.5)	
Brokerage Expenses	INR Million	(18.0)	(50.9)	(54.3)	(4.4)	(11.0)	(4.6)	(28.7)	(53.2)	(11.6)	(27.5)	
Capital expenditure - Construction	INR Million	(19.0)	-	-	-	-	-	-	-	-	-	
Net Cashflows	INR Million	1,467	1,834	2,202	2,467	2,588	2,697	2,775	2,813	3,062	48,266	

## Under-Construction Bldg. 9

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	14.4	158.9	525.7	690.0	721.0	753.5	787.4	822.8	853.4	902.7	981.5
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	7.5	74.9	169.1	196.3	206.1	216.4	227.2	238.6	249.0	265.2	278.5
Other operating income	INR Million	0.1	1.6	5.3	6.9	7.2	7.5	7.9	8.2	8.5	9.0	9.8
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>22.1</b>	<b>235.4</b>	<b>700.0</b>	<b>893.2</b>	<b>934.3</b>	<b>977.4</b>	<b>1,022.5</b>	<b>1,069.6</b>	<b>1,111.0</b>	<b>1,177.0</b>	<b>1,269.8</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>22.1</b>	<b>235.4</b>	<b>700.0</b>	<b>893.2</b>	<b>934.3</b>	<b>977.4</b>	<b>1,022.5</b>	<b>1,069.6</b>	<b>1,111.0</b>	<b>1,177.0</b>	<b>1,269.8</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(32.9)	(115.1)	(161.2)	(169.2)	(177.7)	(186.6)	(195.9)	(205.7)	(216.0)	(226.8)	(238.1)
Insurance Cost	INR Million	(1.7)	(3.8)	(4.0)	(4.1)	(4.2)	(4.3)	(4.4)	(4.6)	(4.7)	(4.9)	(5.0)
Property Taxes	INR Million	(8.6)	(19.7)	(20.3)	(20.9)	(21.5)	(22.2)	(22.9)	(23.5)	(24.2)	(25.0)	(25.7)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(43.1)</b>	<b>(138.7)</b>	<b>(185.4)</b>	<b>(194.2)</b>	<b>(203.4)</b>	<b>(213.1)</b>	<b>(223.2)</b>	<b>(233.8)</b>	<b>(244.9)</b>	<b>(256.6)</b>	<b>(268.8)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>(20.9)</b>	<b>96.7</b>	<b>514.6</b>	<b>699.0</b>	<b>730.9</b>	<b>764.3</b>	<b>799.3</b>	<b>835.8</b>	<b>866.0</b>	<b>920.4</b>	<b>1,001.0</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	12,512.5	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(125.1)	
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	
<b>Total Net income</b>	<b>INR Million</b>	<b>(20.9)</b>	<b>96.7</b>	<b>514.6</b>	<b>699.0</b>	<b>730.9</b>	<b>764.3</b>	<b>799.3</b>	<b>835.8</b>	<b>866.0</b>	<b>13,307.8</b>	
Property Mangement Fees	INR Million	-	(5.6)	(18.6)	(24.4)	(25.5)	(26.6)	(27.8)	(29.1)	(30.2)	(31.9)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	(3.2)	(10.5)	(13.8)	(14.4)	(15.1)	(15.7)	(16.5)	(17.1)	(18.1)	
Brokerage Expenses	INR Million	-	(58.2)	(45.5)	-	-	-	-	-	-	(4.1)	
<b>Net Cashflows before construction cost</b>	<b>INR Million</b>	<b>(20.9)</b>	<b>29.7</b>	<b>440.1</b>	<b>660.8</b>	<b>691.0</b>	<b>722.6</b>	<b>755.7</b>	<b>790.3</b>	<b>818.8</b>	<b>13,253.7</b>	
Construction and PSS Cost	INR Million	(1,684.5)	-									
Capital expenditure - General Development	INR Million	(16.0)	-									
<b>Net Cashflows</b>	<b>INR Million</b>	<b>(1,721.4)</b>	<b>29.7</b>	<b>440.1</b>	<b>660.8</b>	<b>691.0</b>	<b>722.6</b>	<b>755.7</b>	<b>790.3</b>	<b>818.8</b>	<b>13,253.7</b>	

**Power Business**

Profit & Loss Statement	30-Sep-21	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31	30-Sep-32	30-Sep-33	30-Sep-34	30-Sep-35	30-Sep-36	30-Sep-37	12-Jun-38
Revenue	362	442	461	481	502	524	548	573	600	628	658	690	723	759	796	579
EBITDA	60	49	47	45	43	41	39	37	35	33	32	30	28	26	24	16

*Note: The license of power business will expire on 12 June 2032*



**Annexure 7: Ready Reckoner Rate and MIDC Land Rate****Ready Reckoner Rate**

Year		Annual Statement of Rates						
2020/2021								
Selected District		ठाणे						
Select Taluka		ठाणे						
Select Village		गावाचे नाव : ऐरोली						
Search By		<input checked="" type="radio"/> Survey No <input type="radio"/> Location						
Enter Survey No		145		Search				
उपविभाग	खुली जमीन	निवासी सदनिका	ऑफिस	दुकाने	औद्योगिक	एकक (Rs./)	Attribute	
1/54-ऐरोली नोड दिवे (उत्तर भाग)	20800	53400	62400	75600	62400	चौ. मीटर	सर्व्हे नंबर	

**MIDC Land Rate**

परिशिष्ट अ  
औद्योगिक क्षेत्राचे दर

अ.क्र.	औद्योगिक क्षेत्राचे नांव	ग्रुप स्कीम- २००७ नुसार वर्गीकरण	औद्योगिक दर प्रति चौ.मी.	निवासी दर प्रति चौ.मी.	व्यापारी दर प्रति चौ.मी.
१	२	३	४	५	६
	मुंबई विभाग (मुंबई प्राधिकरण विभाग)				
	मुंबई उपनगर जिल्हा				
१	मरोळ (एम.एम.आर.-१)	अ	४९,९४०	-	१,४९,८२०
	ठाणे जिल्हा				
२	ठाणे	अ	२२,४००	४४,७९५	६७,१००
३	मिरा (एम.एम.आर. झोन-१)	अ	१४,६३०	-	४३,८९०
४	अ) टी.टी.सी. (एम. एम. आर. झोन-२)	अ	२२,८२५	-	६८,४७५
५	ब) टी.टी.सी. (इलेक्ट्रॉनिक्स झोन- माहिती तंत्रज्ञान उद्यान)	अ	२२,८२५	-	६८,४७५
६	क) ऐरोली नॉलेज पार्क	अ	२२,८२५	-	६८,४७५
७	खादा (एकाकी), नरुळ (एकाकी) खारघर (एकाकी), कामोटे (एकाकी)	अ	Isolated Plots are allotted. The Transfer will have to be permitted as per CIDCO'S rate from the adjacent Plots		



**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.

3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report:**

## **Paradigm Mindspace, Malad, Mumbai Region**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*





*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

### Paradigm Mindspace, Malad West, Mumbai Region

<b>Valuation Date:</b>	30 September, 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property, Paradigm Mindspace (hereinafter referred to as the Subject Property), is located at Malad West, within Malad-Goregaon micro market which is home to a number of IT and commercial establishments. The micro market has established buildings by prominent developers like K Raheja Corp, Nirlon, Oberoi etc. The micro market is strategically located in Mumbai with social infrastructure like Goregaon Sports Club, Infinity Mall, Inorbit Mall, etc. which are in close proximity to the Subject Property. The Subject Property houses prominent tenants such as J.P Morgan Services India Pvt. Ltd., Tech Mahindra, First Source Solutions Ltd. etc.	
<b>Description:</b>	Paradigm Mindspace, Malad West is a Grade A, IT Park located in Malad West, Mumbai.  The completed buildings with Occupancy Certificate (OC) collectively admeasure ~0.7 Million sq. ft. of leasable area. The Subject Property comprises of 1 building with two wings known as 'Paradigm A & B' which are operational. The Subject Property is accessible from the Zakeria Road.	
<b>Total Area:</b>	Total Plot Area – ~4.2 acres <sup>1</sup> Available Leasable area – ~701,023 sq. ft <sup>1</sup>	

### MARKET VALUE OF THE SUBJECT PROPERTY BASED ON

Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 9,311 Million	India Rupees Nine Billion Three Hundred and Eleven Million

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** Commercial Office Building christened  
“Paradigm A & B” located at Malad West,  
Mumbai

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International



Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

### **5 Basis of Valuation**

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting

purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## **6 Valuation Approach & Methodology**

The basis of valuation for the Subject Property being Market Value, the same may be derived by any of the following approaches:

### **Market Approach**

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### **Income Approach**

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### **Income Approach - Direct Capitalization Method**

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### **Income Approach - Discounted Cash Flow Method**

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

#### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying

above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the Subject Property.

For the purpose of the valuation of Subject Property, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation.

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically, it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the Subject Property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT.

## 11 Authority

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## 12 Reliant Parties

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect

## 13 Limitation of Liability

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.
- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of

the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.

- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B MUMBAI REGION CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Mumbai Region City Overview

Particulars	Mumbai Region- Overall	CBD	Andheri and Powai	*Thane Belapur Rd	*Malad - Goregaon	Worli - Lower Parel	*BKC & Annex	Thane	Central Suburbs	Eastern Suburbs	Vashi & Others
Total completed stock Q3 2020 (msf)	94.7	2.1	20.7	14.2	13.5	10.2	9.5	9.8	5.6	5.5	3.7
Current occupied stock Q3 2020 (msf)	77.1	1.9	17.1	11.9	11.1	8.1	8.1	8.4	3.6	4.8	2.2
Current Vacancy Q3 2020 (%)	18.6%	6.8%	17.1%	16.4%	18.0%	20.4%	15.1%	14.1%	36.6%	13.3%	41.3%
Avg. Annual Absorption - 2015 – Q3 2020 (msf)	4.4	0.01	0.6	0.8	0.5	0.3	0.5	0.9	0.3	0.3	0.2
Future Supply – Q4 2020 – 2022 (msf)	13.0	-	0.7	4.0	2.3	2.5	1.0	1.1	0.2	0.5	0.8
Market Rent – Q3 2020 (INR psf / month)	135.7	230.4	133.6	61.6	118.5	197.3	274.4	69.2	143.5	125.8	94.4

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District. \*Mindspace REIT's micro markets.

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

Mumbai is India's financial and commercial capital. The presence of vibrant capital and money markets makes the city the first choice of entry for financial services firms. Mumbai houses the headquarters of major corporates & financial institutions such as ICICI Bank, HDFC Bank, Life Insurance Corporation of India, etc. India's main stock exchanges & capital market and commodity exchanges (National Stock Exchange – NSE, Bombay Stock Exchange – BSE and Multi Commodity Exchange – MCX) are also located in Mumbai. It is also home to Bollywood, the Indian Television and Film Industry.

The key drivers of demand for office space in Mumbai Region are as follows:

- **Financial capital and Services hub:** Mumbai which is referred as India's financial capital and houses corporate head offices of many Indian banks. It is also home to global consultancy firms, legal and professional services, media houses, accounting professionals, etc.
- **Global In-house Centers/ Global Capability Centers:** Mumbai is a hub for Global In-house centers (GICs) / Capability centers (GCCs) of many Investment Banks mainly from the North American and European markets such as Deutsche Bank, Bank of America, JP Morgan, etc.
- **Social Infrastructure:** Mumbai has established educational institutions and colleges, Malls, Hospitals and hotels.
- **Transport infrastructure:** Mumbai is well connected via road with availability of infrastructure like the Eastern Express Highway, Western Express Highway, Eastern Free Way, Bandra-Worli Sea Link, etc. It also provides good railway connectivity with three railway lines, an operational metro line and a monorail line. Mumbai is also well connected via air with other cities in India and other global cities with the help of 2 operational passenger terminals (Domestic and International) and one cargo terminal at Chhatrapati Shivaji Maharaj International Airport.
- **Ongoing/Planned infrastructure projects:** Key initiatives include multiple metro lines, various road projects (proposed 29 km Coastal Road, Mumbai Trans Harbour Link, Goregaon Mulund Link Road), monorail and the Navi Mumbai International airport.



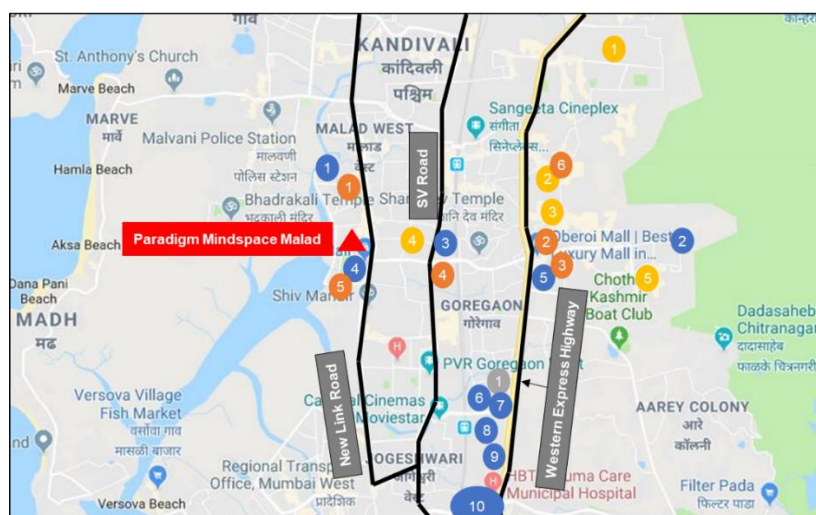
## **2 Mindspace REIT's Micro-Market (Malad – Goregaon)**

### **2.1 Overview**

Malad – Goregaon are suburbs of Mumbai city situated in north-western part of Mumbai between Andheri and Borivali. Geographically, Malad – Goregaon is divided into East and West. There are several commercial establishments and several high-end residential projects located in this micro market. The micro market is an established commercial hub having office of various national and multinational companies. It also has several high-end residential projects by Oberoi Group, Omkar Realtors, Lodha Group, etc. Additionally, Oberoi Mall which is located on the eastern part and Inorbit Mall along with Infinity 2 Mall located in the western part are established and leading retail malls that witnesses significant footfalls. The micro market has good social infrastructure with the presence of restaurants, multiplexes, schools, hospitals and colleges. It is well connected by the Western Railway network and can be accessed through S.V. Road, Western Express Highway and Link Road. Upcoming infrastructure developments like Goregaon Mulund Link Road (GMLR), Metro line 2B, extension of Veer Savarkar Junction Flyover, etc. will smoothen the road traffic in this micro-market.

The demand for commercial space in this micro-market has significantly increased over the past few years as the assets are located in among the best performing micro markets and are distinguished by scale and infrastructure and is driven by proximity to talent pool catchment areas, larger floor plates, integrated parks, proximity to residential projects and better connectivity as compared to other parts of the city. The increase in rental values of commercial office space in South Mumbai and other micro markets coupled with shortage of availability of quality office space in the city has led 'companies to look for alternative options in suburban micro-markets such as Andheri, Malad, Goregaon, Powai etc. Some of the prominent commercial projects in the micro market include Nirlon Knowledge Park, Mindspace, NESCO IT Park, etc. Prominent corporates such as JP Morgan, Deutsche Bank, Morgan Stanley, JM Financial, Citibank etc. are located in this micro market with presence of their respective GCCs (Global Capability Centers). With the Malad micro market establishing itself as a commercial destination over the past 8-10 years, capital values in this micro market have also witnessed some appreciation.

Paradigm Mindspace Malad is a freehold, Grade-A asset located in Peripheral Business District micro-market of the Mumbai Region, with well-planned infrastructure and proximity to residential areas. The asset is well positioned in the micro-market and is in proximity to the upcoming metro and multiple suburban railway stations. This is a key differentiating factor, given an increasing focus by corporate occupiers on the ease of commute for their employees.

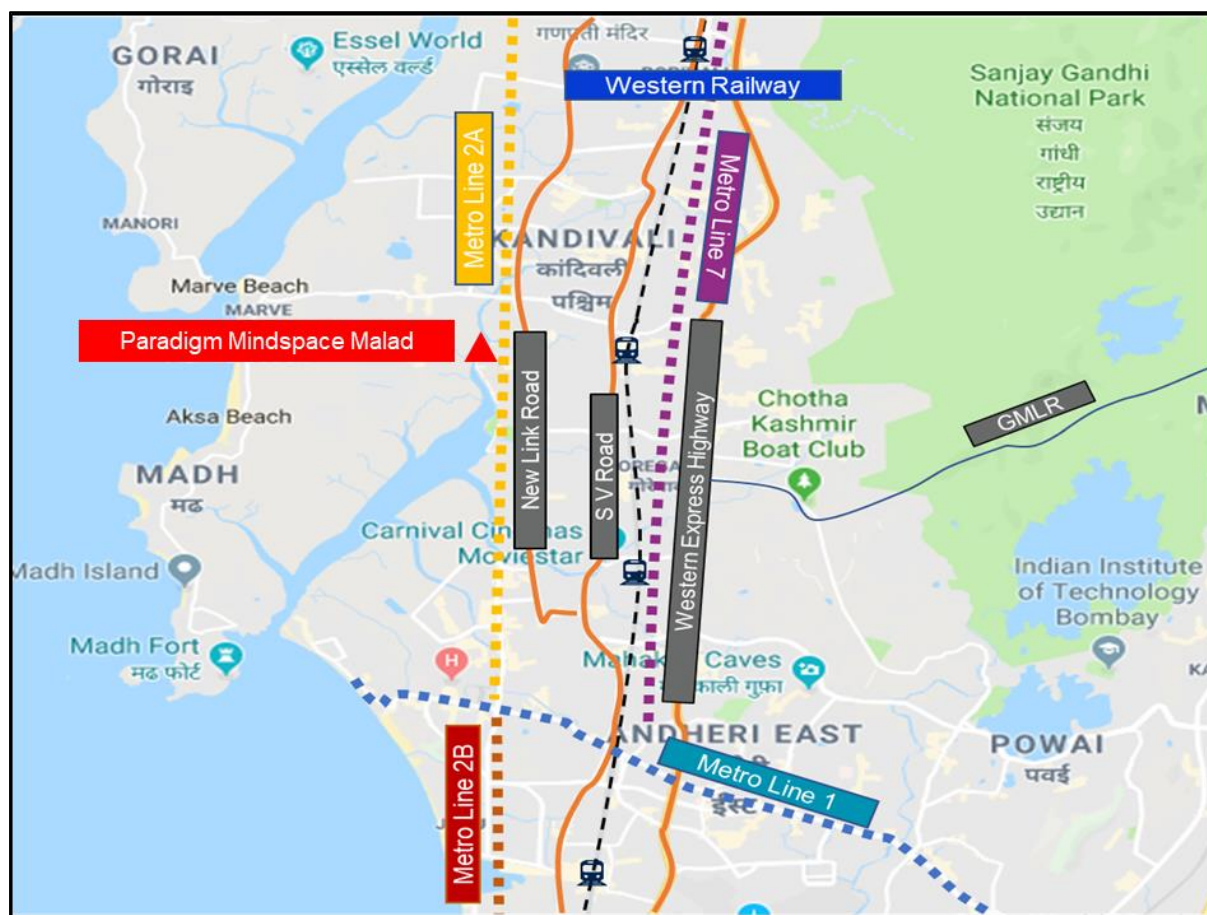


(Map not to Scale)

● Key Office Developments ● Social Infrastructure ● Lifestyle Infrastructure ● Proposed Development

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Interface	1. DNA Multi-speciality Hospital	1. Infiniti Mall	1. Nirlon Knowledge Park, Phase 5
2. Infinity IT Park – TRIL	2. SRV Hospital	2. Oberoi Mall	
3. Techniplex – I & II	3. DTSS college of Commerce	3. Westin Hotel	
4. Prism Towers	4. Dr. S Radhakrishnan International School	4. Radisson Hotel	
5. Oberoi Commerz 1 & 2	5. St. Xavier's High School	5. Inorbit Mall	
6. Nirlon Knowledge Park		6. Hub Mall	
7. NESCO IT Park			
8. Lotus Corporate Park			
9. Raheja Titanium 1			
10. Hubtown Viva			

## 2.2 Existing and Upcoming Infrastructure



(Map not to scale)

The Malad Goregaon market is well connected via roads especially the SV Road in the west which provides connectivity from Dahisar in the South to Bandra in North. The New Link Road and Western Express Highway are also alternative roads which provides a good connectivity with South and North Mumbai. There are two upcoming metro lines namely Line 2A and 2B which will provide connectivity between Dahisar West- DN Nagar – Mandale which are expected to be completed by 2022.

## 2.3 Key Statistics

Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 13.5 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 11.1 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 18.0%
<b>Avg. Absorption (2015 – Q3 2020)</b>	Approximately 0.5 msf
<b>Future Supply (Q4 2020 – 2022)</b>	Q4 2020: 0.0 msf 2021: Approximately 1.2 msf (100% of the supply is pre-leased) 2022: 1.1 msf (100% of the supply is pre-leased)

Source: Cushman & Wakefield Research

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

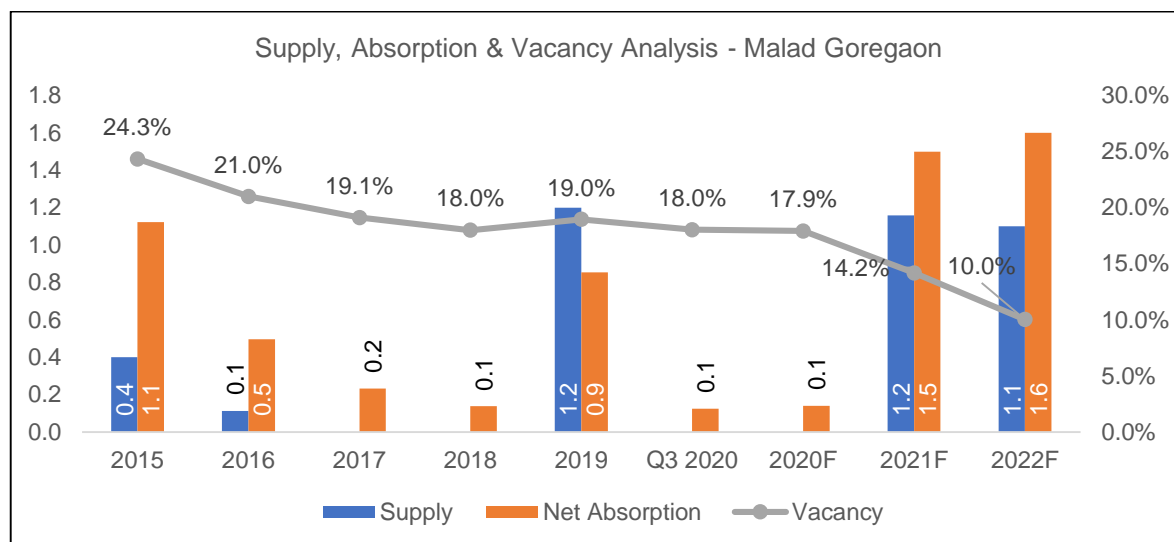
## 2.4 Supply, Absorption & Vacancy

Commercial space demand in Malad - Goregaon has significantly increased over the past few years owing to demand from GCCs, technology and professional services companies. Average annual absorption in the micro market is ~0.5 msf (2015-Q3 2020) however, absorption in the year 2015 and 2016 was relatively higher due to absorption of new supply delivered in the prior years. Malad – Goregaon micro market has gained increased traction owing to quality A grade developments, proximity to the talent catchment areas and larger floor plates. However, few buildings in this micro market are not comparable to Paradigm Mindspace Malad (Mindspace REIT asset) due to locational attributes and specifications.

Due to sustained tenant demand and constrained supply, vacancies declined steadily through 2015 to 2018 and stood at 18.0% in 2018. Vacancy increased to 19.0% in 2019 due to completion of approximately 1.2 msf of office space in the micro-market. Though, vacancy in this micro market has been on a declining trend, vacancy as on Q3 2020 stood at 18.0%. However, with continuous demand and traction from occupiers coupled with limited supply in future, we expect the vacancy levels to reduce to 10.0% by 2022F.

Vacancy in the competing buildings of Paradigm Mindspace Malad however, stood at 12.6% in Q3 2020. Further, 1.2 msf of new supply is expected to be delivered in the year 2021 and 1.1 msf of new supply is expected to be delivered in the year 2022 in Malad – Goregaon micro market. This supply, however, is 100% pre-committed. Hence, the vacancy is estimated to be on a declining trend in the near future.

The following graph represents supply, net absorption and vacancy levels in Malad-Goregaon micro-market (2015-2022F):



Source: Cushman & Wakefield Research

Note: 1. Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

2. Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

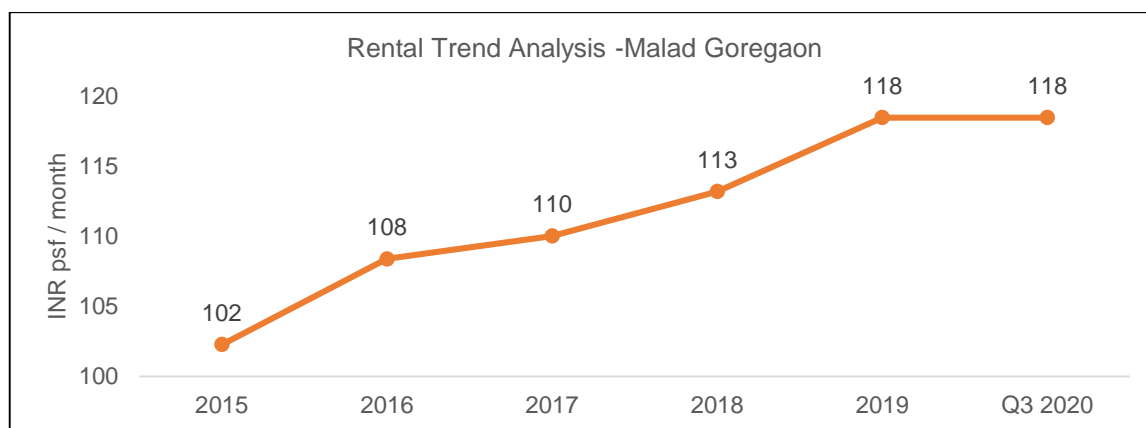
3. Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

## 2.5 Rental Trend Analysis

Due to increasing traction and limited supply in Malad – Goregaon micro market, the rentals in this micro market have witnessed an increasing trend since 2015 with a CAGR of 3.1% from 2015 to Q3 2020. Malad – Goregaon rentals now stand at INR 110 – 120 psf / month on leasable area. This micro market is also witnessing an increased traction from GICs because of enhanced connectivity and proximity of the micro market to residential catchment areas.

Rentals in Malad sub micro-market however, are in the range of INR 85 – 90 psf / month. Paradigm Mindspace Malad have anchor tenants such as JP Morgan and BA Continuum who have continued to renew its leases over the years.

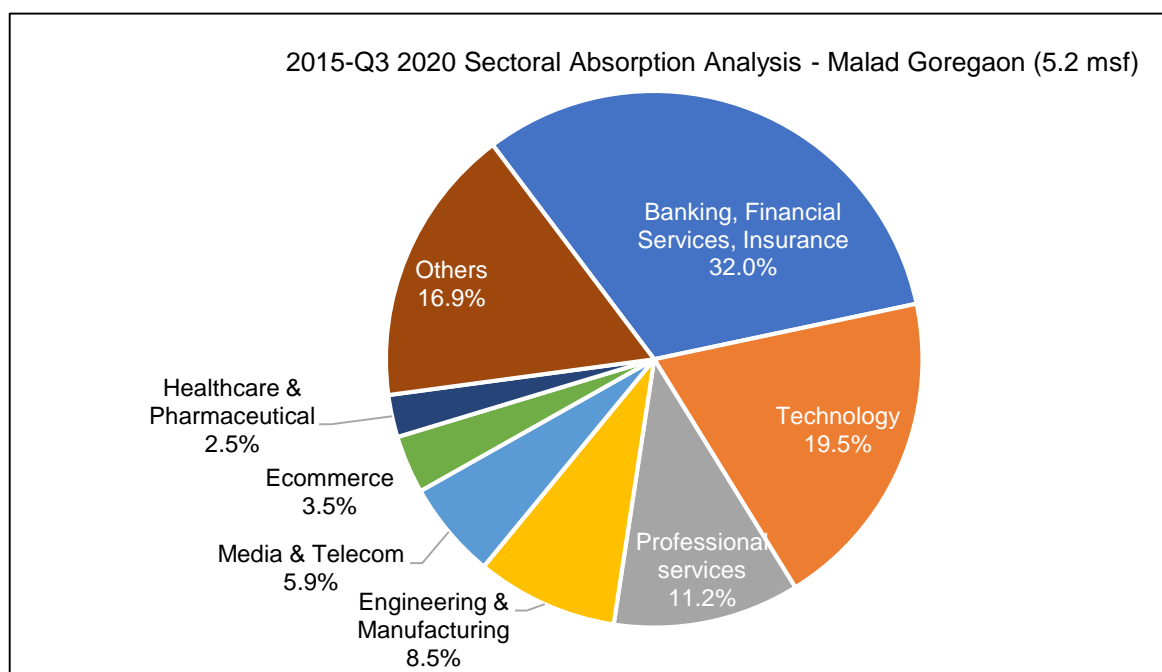
Limited supply and sustained demand led to an increase in the rentals in this micro market. However, the rentals as of Q3 2020 have remained flat from the year 2019.



Source: Cushman & Wakefield Research

Note: The rentals are basis the prevailing quotes in the micro market. Actual achievable rent may vary +/- 10% depending upon negotiations, final structuring of the lease agreement and other parameters

## 2.6 Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Automobile, Education, Flexible Workspaces, Hospitality, Logistics & Shipping, Oil & Gas, Research & Analysis, Food & Beverage, Real Estate & Related Services, etc. The sectoral absorption analysis is based on gross absorption activity of micro market i.e. including any relocations, consolidations etc.

Malad- Goregaon micro market has seen a higher traction from BFSI sector which contributed 32.0% to the leasing activity in the years 2015 – Q3 2020. Prominent GICs namely JP Morgan, Morgan Stanley, Citi Bank, etc. are some of the occupiers in the micro markets because of availability of larger floor space, competitive rent, accessibility to nearby established residential hubs and good connectivity to the rest of the city. Technology and Professional services sector contribute 19.5% and 11.2% respectively to the leasing activity in this micro market in 2015 to Q3 2020 time period.



## 2.7 Market Outlook

According to the market assessment report of Cushman & Wakefield current market rentals in the Malad sub micro-market are in the range of INR 85-90 psf / month which is broadly in line with the recent leases signed in the Subject Property. Further, over 2015 – Q3 2020, the rentals in Malad-Goregaon micro-market grew at a CAGR of 3.1%. Going forward, considering the limited future supply in the Malad sub micro-market and the upcoming metro line (Metro Line 2A) which will enhance connectivity in the Malad sub micro-market thereby having a positive impact on the rentals, annual growth rate of 5% in the market rentals appears achievable.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long-term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long-term expectation while taking into account any short-term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the commercial real estate markets are likely to attain its long-term growth trajectory.

## **C      PROPERTY REPORT**



## 1 Address, ownership and title details of Subject Property

Address:	Paradigm S NO 1460 A/18 Mindspace Link Road, Mindspace, Malad (West), Mumbai, Maharashtra 400064
Ownership & title details:	Freehold

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani and Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material litigation

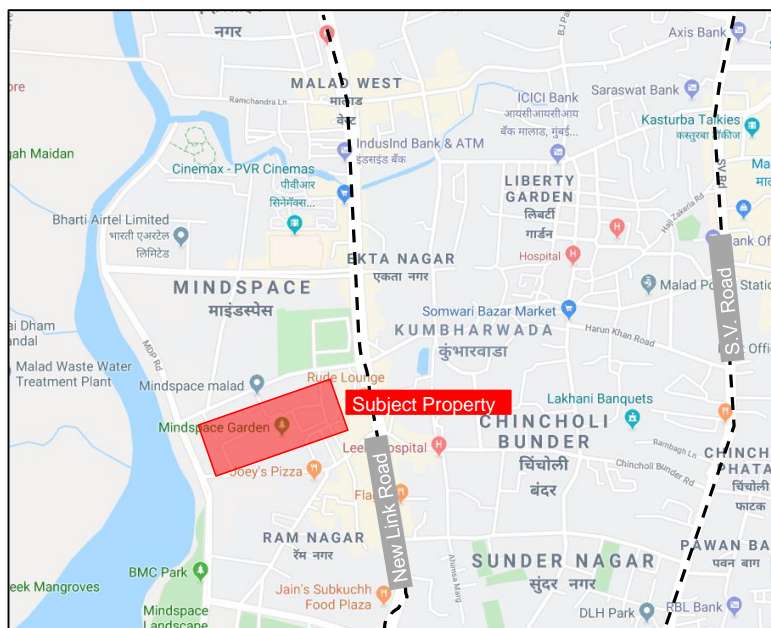
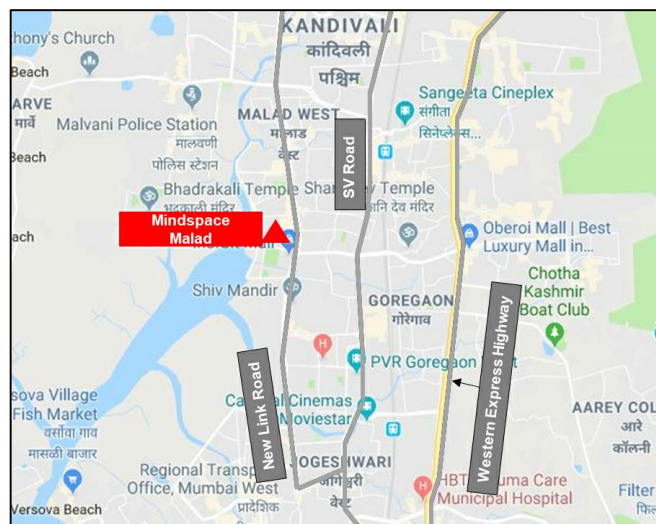
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

Subject property comprises of one operational building with two wings known as Paradigm A and Paradigm B (hereinafter referred to as Subject Property), which are part of Paradigm Mindspace IT park located in Malad West, Mumbai, within Malad-Goregaon micro market which is home to a number of IT and commercial establishments by prominent developers like K Raheja Corp, Nirlon, Oberoi etc. It enjoys good accessibility and connectivity with other parts of the city. The micro market is strategically located in Mumbai with social infrastructure like Goregaon Sports Club, Infinity Mall, Inorbit Mall, etc. which are in close proximity to the Subject Property. The IT Park comprises of 2 non-SEZ buildings and houses prominent tenants such as J.P Morgan Services India Pvt. Ltd., First Source Solutions Ltd., Tech Mahindra, etc.

The location map of the Subject Property is set out below:



(Map not to scale)

Of the gross plot area of ~31 acres, the Subject Property is spread out over ~4.2 acres of land parcel. Located on the Zakeria road, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land. Further, basis our perusal of the site map provided by the client, we noted that the land plot is regular in shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 2-3 kms from Malad Railway Station
- Approximately 3-4 kms from Goregaon Railway Station
- Approximately 3-4 kms from Western Express Highway
- Approximately 12-13 kms from Mumbai International Airport

The Subject Property is well accessible from all locations of Mumbai-Navi Mumbai and MMR. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

The property photographs of the Subject Property are attached in Annexure 3.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## 2.4 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Mumbai where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## 2.5 Town Planning and Statutory Considerations

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## 3 Subject Property - Asset Description

Paradigm Mindspace, Malad is a Grade A, IT Park located in Mumbai. The Subject Property comprises of one building with two wings known as 'Paradigm A & B' which are operational.

The completed buildings collectively admeasure ~0.7 Million sq. ft. of leasable area.

The building wise Leasable Area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 1	356,651	IT Park	Completed
Building 2	344,372	IT Park	Completed
<b>Total</b>	<b>701,023</b>		

*Source: Architect's Certificate, Rent Rolls, Lease Deeds/Leave and License Agreements*

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	Avacado Properties and Trading (India) Private Limited
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Avacado Properties and Trading (India) Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Paradigm A - 16 years and 2 months Paradigm B - 16 years
Asset type:	IT Park
Sub-market:	Malad – Goregaon
Approved and existing usage:	Commercial office/ IT Park
Site Area (acres):	~4.2
Freehold/Leasehold:	Freehold
Leasable Area:	0.7 Million sq. ft.
Occupied Area:	0.6 Million sq. ft.
Occupancy (%) <sup>2</sup>	93.7%
Committed Occupancy (%) <sup>3</sup>	93.7%
Number of Tenants	12

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Occupancy refers to proportion of area leased which is actively occupied by the tenants out of the total area that has received OC
3. Committed occupancy also includes area which has been pre-leased to tenants.

### 3.2 Property Inspection

The Subject Property was visually inspected by the valuer and his authorised representatives. The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

It has been given to understand that a separate budget of INR 350 Million has been provisioned to undertake major repairs and improvements in order to upgrade the building from bareshell to warmshell structure. Of this, INR 7 Million has been incurred until Q2 FY 2020-21.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

#### Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top ten tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any

Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

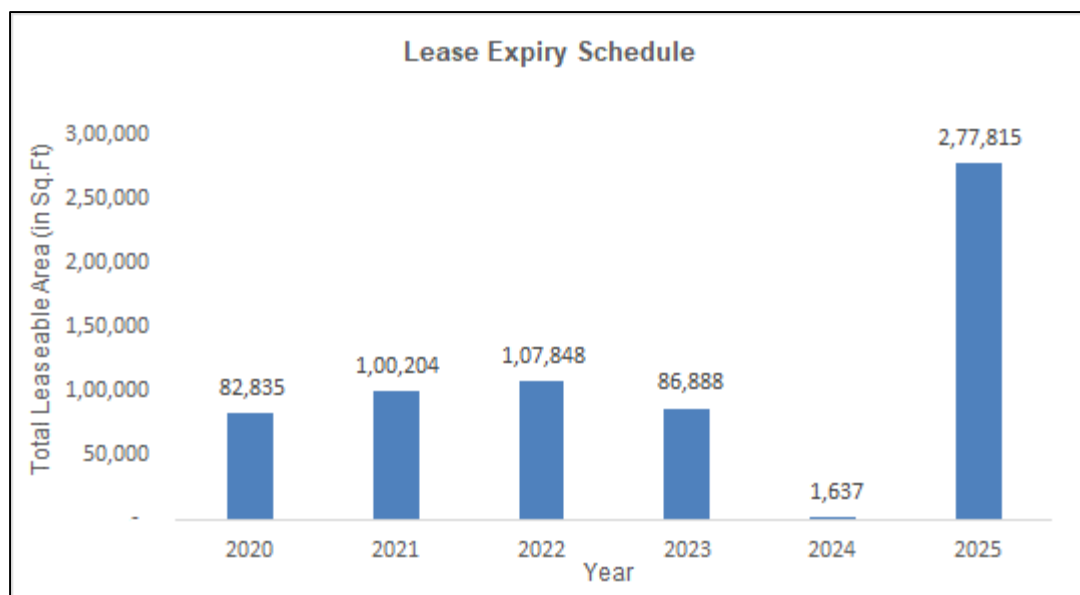
As of 30 September 2020, Subject Property has 12 tenants (for office space) which include companies like JP Morgan, Tech Mahindra, First Source, etc. The Subject Property's top 10 tenants account to ~99% of the Gross Rental income.

Rank	Top 10 Tenants according to Leasable Area	Leasable Area (sq. ft.)
1	J.P. Morgan	2,55,326
2	Tech M	1,23,000
3	Firstsource	99,094
4	BA Continuum	82,600
5	Travelex	54,449
6	Glocal Junction	5,385
7	Matrix	4,986
8	Zibanka	4,020
9	Information	2,420
10	HTT Pool	2,335
	<b>Total</b>	<b>6,33,615</b>

Rank	Top 10 Tenants according to Gross Rentals	Percentage of Gross Rentals
1	J.P. Morgan	40.7%
2	Tech M	19.1%
3	Firstsource	16.0%
4	BA Continuum	13.0%
5	Travelex	8.1%
6	Glocal Junction	0.9%
7	Matrix	0.6%
8	Zibanka	0.5%
9	Information	0.4%
10	HTT Pool	0.3%
	<b>Total</b>	<b>99.6%</b>

### 3.5 Lease Expiry Profile

The Weighted Average Lease Expiry (WALE) of the property is 2.9 years, with 57.5% of occupied area expiring between CY 2020 and CY 2023 as shown in the chart below.



## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-market Review:**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner.

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable marginal rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).



2. Rent roll and sample of lease deeds of large/anchor-tenants were analysed to assess if any adjustments to marginal rent are required for individual leases. For other leases, it has been assumed that they would revert to marginal rent of the Subject property following the expiry of the lease tenure, factoring appropriate re-leasing time and costs. Valuer also analysed the leasing within the asset for anchor tenants to identify the discount that is extended to such tenants at the time of fresh leasing or lease renewals. Rent roll and sample of lease deeds of large anchor-tenants were analysed and applicable adjustments to marginal rent was estimated for individual leases. For other tenants occupying relatively large space within the properties, it is assumed that the leases shall revert to marginal rents (duly adjusted from the date of valuation) following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, the following steps have been undertaken to assess the rental over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any - the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the 1 year forward income (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net income over the next 10 years along with the terminal value during the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the asset through this approach.

## 5 Assumptions considered in Valuation

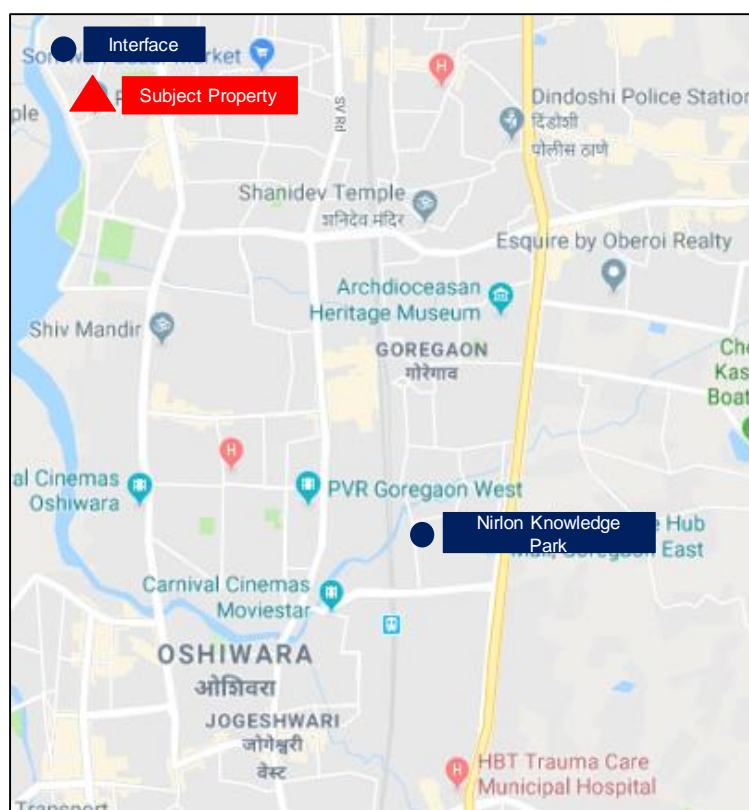
The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Property details

Property Details	Unit	Details
Total Property Leasable Area	Sq. Ft.	701,023
Area Leased	Sq. Ft.	656,992
Leased	%	93.72%
Vacant Area	Sq. Ft.	44,031
Vacancy	%	6.3%
Stabilized Vacancy	%	2.0%
Further leasing	Sq. Ft.	30,011
Existing Lease rollovers	%	100%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Estimated leasing period	No. of quarter	1

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 October 2020) in order to retain and support them.
- Future absorption (As per Section 4.1.1 - Supply, Absorption & Vacancy)**
  - Over 2015 - Q3 2020, the Malad Goregaon micro market has witnessed an annual absorption of approximately 0.49 Million sq. ft.
  - Going forward, the micro market is expected to have an average annual demand of approximately 1.6 Million sq. ft. per annum over CY 2021-2022.
  - Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
    - Existing - Interface (11, 14 & 16) with 1.03 Million sq. ft. and vacancy of 49%,
    - Future supply - Nirlon Knowledge Park Phase V with 1.1 Million sq. ft. and which is expected to be delivered in 2021.

**Subject Property and relevant existing/upcoming supply**

- Considering the above, it would be reasonable to believe that Subject Property shall be able to lease 30,011 sq. ft. during FY2022.
- Further leasing has been assumed after incorporating a 2% stabilised vacancy which is a standard for Grade A properties in commercial parks.
- We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand.

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 86.00
Market Rent - kiosks/small area	Per sq. Ft./month	INR 130.00
Market 4 W Parking Rent	Per slot/month	INR 5,000
Other operating income	% of lease rental	1.00%
Market Rent growth rate	% p.a.	5.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target efficiency	%	76.0%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	10.44

- **Market rent - office:**

- Over 2018 - CY Q3 2020, approximately 0.5 Million sq. ft. was leased in the rental range of INR 75-98 per sq. ft. per month.
- Recent leasing transactions over 2018- CY Q3 2020 are set out in the table below:

Tenant	Year	Area	Rent
Firstsource Solutions Ltd	2020	16,334	90
J.P Morgan Services India P. Ltd.	2020	2,55,326	95
Firstsource Solutions Ltd	2020	16,334	90
Foodlink Services India Pvt. Ltd	2020	5,385	98
Zibanka Media Service Pvt Ltd	2020	770	75
VirtueInfo Soft Web Pvt Ltd	2019	1,637	95
Zibanka Media Service Pvt Ltd	2019	3,250	75
B.A Continuum India Pvt. Ltd.	2018	41,300	94
B.A Continuum India Pvt. Ltd.	2018	41,300	94
First source Solutions Ltd	2018	82,760	90
HTT Pool Digital Pvt Ltd	2018	2,335	75

- Considering the location, accessibility, quality, size of the building and keeping in view of the future supply which consists majorly of IT building hence it can reasonably be assumed that Malad West office space shall be able to command a monthly rental of INR 86 per sq. ft. per month.
- **Market rent growth rate:** Over 2015 – Q3 2020 rentals in Malad-Goregaon micro-market grew at a CAGR of 3.1%. Going forward, the annual growth in market rentals at 5.0% for Malad sub micro-market can be expected due to limited future supply and the upcoming infrastructure (metro line 2A).  
However, due to current market condition we have not assumed any rental escalation for next 18 months and thereafter (i.e. from April 2022 onwards) considered annual rental growth rate of 5% for the Subject Property.
- **Market rent - 4W parking:** Rent for car parks are assumed at INR 5,000 per slot per month in line with the current rentals for paid car parks in Malad West.
- **Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental. Other income includes car park, signage, ATM, telecom tower, kiosk, event, vending machine, service connection and other charges and miscellaneous income.
- **Efficiency revision:** Analysis of the recent re-leases suggest that the Client has leased the same area at lower efficiency and received higher rentals for the same carpet area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at 76% or actuals, whichever is lower.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 8.34
Property Tax	Per sq. Ft./month	INR 3.50
Insurance	Per sq. Ft./month	INR 0.24
CAM cost escalation	% p.a.	5.00%
Cost escalation	% p.a.	3.00%
Transaction cost on sale	% of Terminal Value	1.00%
Other Operating Expenses	% of Lease Rentals	2.00%
Property Management Fees	% of Lease Rentals, parking income, fit out income and other operating income	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.10 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1 April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of lease rental, parking income, other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

### Upgrade Cost Related Assumptions

Upgrade Cost Phasing		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Cost to be Incurred	INR Million	94.2	3.8	53.9	46.0	11.7	133.2

*Note: We have relied on Client inputs for the assumptions relating to upgrade CAPEX (INR 350mn out of which INR 7mn is incurred). The CAPEX is related to conversion of existing bare-shell offices to warm-shell offices and hence, they have been assumed to be spent in the proportion of lease expiry schedule*

**Discount Rate & Capitalisation rate assumptions**

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallongji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.

**Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.



## 6 Market value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows;

Market Value as on	In Figures (INR Mn)	In Words
30 September 2020	INR 9,311 Million	India Rupees Nine Billion Three Hundred Eleven Million Only

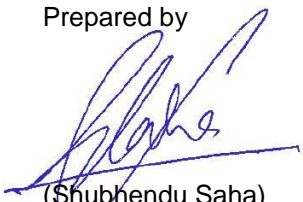
### Ready reckoner rate

Component	Rate (INR per sq. m)
Built up area	INR 17,894 per sq. ft.
Land Area	INR 7,447 per sq. ft.

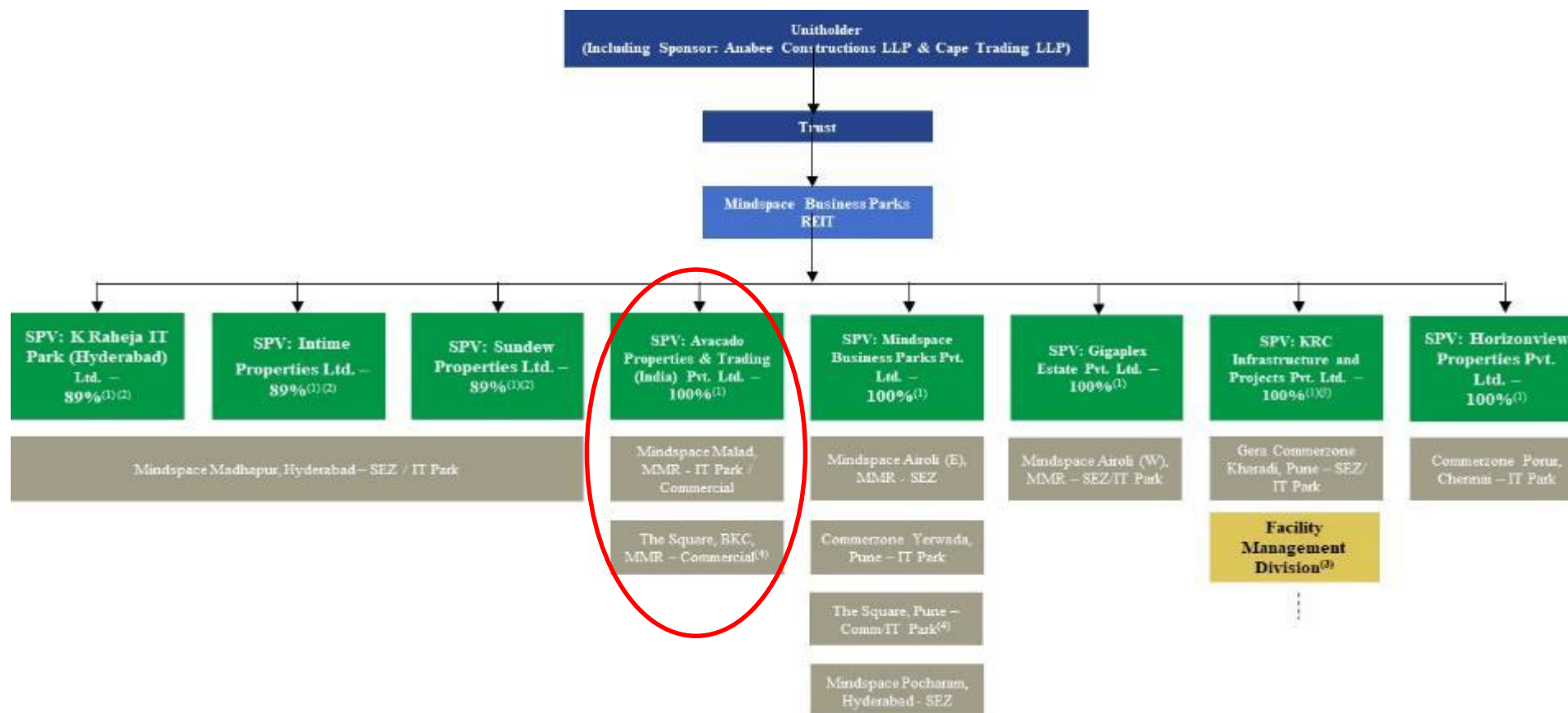
I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

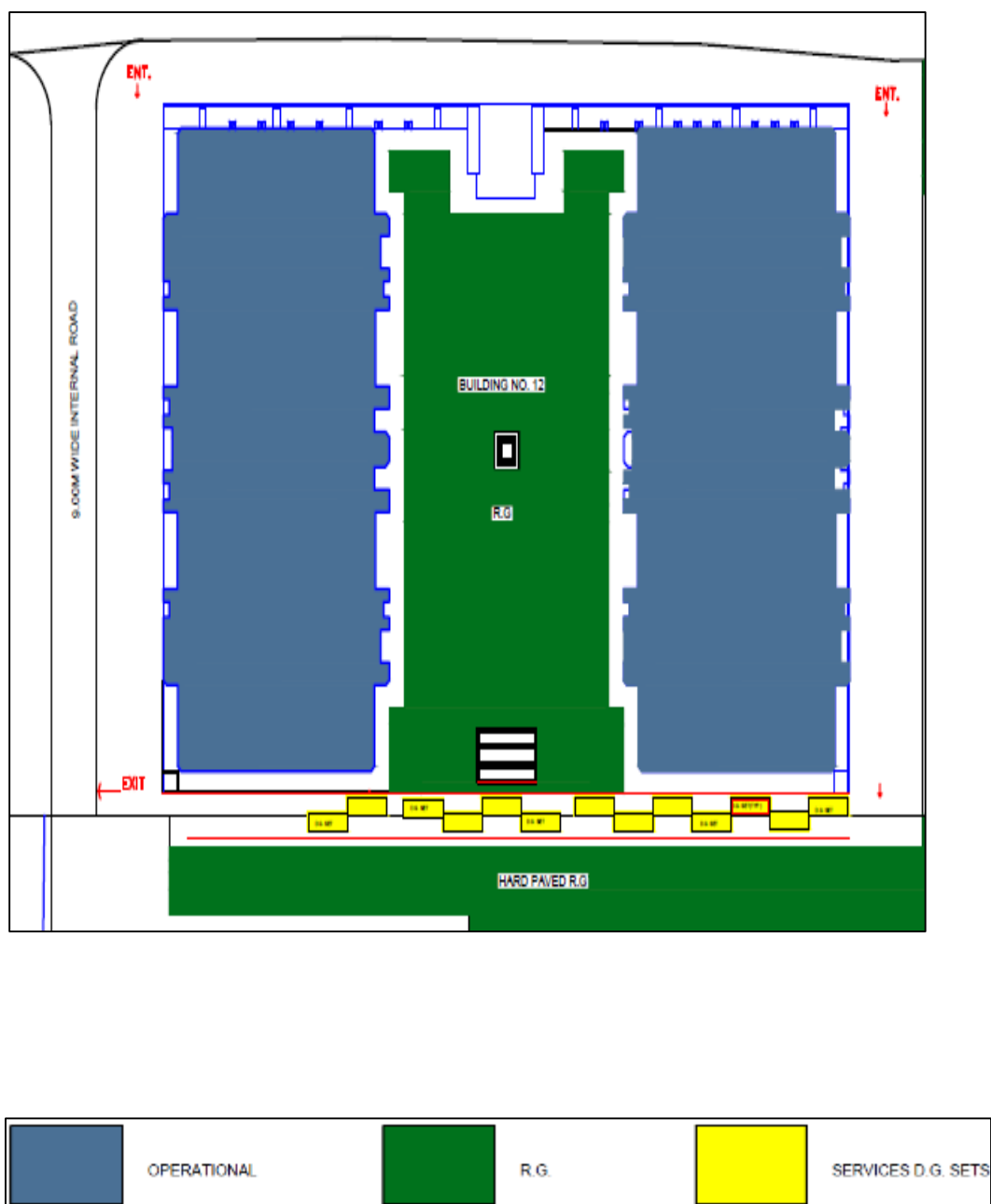


(Shubhendu Saha)  
IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property**

Note:

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

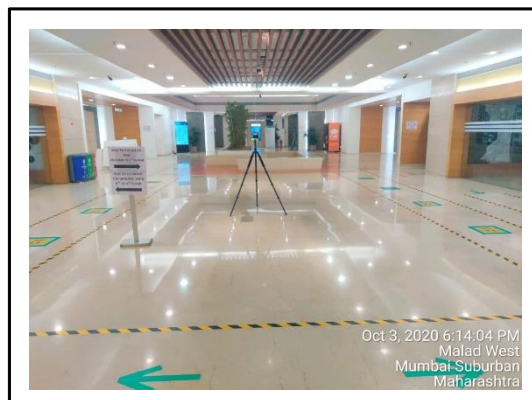
**Annexure 2: Site Layout Map**

**Annexure 3: Site Photographs**

View of the Subject Property



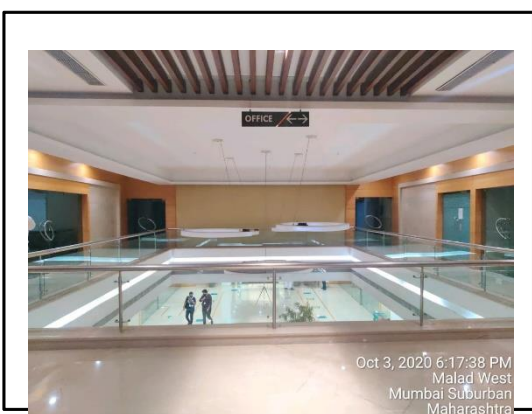
View of the Subject Property



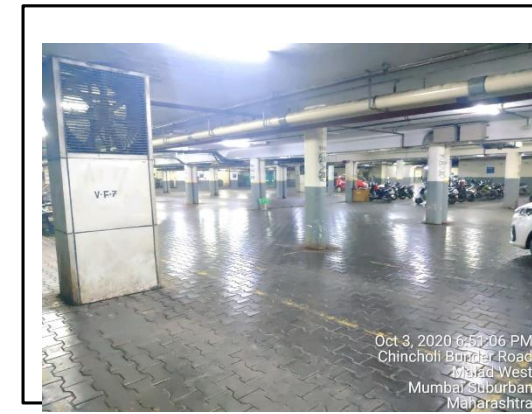
View of the Entrance Lobby



DG Set



View of the First Floor



View of the Parking Area

**Annexure 4: Statement of Key Assets**

	<b>Name</b>	<b>Malad</b>
<b>Building</b>	<b>No. / Name</b>	<b>Paradigm</b>
<b>Floor</b>	Nos	B + Stilt + GF + 9
<b>No of DG / Capacity</b>	No. / KVA	01nos - 320 KVA 01nos - 400 KVA
<b>No of Transformers / Capacity</b>	KVA	NA
<b>Chiller Rating</b>	TR	3Nos * 100TR
<b>Cooling tower</b>		NA
<b>FF System (Pumps) &amp; Engine</b>		Main Pump Hydrant/Kirloskar /1x 50HP Main Pump Hydrant/Kirloskar /1x 50HP Jockey Pump Hydrant/Kirloskar /1x 10HP Jockey Pump Sprinkler/Kirloskar /1x 12.5HP
<b>Water pumping system (Domestic &amp; Flushing)</b>		Domestic Pump - 3 x 5.5KW Flushing Pump - 3 x 5.5KW
<b>STP Rating</b>	<b>KLD</b>	350
<b>Warm Shell / Bare shell</b>		Only DG connected to common area

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Full Occupancy Certificates
- b) Height Clearance NOC from AAI
- c) Environmental clearances
- d) Drainage Plan
- e) One-time Fire NOC and Form B for half year ending June 2020
- f) Consent to Operate

**Approvals Pending**

- a) NA

**Annexure 6: Cash Flow Profile**

		1	2	3	4	5	6	7	8	9	10	11
Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	657.2	771.3	802.1	871.2	836.6	933.5	975.5	1,019.4	1,065.3	1,056.0	1,169.8
Parking Income	INR Million	4.8	4.8	4.8	4.8	4.2	6.0	6.3	6.6	6.9	7.3	7.6
O&M income	INR Million	91.5	99.3	104.3	109.5	114.9	120.7	126.7	133.1	139.7	146.7	154.0
Other operating income	INR Million	6.6	7.7	8.0	8.7	8.4	9.3	9.8	10.2	10.7	10.6	11.7
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Total Income	INR Million	760.0	883.1	919.2	994.2	964.1	1,069.5	1,118.3	1,169.3	1,222.6	1,220.6	1,343.2
Total Income from occupancy	INR Million	760.0	883.1	919.2	994.2	964.1	1,069.5	1,118.3	1,169.3	1,222.6	1,220.6	1,343.2
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(75.5)	(79.3)	(83.3)	(87.5)	(91.8)	(96.4)	(101.2)	(106.3)	(111.6)	(117.2)	(123.1)
Insurance Cost	INR Million	(2.1)	(2.1)	(2.2)	(2.3)	(2.3)	(2.4)	(2.5)	(2.5)	(2.6)	(2.7)	(2.8)
Property Taxes	INR Million	(30.8)	(31.7)	(32.7)	(33.7)	(34.7)	(35.7)	(36.8)	(37.9)	(39.0)	(40.2)	(41.4)
Total Operating Costs	INR Million	(108.4)	(113.2)	(118.2)	(123.4)	(128.8)	(134.5)	(140.5)	(146.7)	(153.3)	(160.1)	(167.2)
Net operating Income	INR Million	651.6	769.9	801.0	870.8	835.2	935.0	977.8	1,022.5	1,069.3	1,060.5	1,176.0
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	14,699.4	
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(147.0)	
Fit Out Income	INR Million	0.0	-	-	-	-	-	-	-	-	-	
Total Net income	INR Million	651.6	769.9	801.0	870.8	835.2	935.0	977.8	1,022.5	1,069.3	15,612.9	
Property Mangement Fees	INR Million	(23.4)	(27.4)	(28.5)	(31.0)	(29.7)	(33.2)	(34.7)	(36.3)	(37.9)	(37.6)	
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(13.2)	(15.5)	(16.1)	(17.5)	(16.8)	(18.8)	(19.6)	(20.5)	(21.4)	(21.3)	
Brokerage Expenses	INR Million	(22.0)	(8.9)	(10.7)	(0.5)	(30.9)	-	-	-	-	(29.2)	
Capital expenditure - Upgrade	INR Million	(94.2)	(3.8)	(53.9)	(46.0)	(11.7)	(133.2)	-	-	-	-	
Net Cashflows	INR Million	593.0	718.0	745.7	821.8	757.8	883.0	923.5	965.8	1,010.0	15,524.8	

**Annexure 7: Ready Reckoner Rate**

Year	Annual Statement of Rates						
2020/2021							
Selected District		मुंबई(उपनगर)					
Select Village		मालाड ( दक्षिण ) ( बोरोवली )					
Search By		<input type="radio"/> Survey No <input checked="" type="radio"/> Location					
Select	उपविभाग	खुली जमीन	निवासी सदनिका	ऑफिस	दुकाने	औद्योगिक	एकक (Rs./)
SurveyNo	63/297 A-पाम प्रोजेक्ट संकुलनातील मिळकती	93840	184840	205180	240000	184840	चौरस मीटर
SurveyNo	63/297-भुभाग: उत्तरेस गावाची सीमा, पूर्वेस लिंक रोड, दक्षिणेस वॉर्ड हद्द व पश्चिमेस खाडी.	80160	175120	192610	208020	175120	चौरस मीटर
SurveyNo	63/298-भुभाग: उत्तरेस मामलेदार वाडी मार्ग, पूर्वेस एस. व्ही. रोड, दक्षिणेस वॉर्ड हद्द व पश्चिमेस लिंक रोड.	56510	124730	153600	193400	124730	चौरस मीटर
SurveyNo	63/299-रस्ता : स्वामी विवेकानंद रोड.	65190	121700	191400	257000	121700	चौरस मीटर
SurveyNo	63/300-भुभाग: उत्तरेस मामलेदार वाडी मार्ग, पूर्वेस रेल्वे लाईन, दक्षिणेस गावाची सीमा व पश्चिमेस एस. व्ही रोड.	51200	112000	125400	157000	112000	चौरस मीटर



**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP** (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services or an independent validation of the projections. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.

4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is bona-fidely believed to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third-party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum not exceeding the total fees paid for each instruction accepted. C&WI, unless specifically mentioned otherwise in the main report. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: The Square, BKC**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer

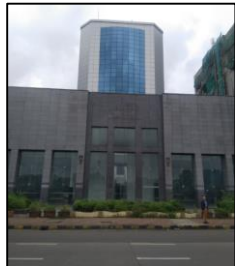

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

The Square, BKC, Mumbai		
<b>Valuation Date:</b>	30 September, 2020	 <p>View of Subject Property</p>  <p>View of Subject Property</p>
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property The Square (hereinafter referred to as the Subject Property) is located in G Block within Bandra Kurla Complex. BKC is one of the most sought after commercial micro-markets of Mumbai and is considered as the Secondary Business District of Mumbai. It is home to IT, commercial office, bank establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Wadhwa Group, Sunteck, Godrej, Adani, etc.	
<b>Description:</b>	<p>The Square is a Grade A building located in G Block, Bandra Kurla Complex, Mumbai.</p> <p><b>Completed Building with Occupancy Certificate – The Square, BKC</b></p> <p>The Subject Property is a commercial building with Occupancy Certificate (OC) admeasuring ~0.1 Million sq. ft of leasable area. The Subject Property is currently unoccupied. The building has ground plus 8 floors and a terrace. The building also has two levels of basement parking. The subject property is accessible from the Bandra Kurla Complex Road.</p>	
<b>Total Area:</b>	115,000 sq. ft.	

### MARKET VALUE OF THE SUBJECT PROPERTY BASED ON

Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 3,781 Million	India Rupees Three Billion Seven Hundred and Eighty-One Million Only

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** Leasehold “The Square” located at G Block,  
BKC, Bandra East, Mumbai

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report) for disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.



Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

### **Income Approach - Discounted Cash Flow Method**

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Property, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation.

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favour, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

### **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.
- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc Disclosure and Publication.

### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and

subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

## **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B MUMBAI REGION CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1. Mumbai Metropolitan Region (MMR)

Particulars	Mumbai Region- Overall	CBD	Andheri and Powai	*Thane Belapur Rd	*Malad - Goregaon	Worli - Lower Parel	*BKC & Annex	Thane	Central Suburbs	Eastern Suburbs	Vashi & Others
Total completed stock Q3 2020 (msf)	94.7	2.1	20.7	14.2	13.5	10.2	9.5	9.8	5.6	5.5	3.7
Current occupied stock Q3 2020 (msf)	77.1	1.9	17.1	11.9	11.1	8.1	8.1	8.4	3.6	4.8	2.2
Current Vacancy Q3 2020 (%)	18.6%	6.8%	17.1%	16.4%	18.0%	20.4%	15.1%	14.1%	36.6%	13.3%	41.3%
Avg. Annual Absorption - 2015 – Q3 2020 (msf)	4.4	0.01	0.6	0.8	0.5	0.3	0.5	0.9	0.3	0.3	0.2
Future Supply – Q4 2020 – 2022 (msf)	13.0	-	0.7	4.0	2.3	2.5	1.0	1.1	0.2	0.5	0.8
Market Rent – Q3 2020 (INR psf / month)	135.7	230.4	133.6	61.6	118.5	197.3	274.4	69.2	143.5	125.8	94.4

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District. \*Mindspace REIT's micro markets.

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders



Mumbai is India's financial and commercial capital. The presence of vibrant capital and money markets makes the city the first choice of entry for financial services firms. Mumbai houses the headquarters of major corporates & financial institutions such as ICICI Bank, HDFC Bank, Life Insurance Corporation of India, etc. India's main stock exchanges & capital market and commodity exchanges (National Stock Exchange – NSE, Bombay Stock Exchange – BSE and Multi Commodity Exchange – MCX) are also located in Mumbai. It is also home to Bollywood, the Indian Television and Film Industry.

The key drivers of demand for office space in Mumbai Region are as follows:

- **Financial capital and Services hub:** Mumbai which is referred as India's financial capital and houses corporate head offices of many Indian banks. It is also home to global consultancy firms, legal and professional services, media houses, accounting professionals, etc.
- **Global In-house Centers/ Global Capability Centers:** Mumbai is a hub for Global In-house centers (GICs) / Capability centers (GCCs) of many Investment Banks mainly from the North American and European markets such as Deutsche Bank, Bank of America, JP Morgan, etc.
- **Social Infrastructure:** Mumbai has established educational institutions and colleges, Malls, Hospitals and hotels
- **Transport infrastructure:** Mumbai is well connected via road with availability of infrastructure like the Eastern Express Highway, Western Express Highway, Eastern Free Way, Bandra-Worli Sea Link, etc. It also provides good railway connectivity with three railway lines, an operational metro line and a mono rail line. Mumbai is also well connected via air with other cities in India and other global cities with the help of 2 operational passenger terminals (Domestic and International) and one cargo terminal at Chhatrapati Shivaji Maharaj International Airport.
- **Ongoing/Planned infrastructure projects:** Key initiatives include multiple metro lines, various road projects (proposed 29 km Coastal Road, Mumbai Trans Harbour Link, Goregaon Mulund Link Road), monorail and the Navi Mumbai International airport.

## **2. Mindspace REIT's Micro Market (BKC)**

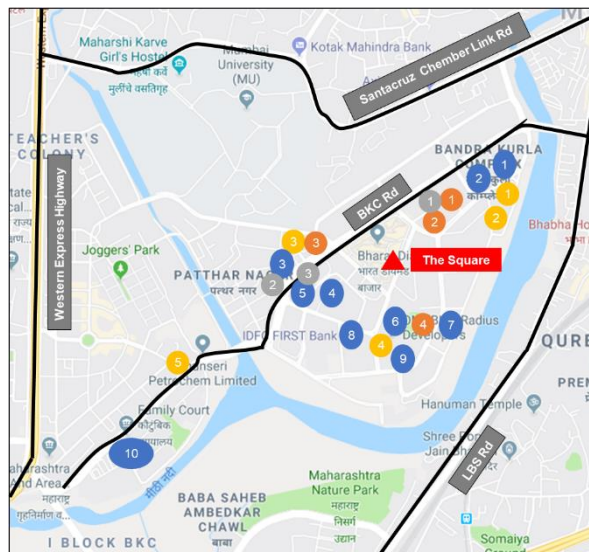
### **2.1. Overview**

The BKC & Annex micro-market has emerged as Mumbai's financial hub and as one of the most established commercial micro-markets in Mumbai and has witnessed substantial development over the last decade. This growth can be attributed to the fact that the assets are located in among the best performing micro markets and are distinguished by scale and infrastructure. The micro market enjoys good connectivity with South Mumbai, Western Suburbs (Bandra, Andheri, Goregaon etc.), Central Suburbs (Chembur, Ghatkopar, Kurla etc.) and International and Domestic Airports along with major business and social hubs. The upcoming Metro line 3 will further enhance the connectivity for commuters. The micro-market houses some of the marquee tenants in Financial Services and consulting space and has head offices of multiple MNCs, Indian Private Sector Companies and Public Sector Undertakings. The Bandra-Kurla complex is located towards the center of the city and lies in proximity to residential catchment areas in the suburban district. As a result, it has been a preferred location for commercial establishments to set-up their base, as it is easy to commute by the Mumbai Suburban train network from Bandra railway station as well as Kurla railway station and by road via the Western Express Highway, the Eastern Express Highway and the Bandra Worli Sea Link.

The Square, BKC is a leasehold, Grade-A city-center office building located in the Bandra Kurla Complex ("BKC"), Mumbai's Alternate Business District and one of the most prominent office districts in India. BKC also houses the front offices of various banks and corporate headquarters and commands the highest rent in the city due to its well-planned infrastructure, connectivity to residential hubs and availability of modern high-quality office space.

Some of the prominent commercial projects in the micro market include Maker Maxity, The Capital, Raheja Tower, Platina, IL&FS Finance Centre, First International Financial Centre and One BKC. This micro market has gained traction from some of the most high-valued and marquee tenants such as Deutsche Bank, Bank of America, Merrill Lynch, Standard Chartered Bank, BNP Paribas, TPG (Texas Pacific Group), Bain & Company etc. It also has presence of National Stock Exchange (NSE) and Securities & Exchange Board of India (SEBI) along with self-occupied commercial buildings by companies like ICICI Bank, Punjab National Bank, IL&FS, Bank of Baroda, Dena Bank, State Bank of India, Bank of India, etc. Government companies such as ONGC, Mahanagar Gas Limited, NABARD, IDBI, etc. also have set up their base in BKC & Annex.

The BKC & Annex micro market is also a hub for the international institutions such as Consulate General of the United States and New Zealand Consulate General. BKC & Annex is also characterized by the excellent social and lifestyle infrastructure such as Trident Hotel, Sofitel Hotel, Asian Heart Institute, Michelin stars restaurants etc. BKC today qualifies to be the next Commercial Business District of Mumbai.

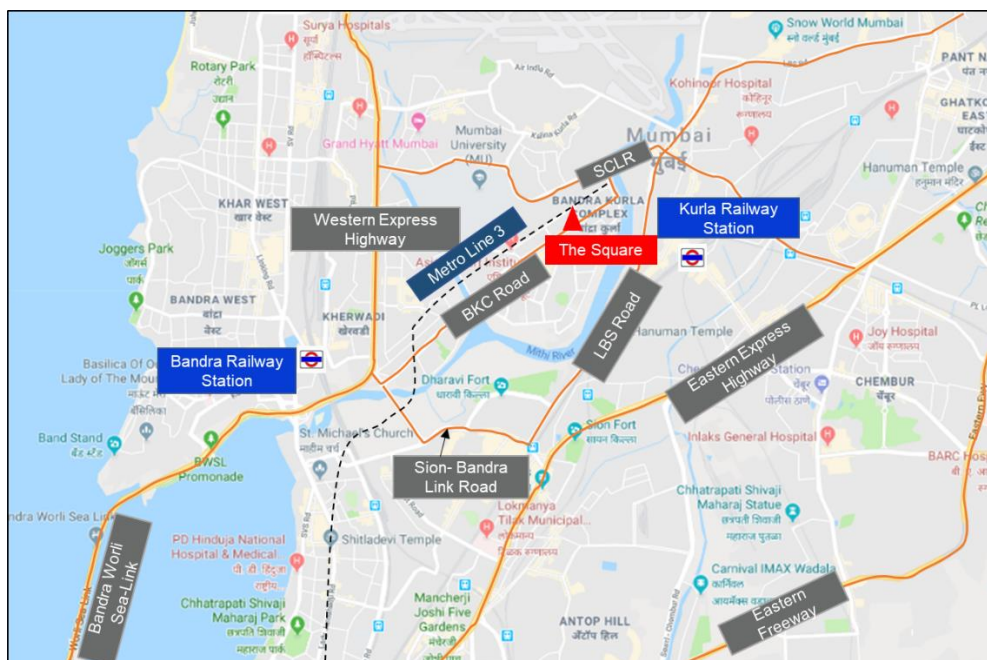


(Map not to Scale)

● Key Office Developments ● Social Infrastructure ● Lifestyle Infrastructure ● Proposed Development

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. FIFC	1. American School of Bombay	1. Sofitel Hotel	1. Vibgyor
2. TCG Financial Centre	2. Dhirubhai Ambani International School	2. Trident Hotel	2. Adani Inspire II
3. Adani Inspire phase I	3. Asian Heart Hospital	3. Irish House	3. INS Tower
4. The Capital	4. Indian Oil Petrol Pump	4. Mumbai Cricket Association	
5. IL&FS Finance Centre	5. Guru Nanak Hospital		
6. One BKC			
7. Parinee Crescenzo			
8. Raheja Tower			
9. Godrej BKC			
10. Maker Maxity			

## 2.2. Existing and Upcoming Infrastructure



(Map not to scale)

The Secondary Business district is well connected by roads with South, North and Central Mumbai. The BKC Road provides an important linkage with the roads coming from different directions of Mumbai. The nearest rail connectivity is from the Bandra and the Kurla Railway station. The upcoming Metro Line 3 will provide an alternative mode of transport for the BKC commuters and is expected to be completed by December 2021.

### 2.3. Key Statistics

Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 9.5 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 8.1 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 15.1%
<b>Avg. Absorption (2015 – Q3 2020)</b>	Approximately 0.5 msf
<b>Future Supply (Q4 2020 – 2022)</b>	Q4 2020: Approximately 0.0 msf 2021: Approximately 1.0 msf 2022: Approximately 0.1 msf

Source: Cushman & Wakefield Research

Note: Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

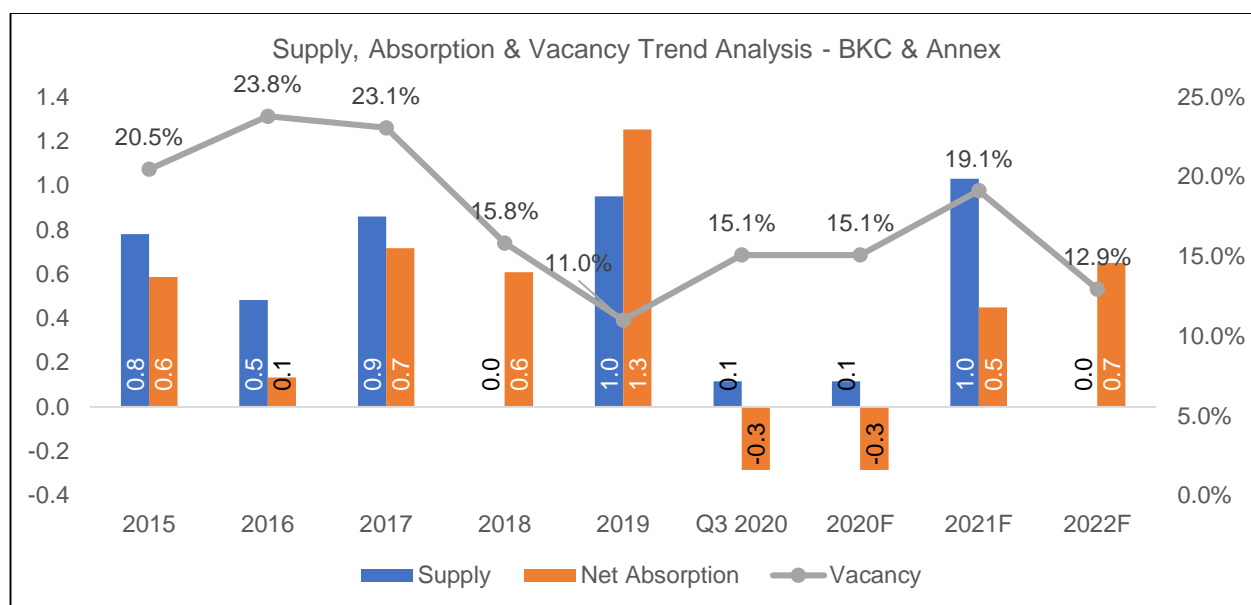
### 2.4. Supply, Absorption & Vacancy

Due to good presence of A grade buildings coupled with strong connectivity and well-developed social and lifestyle infrastructure BKC & Annex has witnessed continuous traction from tenants who provide high-value services or tenants having their corporates offices in this micro market.

This micro market has witnessed continuous tenant demand from various sectors such as Banking and Financial Services (BFSI), Technology, Healthcare & Pharmaceutical, Medial and Telecom etc. Though, the micro market has a number of Grade A buildings but in essence only few compete with The Square (Mindspace REIT asset). The other buildings are not comparable due to locational attributes, inferior specifications, smaller floor plates, etc.

Micro market of BKC & Annex has witnessed declining vacancy trend since the year 2015 and stand at 15.1% as on Q3 2020. The micro market witnessed ~0.95 msf of new supply in 2019 and ~0.12 msf of new supply in Q3 2020. Further, vacancy in the comparable buildings of The Square is 14.5%. New supply of 1.0 msf is expected in this micro market by the year 2022. Few buildings included in this future supply are however, ready and awaiting Occupancy Certificate (OC).

Due to the current Covid-19 pandemic and the challenges faced by the commercial real estate sector, we expect the vacancy to increase to 19.1% in 2021F, however with continuous demand and traction from occupiers coupled with limited supply in future we expect it to reduce to 12.9% by 2022F.



Source: Cushman & Wakefield Research

Note: 1. Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

2. Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

3. Cushman & Wakefield has considered the future supply after analyzing each of the project based on the physical progress of the project, available information on approvals and interactions held with various stake holders.

## 2.5. Rental Trend Analysis

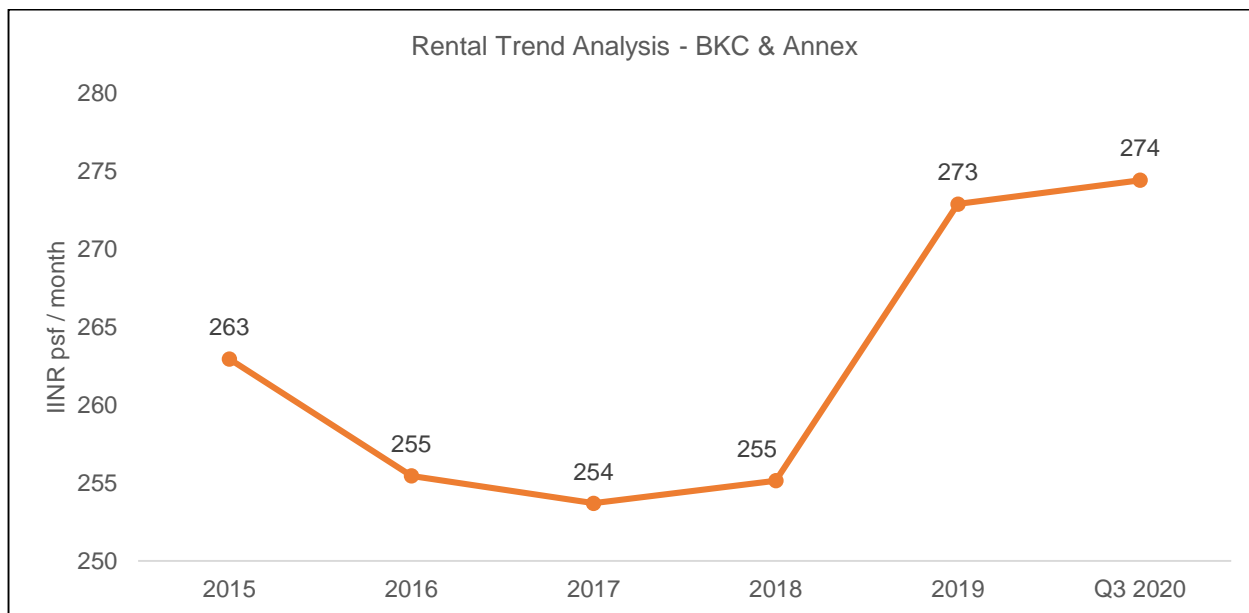
Commercial rental values in BKC and Annex are in the range of INR 250 to INR 275 psf / month on leasable area and have seen an increasing trend since the year 2017. Due to sustained leasing activities from high value tenants who are looking to establish their head office or corporate office in this micro market, the rentals in this micro market are amongst the highest in Mumbai region.

Premium Grade A supply such as Maker Maxity, Godrej BKC, One BKC, FIFC etc. command rentals in the range of INR 300 to INR 350 psf / month on leasable area. These rentals are at a premium to the market benchmarks primarily due to the locational advantage, the quality of construction, amenities and an elite tenant list.

Due to central location, strong connectivity and high-quality infrastructure in place, BKC and Annex commands substantial premium on rentals over other markets and is ~19.1% higher than CBD in Q3 2020. Additionally, BKC (excluding Annex areas) commands a rent of 279 psf / month which is 20.9% higher than CBD.

Limited supply since 2018 and sustained demand led to an increase in the rentals in the year 2019. However, the rentals have not witnessed a significant increase from the 2019 levels and stand at INR 274 psf / month on as of Q3 2020.

The following graph depicts the rental trend in BKC and Annex micro-market (2015 – Q3 2020):

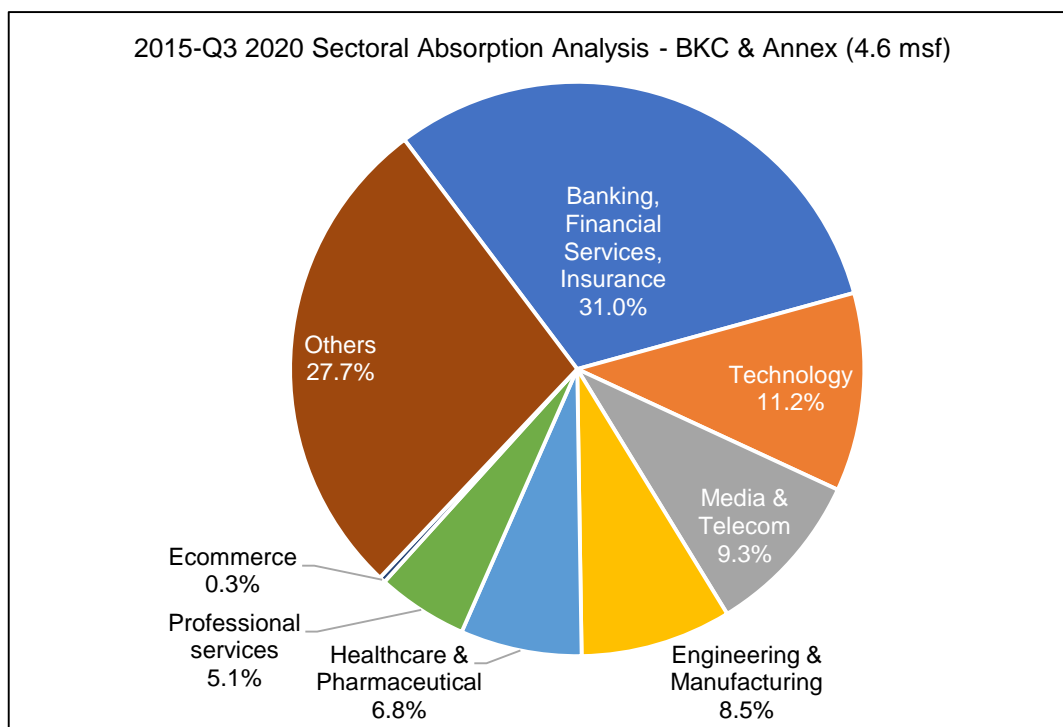


Source: Cushman & Wakefield Research,

Note: The rentals are basis the prevailing quotes in the micro market. Actual achievable rent may vary +/- 10% depending upon negotiations, final structuring of the lease agreement and other parameters.



## 2.6. Sector Demand Analysis



Source: Cushman & Wakefield Research

Note: Others include Automobile, Education, Flexible Workspaces, Hospitality, Logistics & Shipping, Oil & Gas, Research & Analysis, Food & Beverage, Real Estate & Related Services, etc. The sectoral absorption analysis is based on gross absorption activity of micro market i.e. including any relocations, consolidations etc.

BKC & Annex micro market is one of the biggest micro markets having large concentration of BFSI tenants. This is primarily due to availability of premium grade A developments, enhanced connectivity through different modes of transportation, proximity to other commercial nodes etc. Occupiers from BFSI sector contributed to 31.0% of leasing activity in BKC & Annex followed by Technology which contributed 11.2%.

Media & Telecom contributed 9.3% to the leasing activity primarily because of two tenants. Netflix leased ~0.15 msf of leasable area in Godrej BKC and Lintas taking up ~60,000 sq.ft. of leasable area in Parinee Crescenzo. Apart from these tenants, Spotify has taken up ~24,000 sq. ft. of leasable area in Godrej BKC and Universal Music has taken up ~14,400 sq. ft. of leasable area in Vibgyor Towers. Engineering & Manufacturing and Healthcare & Pharmaceutical sector contribute 8.5% and 6.8% respectively to the leasing activity in this micro market in 2015 to Q3 2020 time period. The leasing activity of Healthcare & Pharmaceutical sector is mainly because of two tenants, Lupin Pharma and Novartis. Other major tenants who have taken space in this period also include WeWork, Bank of America, Trafigura, Google, Adani, etc.



## 2.7. Market Outlook

According to the market assessment report of Cushman & Wakefield, the current market rentals in the Bandra Kurla Complex micro market are in the range of INR 250-275 per sq ft/month. Further over 2015 - 2018 the rents in Bandra Kurla Complex dropped steadily before increasing significantly in 2019 and remaining steady in Q3 2020. Going forward, considering the supply in the Bandra Kurla Complex along with commissioning of Metro Line 3, which is likely to have a positive impact on the demand for office space in the micro-market and thereby on market rental, the long term average annual growth rate of 5% in the market rentals appears achievable.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the markets commercial real estate markets are likely to attain its long-term growth trajectory.

## **C      PROPERTY REPORT**

**1 Address, ownership and title details of Subject Property**

Address:	C-61, G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400 051
Ownership & title details:	Underlying land is on leasehold basis from MMRDA

*Source: Client information*

**1.1 Encumbrances**

Unless disclosed and recorded in the Property Report – Part C, the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Veritas Legal (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

**1.2 Revenue Pendencies**

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

**1.3 Material litigation**

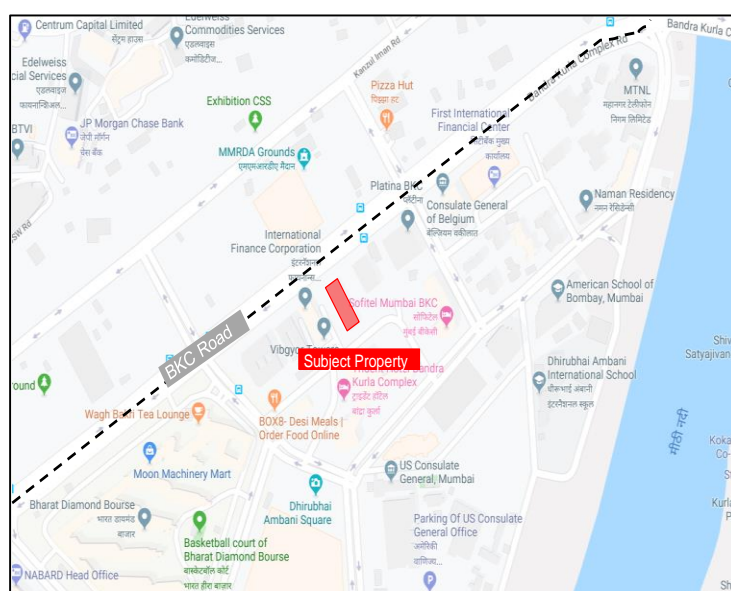
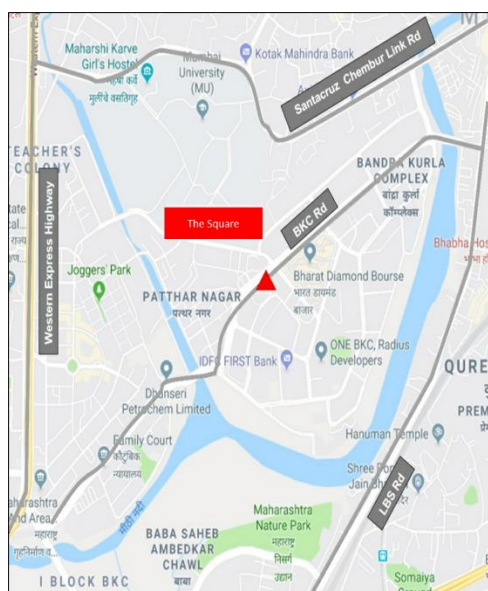
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

**2 Location****2.1 General**

Subject property, The Square is a Grade A completed building (hereinafter referred to as Subject Property), is located in G Block, Bandra Kurla Complex, Mumbai, which used to be corporate headquarters of Citigroup in Mumbai. The Subject Property is a commercial building admeasuring ~115,000 sq. ft. of leasable area and is currently unoccupied. The building has ground plus 8 floors and a terrace. The building also has two levels of basement parking, gymnasium and a squash court. The Subject Property is accessible from the Bandra Kurla Complex Link Road. It enjoys good accessibility and connectivity with other parts of the city.

BKC is one of the most sought after commercial micro-markets of Mumbai and is considered as the Secondary Business District of Mumbai and is home to IT, commercial office, bank establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Wadhwa Group, Sunteck, Godrej, Adani, etc

The location map of the Subject Property is set out below:



(Map not to Scale)

The subject property is located in BKC, adjacent to BKC Road. It is located at a distance of approximately 2 kms from Kurla Railway Station and 4 kms from Bandra Railway Station. Prominent landmarks near the subject property are Bharat Diamond Bourse, Reserve Bank of India office and BKC Telephone Exchange.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 2 kms from Kurla Railway Station (Central Railway)
- Approximately 3 kms from Western Express Highway
- Approximately 4 kms from Bandra Railway Station (Western Railway)
- Approximately 5 kms from Eastern Express Highway
- Approximately 7 kms from Mumbai International Airport

The property photographs of the Subject Property are attached in Annexure 3

The Subject Property is well accessible from all locations of Mumbai-Navi Mumbai and MMR. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Mumbai where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to overall topography of the city, indicating moderate risk of flooding.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

The Square is a vacant commercial building with Occupancy Certificate (OC) located in G Block, Bandra Kurla Complex, Mumbai. The building admeasures ~0.1 Million sq. ft. of leasable area. The building has ground plus 8 floors and a terrace. The building also has two levels of basement parking.

#### 3.1 Key Asset Information

Particulars	Details
Entity:	The Square, BKC
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Avacado Properties and Trading (India) Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	21 years and 9 months
Asset type:	Commercial
Sub-market:	Bandra Kurla Complex
Approved and existing usage:	Commercial Office
Site Area (acres):	0.94
Freehold/Leasehold:	The underlying land is taken on leasehold basis from MMRDA
Leasable Area:	0.1 Million sq. ft.
Occupied Area:	-
Occupancy (%)	-
Committed Occupancy (%)	-
Number of Tenants	-

Source: Client information

<sup>1</sup> Refer company structure set out in Annexure 1

The underlying land of the Subject Property is held as leasehold from Mumbai Metropolitan Region Development Authority (MMRDA) with remaining tenure of ~56 years. Given that the purpose and obligations associated with lease of the underlying land has essentially been achieved, the likelihood of lease getting cancelled or not renewed at the end of the tenure is negligible. Thus, no specific adjustments are required to be made towards the legal tenure of underlying land's ownership.

### **3.2 Property inspection**

The Subject Property was visually inspected by the valuer and his authorised representatives. Given the building has remained unoccupied for some time, the day to day to maintenance is not taking place. The building was facing minor problems of water seepage/leakage on to the basement area which was being attended to at the time the property was inspected. There were no visible signs of any major disrepair other than normal wear and tear in the building.

According to information received from the Client, cumulative expenditure on necessary repairs and improvements to make the building ready for occupation and fully functional, has been INR 46 Million till 30 September 2020. Also, remaining capital expenditure of INR 234 Million towards the same is planned to be incurred until 30 June 2021.

The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure are based completely on visual survey.

### **3.3 Investigation and nature and source of information**

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property

- d. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
2. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner.

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing). This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent



(Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. For vacant property the achievable rent for the Subject property has been benchmarked against the prevailing market rent in the micro-market at the time of leasing factoring appropriate time and cost for marketing.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/ future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/ future development areas respectively. The following steps were undertaken to arrive at the value for operational and under-construction/ future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/ future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/ future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the marginal achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the marginal achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)

3. Recurring operational expenses, fit-out income (if any – the same has been not included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30<sup>th</sup> September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Property details

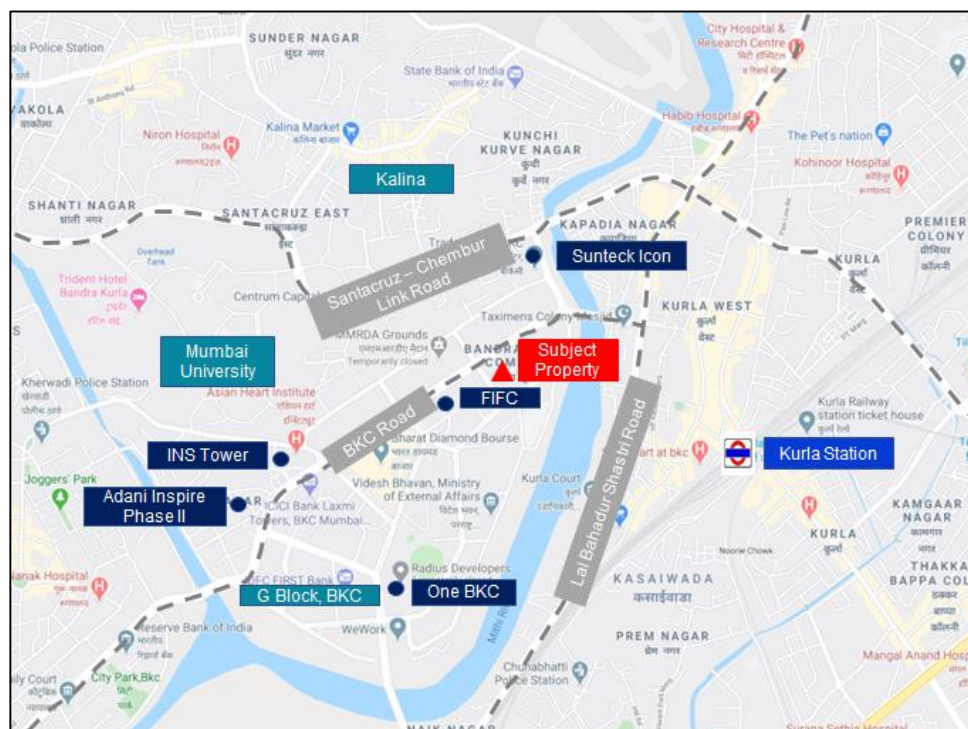
Property Details	Unit	Details
Total Property Leasable Area	Sq. Ft.	115,000
Area Leased	Sq. Ft.	-
Leased	%	0.00%
Vacant Area	Sq. Ft.	115,000
Vacancy	%	100.0%
Stabilized Vacancy	%	2.0%
Further leasing	Sq. Ft.	112,700
Rent Free Period- New Lease	Months	3.0
Estimated leasing period	No. of quarter	3.0

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 1 October 2020) in order to retain and support them.
- Future absorption: (As per Section 4.1.1 - Supply, Absorption & Vacancy)**
  - Over 2015 – Q3 2020, the Bandra Kurla Complex micro market has witnessed an annual absorption of approximately 0.50 million sq. ft
  - Going forward, the micro market is expected to have an average annual demand of approximately 0.6 million sq. ft. per annum over CY 2021-2022.
  - Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,
    - Existing – First International Financial Centre 0.4 million sq. ft. and vacancy of 20%,
    - Existing – Godrej BKC 0.57 million sq. ft. and vacancy of 26%,
    - Existing – Adani Inspire Phase 1 0.56 million sq. ft. and vacancy of 32%

- **Future Supply**

- Adani Inspire Phase II with 0.2 million sq. ft area which is expected to be delivered by December 2021
- INS Tower with 0.75 million sq. ft area which is expected to be delivered in 2021
- Sunteck Icon with 0.12 million sq. ft. area which is expected to be delivered in 2023

**Subject Property and Relevant Existing/Upcoming Supply**



- Considering the above, it would be reasonable to believe that Subject Property shall be able to lease 0.1 million sq. ft. during CY 2021.
- Further leasing has been assumed after incorporating a 2% stabilised vacancy which is a standard for Grade A properties in commercial parks.

### Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent – Office	Per sq. Ft./month	INR 260.00
Other operating income	% of lease rental	1.00%
Market Rent growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq. Ft./month	22.00

- Market rent - office:** Considering the location, accessibility, quality, size of the building, keeping in view of the future supply, it is assumed that the subject property shall be able to command an average rental of INR 260 per sq. ft. per month.
- Market rent growth rate:** Over 2015 – Q3 2020 is rentals in BKC grew at a CAGR of ~1.0%. Going forward, considering the supply in the Bandra Kurla Complex and Metro Line 3 which is likely to have a positive impact on the demand for office space in the micro-market and thereby on market rental, an average annual growth rate of 5% in the market rentals appears achievable. However, due to current market condition we have not assumed any rental escalation for next 18 months and there after considered growth of 5% (i.e. from April 2022 onwards).
- Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental. Other income includes Car Park, Signage, ATM, Telecom Tower, Kiosk, Event, Vending Machine, service connection and other charges and miscellaneous income.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
Normalized CAM Margin	Per sq. Ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. Ft./month	INR 20.00
Property Tax	Per sq. Ft./month	INR 8.79
Annual Ground Lease Rent	INR Million	12.52
Insurance	Per sq. Ft./month	INR 0.22
CAM cost escalation	% p.a.	5.00%
Cost escalation	% p.a.	3.00%
Transaction cost on sale	% of Terminal Value	1.00%
Other Operating Expenses	% of Lease Rentals	2.00%
Property Management Fees	% of Lease Rentals, parking income, fit out income and other operating income	3.50%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **Property tax** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Annual Ground Lease Rent:** An annual payment of ground lease rent of INR 12.52 million is payable to MMRDA as it is a leasehold property. The annual ground lease is payable on March of every year.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, property management fees have been assumed at 3.5% of lease rental, parking income, fit out income and other operating income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc

**Discount Rate & Capitalisation rate assumptions**

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 7.75% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallongji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

*Source: Secondary Market Research*

*Note: The above information is based on information published in public domain and discussions with various market players.*

- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.



## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows,.

Market Value as on	In Figures (INR Mn)	In Words
30 September 2020	INR 3,781 Million	India Rupees Three Billion Seven Hundred and Eighty-One Million Only

### Ready reckoner rate

Component	Rate
Built up area	INR 31,743 per sq. ft.
Land Area	INR 14,983 per sq. ft.

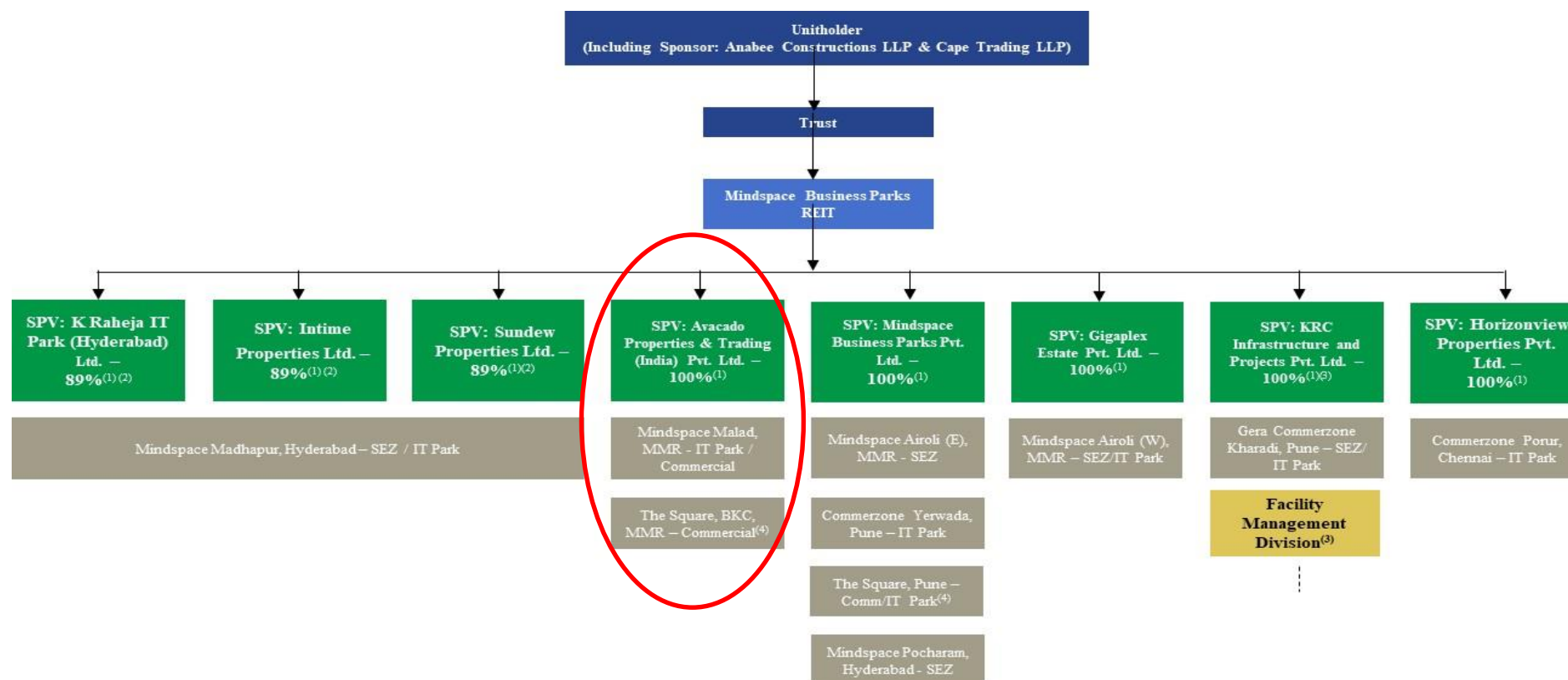
I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

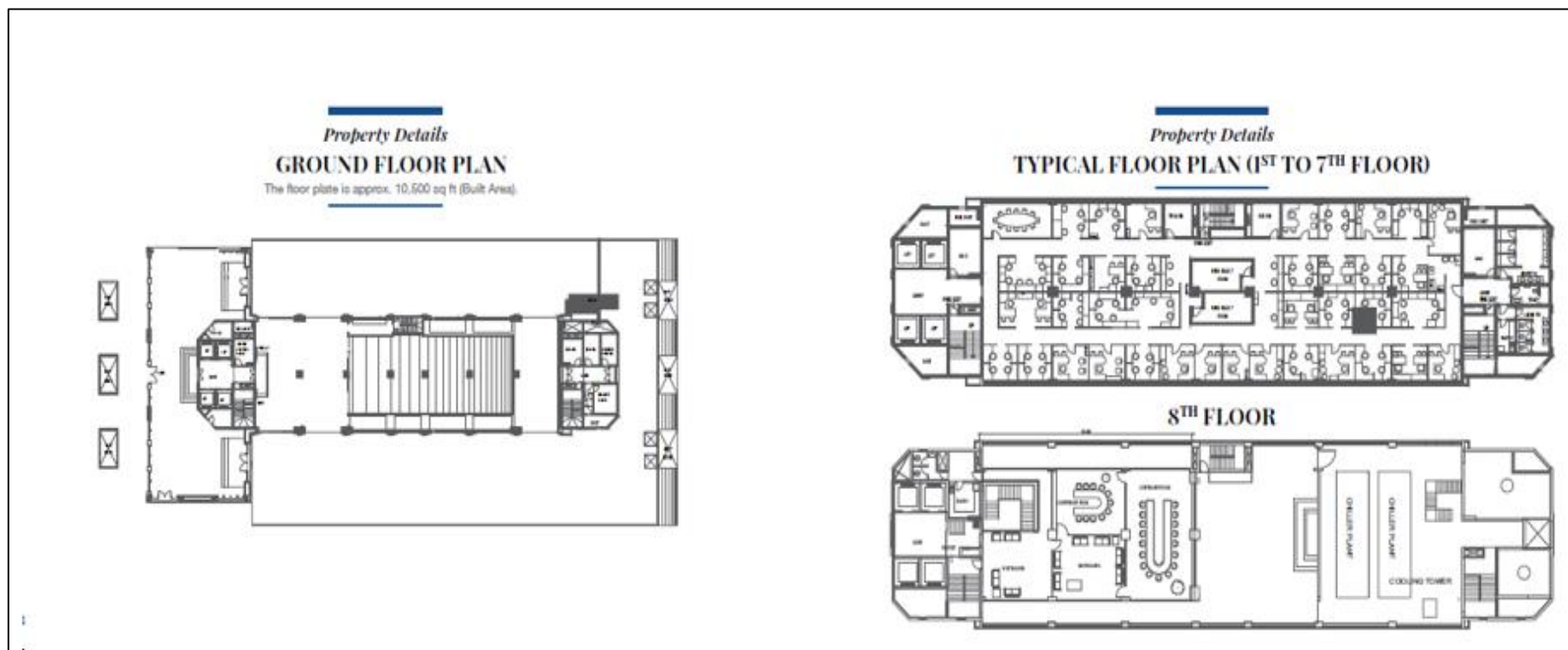


(Shubhendu Saha)  
IBBI/RV/05/2019/11552

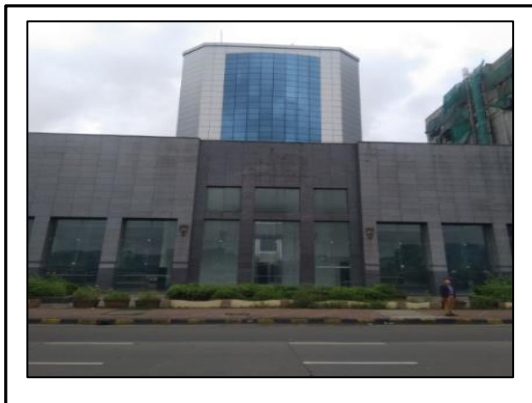
**Annexure 1: Ownership Structure of Subject Property**

Note:

1. % indicate Mindspace REIT's proposed shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd

**Annexure 2: Site Layout**

### Annexure 3: Property Photographs



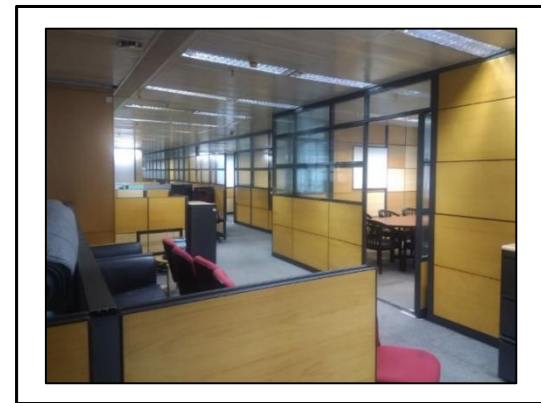
View of the Subject Property



View of the Subject Property



Lobby Area



View of Floor Area



UPS Room



Subject Property - Terrace

**Annexure 4: Statement of assets**

<b>Complex</b>	<b>BKC</b>
<b>Building</b>	<b>C61</b>
<b>No of DG / Capacity</b>	1 X1250 KVA
<b>No of Transformers / Capacity</b>	02X1500KVA
<b>Chiller Rating</b>	Old chiller and chilled water system scrapped new system proposed is VRF
<b>Cooling tower</b>	Will be installed for 1250 KVA DG Set
<b>FF System (Pumps) &amp; Engine</b>	(WILO Mather + Platt /1 X 75KW/ 100HP - Main Hydrant. WILO Mather + Platt /1 X 75KW/ 100HP -Main Sprinkler. WILO Mather + Platt /1 X 5.5KW/ - Sprinkler Jockey. WILO Mather + Platt /1 X 5.5KW/ - Hydrant Jockey. WILO Mather + Platt - Standby Diesel.) These are proposed pumps as part of upgradation work for which contractor is on board
<b>Water pumping system (Domestic &amp; Flushing)</b>	Domestic/Kirloskar/2 x 3.7KW-HPN system- Using existing system  Flushing /2 x 15KW-HPN system- New Proposed pump as a part of upgradation work
<b>STP Rating</b>	Currently existing stp equipment's and tanks are based on the MBBR technology and not in use. Most of the existing tanks and equipment's are rusted and not in working condition. As a part of upgradation work management has instructed to go ahead with MBR technology. Hence, proposed STP of 40 kld is based on the MBR technology and vendor finalization is under progress.
<b>Warm Shell / Bare shell</b>	Warm Shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Full Occupancy Certificates
- b) Height Clearance NOC from AAI
- c) Consent to Operate
- d) One-time Fire NOC and Form B for half year ending June 2019

**Approvals Pending**

- a) NA

**Annexure 6: Cash Flow Profile**

Years		1	2	3	4	5	6	7	8	9	10	11
Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	81.9	324.5	373.9	390.7	408.3	426.6	445.8	465.9	486.9	456.5	546.7
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	14.4	27.9	36.0	37.8	39.7	41.7	43.8	46.0	48.3	50.7	53.2
Other operating income	INR Million	-	-	-	-	-	-	-	-	-	-	5.5
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>96.3</b>	<b>352.4</b>	<b>409.9</b>	<b>428.5</b>	<b>448.0</b>	<b>468.3</b>	<b>489.6</b>	<b>511.9</b>	<b>535.1</b>	<b>507.2</b>	<b>605.4</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>96.3</b>	<b>352.4</b>	<b>409.9</b>	<b>428.5</b>	<b>448.0</b>	<b>468.3</b>	<b>489.6</b>	<b>511.9</b>	<b>535.1</b>	<b>507.2</b>	<b>605.4</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(16.8)	(25.4)	(32.7)	(34.4)	(36.1)	(37.9)	(39.8)	(41.8)	(43.9)	(46.1)	(48.4)
Insurance Cost	INR Million	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Ground Lease Rent	INR Million	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)	(12.5)
Property Taxes	INR Million	(12.7)	(13.1)	(13.5)	(13.9)	(14.3)	(14.7)	(15.1)	(15.6)	(16.1)	(16.6)	(17.1)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(42.3)</b>	<b>(51.3)</b>	<b>(59.1)</b>	<b>(61.1)</b>	<b>(63.3)</b>	<b>(65.5)</b>	<b>(67.9)</b>	<b>(70.3)</b>	<b>(72.9)</b>	<b>(75.6)</b>	<b>(78.4)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>54.1</b>	<b>301.1</b>	<b>350.8</b>	<b>367.4</b>	<b>384.7</b>	<b>402.8</b>	<b>421.8</b>	<b>441.6</b>	<b>462.3</b>	<b>431.6</b>	<b>527.0</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	6,799.8	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(68.0)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>54.1</b>	<b>301.1</b>	<b>350.8</b>	<b>367.4</b>	<b>384.7</b>	<b>402.8</b>	<b>421.8</b>	<b>441.6</b>	<b>462.3</b>	<b>7,163.4</b>	-
Property Mangement Fees	INR Million	(2.9)	(11.4)	(13.1)	(13.7)	(14.3)	(14.9)	(15.6)	(16.3)	(17.0)	(16.0)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(1.6)	(6.5)	(7.5)	(7.8)	(8.2)	(8.5)	(8.9)	(9.3)	(9.7)	(9.1)	-
Brokerage Expenses	INR Million	(36.4)	(22.2)	-	-	-	-	-	-	-	(27.6)	-
<b>Net Cashflows before construction cost</b>	<b>INR Million</b>	<b>13.2</b>	<b>261.0</b>	<b>330.3</b>	<b>345.9</b>	<b>362.3</b>	<b>379.4</b>	<b>397.3</b>	<b>415.9</b>	<b>435.5</b>	<b>7,110.8</b>	-
Construction Cost	INR Million	(234.2)	-	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>(221.0)</b>	<b>261.0</b>	<b>330.3</b>	<b>345.9</b>	<b>362.3</b>	<b>379.4</b>	<b>397.3</b>	<b>415.9</b>	<b>435.5</b>	<b>7,110.8</b>	-

**Annexure 7: Ready Reckoner Rate**

Year	Annual Statement of Rates						
20202021 ▾							
Selected District	मुंबई(उपनगर) ▾						
Select Village	कोळेकल्याण ( अंधेरी ) ▾						
Search By	<input checked="" type="radio"/> Survey No <input type="radio"/> Location						
Enter Survey No	4207					Search	
उपविभाग	खुली जमीन	निवासी सदनिका	ऑफीस	दुकाने	औद्योगिक	एकक (Rs./)	Attribute
31/173A-बांद्रा कुर्ला कॉम्प्लेक्स मधील जी ब्लॉक मधील खालील मिळकती.	161280	300250	341680	403300	300250	चौरस मीटर	सि.टी.एस. नंबर



**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.

- g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.
3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
  4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
  5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
  6. The Valuer's total aggregate liability to the Client including that of any -third-party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
  7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose
  8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: Commerzone, Yerwada, Pune**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP ("Recipient" or "Entity" or "Manager") and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT ("Mindspace REIT"), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date ("SEBI REIT Regulations"). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement ("LOE") dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

Commerzone, Yerwada, Pune			
Valuation Date:	30 September, 2020		
Valuation Purpose:	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014		
Location / Situation:	The property Commerzone (hereinafter referred to as the Subject Property) is located at Yerwada, located within SBD East micro market which is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Nyati Group etc. The micro market is an eastern corridor of the city which is one of the most preferred commercial and residential destinations in the city. It also houses prominent tenants such as Barclays, Mastercard, HSBC, etc.		
Description:	Commerzone is a Grade A, IT Park located in Yerwada, Pune. The Subject Property houses total 8 commercial IT building and 1 Amenity building. Out of total buildings in the campus 6 commercial IT buildings and amenity building are part of the subject property. Amenity building houses an operating school under the brand name of VIBGYOR.		
	<b>Completed Buildings – Building IT and Amenity</b>  The commercial ready buildings collectively admeasure ~1.6 Million sq. ft. of leasable area and amenity building has leasable area of ~0.1 Million sq. ft. Amenity building is independent building located out of the campus of Commerzone. There are total of 3 entrances to the Commerzone campus, out of which one entrance is dedicated to building 8.		
Total Area:	Total Plot Area: 25.7 <sup>1</sup> Acres Leasable Area – 1,676,080 sq. ft.		
<b>MARKET VALUE OF THE SUBJECT PROPERTY BASED ON</b>			
Component	Market Value as on	In Figures	In Words
Completed Buildings	30 September 2020	INR 19,050 Million	India Rupees Nineteen Billion and Fifty Million Only
<i>This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.</i>			

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT Park christened “Commerzone” located at Yerwada, Pune

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## **A REPORT**

### **1 Instructions**

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report). for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### **2 Professional Competency of The Valuer**

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.



Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose.

In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation

date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents- except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in the paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favour, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate

any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B PUNE CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1. Pune City Overview

Particulars	Pune City	CBD	*SBD East	PBD West	SBD West	PBD East
<b>Total Completed Stock Q3 2020 (Million Sq.ft.)</b>	54.6	4.3	30.0	12.6	5.9	1.9
<b>Current occupied stock Q3 2020 (Million Sq.ft.)</b>	51.7	4.2	28.9	11.0	5.6	1.9
<b>Current vacancy Q3 2020 (%)</b>	5.3%	1.8%	3.6%	12.0%	3.7%	0.8%
<b>Average annual absorption 2015 – Q3 2020 (Million Sq.ft.)</b>	3.7	0.2	2.1	0.7	0.6	0.1
<b>Future Supply – Q4 2020 – 2022 (Million sq. ft.)</b>	13.0	1.2	6.0	3.4	2.5	0.0
<b>Market rent – Q3 2020 (INR psf/month)</b>	87.5	100.1	100.5	53.6	91.6	64.6

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District, SBD stands for Secondary Business District and PBD stands for Peripheral Business District. \*Mindspace REIT's micro markets.

Pune is the second most populous city in Maharashtra and is located at a distance of ~150 kms from Mumbai. Pune houses multiple important educational institutions which attract talent from across the country and provides a young cosmopolitan workforce. Presence of strong infrastructure and availability of skilled manpower has made Pune an attractive destination for major domestic and multinational companies. Pune is a hub for the technology sector housing companies such as Wipro, Infosys, Cognizant and Tata Consulting Services. The city is also an established industrial, defense and automobile hub housing companies like Mahindra and Mahindra, TATA Motors, Bajaj, JCB, Hyundai, Volkswagen, Mercedes Benz, Fiat, Forbes Marshall and GE India.

Note: Commercial office demand can be broadly divided into IT/ITES (Information Technology / Information Technology Enabled Services) & Commercial offices (Non-IT). IT/ITES would broadly qualify as those tenants whose nature of activity is Technology or Technology related. This would majorly comprise of technology companies, operations for Banking, Financial Services & Insurance (BFSI) companies etc. whereas those tenants whose activities do not qualify as technology would fall in the category of corporate office / commercial office.



The key drivers of demand for office space in Pune are as follows:

- **Good Quality Offices:** Pune houses many Grade-A office spaces and SEZs (16 operational SEZs<sup>1</sup> which account for 22.3 msf of office stock) which provide large floor plates, international grade structures and amenities attracting major technology companies such as IBM and Cognizant as well as financial companies such as Credit Suisse, Barclays and Citi Corp Service India Limited.
- **Educated and skilled workforce:** High literacy rate of 89.56% (Per Census of India, 2011) and various renowned institutes (800+ colleges<sup>2</sup>) such as College of Engineering Pune, Pune University and National Institute of Construction Management and Research provide companies with the requisite talent pool. (12,000+ engineering graduates every year<sup>3</sup>)
- **Well-developed social infrastructure:** There are many high streets (FC Road, JM Road and North Main Road), operational malls (Phoenix Marketcity, Amanora Town Center, Seasons Malls etc.), hotels (JW Marriott, Hyatt Regency, Lemon Tree Premier etc.) and hospitals (Jehangir Hospital, Aditya Birla Memorial Hospital, Deenanath Mangeshkar Hospital etc.) in the city which provide a good network of social infrastructure.
- **Existing and Upcoming infrastructure:** Pune is well-connected by rail, roads (Mumbai – Pune Expressway and Mumbai – Bengaluru Highway) and air (Pune International Airport) to major Indian cities. There are many upcoming infrastructure initiatives such as High Capacity Mass Transit Route, six-lane Ring Road, Metro Lines (which are currently under-construction), bus rapid transit (operational) and the new international airport (under planning stage) which are expected to further enhance the connectivity.

These new infrastructure initiatives will provide the commuter with ease of travelling to various commercial nodes and reduce the traffic congestion on the roads as well.

<sup>1</sup>Source: <http://sezindia.nic.in/>; List of Operational SEZ as on 30.09.2020

<sup>2</sup>Source: <https://punesmartcity.in/explore-pune>

<sup>3</sup>Source: Zinnov Management Consulting study of 2011/12

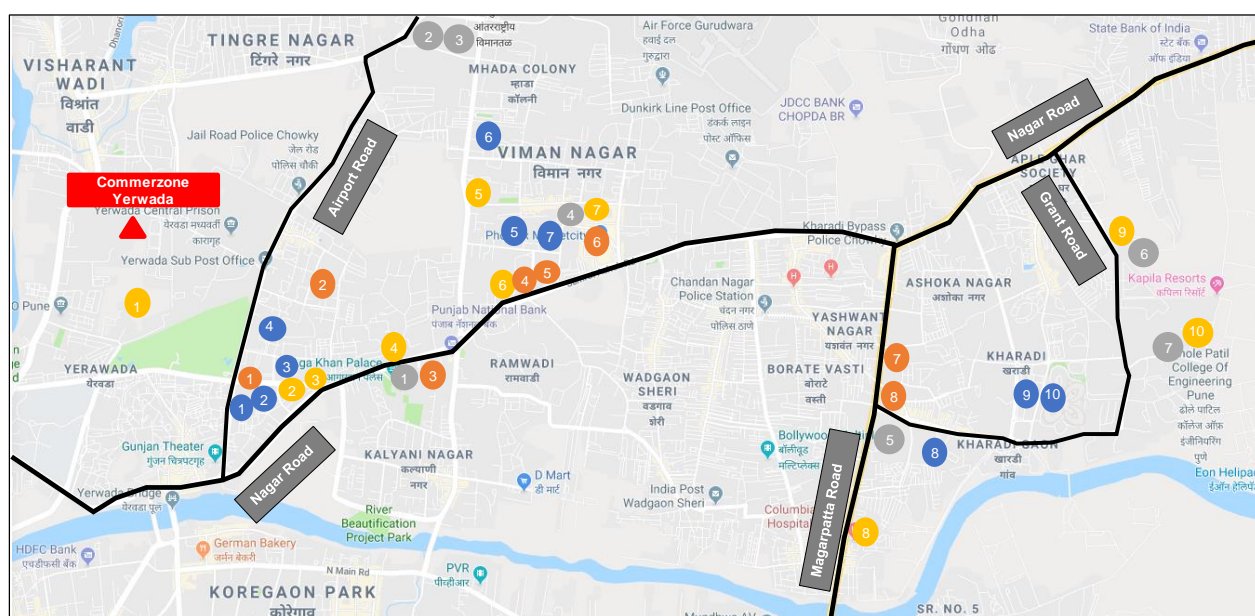
## 2. Secondary Business District – East (SBD East)

### 2.1. Overview

Secondary Business District – East (SBD East) of Pune is eastern corridor of the city located adjacent to the Central Business District. SBD East is one of the best performing micro-market of the city. Nagar Road which is also known as Pune Ahmednagar highway, Magarpatta road and Solapur Highway are the main arterial roads of the city which runs through this micro-market. Nagar Road is one of the developed roads in terms of social infrastructure. Hotels like Hyatt Regency, Novotel & Hyatt Pune and Phoenix Marketcity Mall are located on this road. The other arterial road known as Magarpatta Road has developments like Amanora Town Center & Seasons Malls and hotels like Radisson Blu and Fairfield Marriott.

Locations like Viman Nagar, Yerwada, Hadapsar and Kharadi are commercial and residential clusters which are accessible mainly by Nagar Road. Residential development such as Sky belvedere, Rohan Mithila, Gera Song of Joy, Marvel Zephyr, Panchshil Towers, etc are present in these locations. The renowned townships of Magarpatta and Amanora are accessible by Magarpatta road and Solapur road which are located in Hadapsar.

Presence of strong social and physical infrastructure, upcoming and proposed infrastructure projects, residential development for different segments, good connectivity and proximity to International Airport led SBD East to emerge as a preferred commercial destination by major multinational and national companies. This micro-market is sought after location by national and local developers for development of modern high-quality office spaces. Some prominent commercial developments such as Commerzone, Business Bay, Eon Free Zone etc. are present in the micro-market which houses companies like Barclays, Eaton, Tieto, Credit Suisse, Zensar Technologies, Allstate etc.

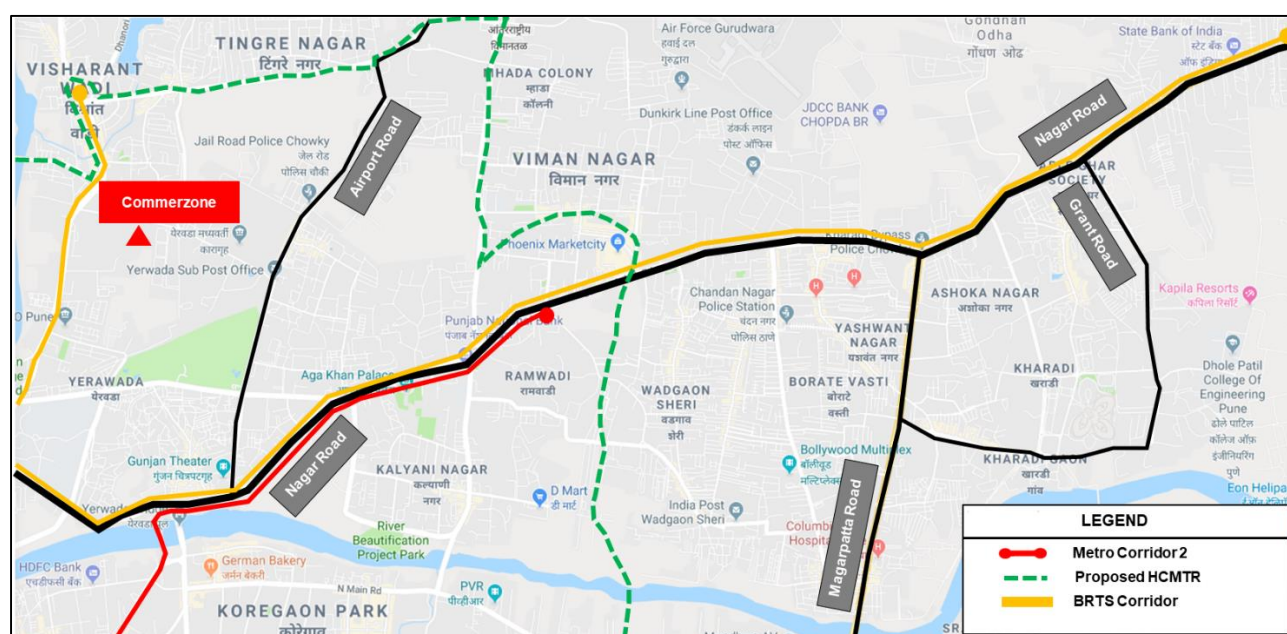


(Map not to Scale)

● Key Commercial Developments ● Social Infrastructure ● Lifestyle Infrastructure ● Proposed Commercial Developments

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Business Bay	1. VIBGYOR High School	1. Ritz Carlton	1. Shanti One
2. Mutha Towers	2. Don Bosco High School	2. Creaticity Mall	2. The Corporate Park
3. Tech Park One	3. Lunkad Hospital	3. Hyatt Place	3. The Corporate Park – B
4. Binarius	4. Ebdoscopic Sinustic Treatment Centre	4. Novotel	4. Panchshil Business Park
5. Bajaj House	5. Symbiosis University	5. Hyatt Regency	5. Tech Point
6. Lunkad Sky Vista	6. Hi Line Hospital	6. Phoenix Market City Mall	6. Ascendas - ITP Phase I
7. Marvel Edge	7. International Institute of Hotel Management	7. Radisson Blu	7. Gera Commerzone G1
8. Zensar Technologies	8. Columbia Asia Hospital	8. Fairfield Marriott	
9. World Trade Centre	9. Phoenix World School		
10. Eon Free Zone	10. Dhole Patil College of Engineering		

## 2.2. Existing and Upcoming Infrastructure



(Map not to scale)

An active BRTS (Bus Rapid Transit System) service with dedicated lane is functional along Nagar road, which connects central Pune locations to outskirts locations such as Wagholi through Viman Nagar and Yerwada. Also, Pune International Airport is located in SBD East micro-market.

The 2nd corridor of Pune metro line (Phase 1) has been proposed from Vanaz to Ramwadi and proposed HCMTR passes through this micro-market. This proposed metro line and HCMTR would further improve the connectivity with SBD (Secondary Business District) East micro market.

### 2.3. Key Statistics

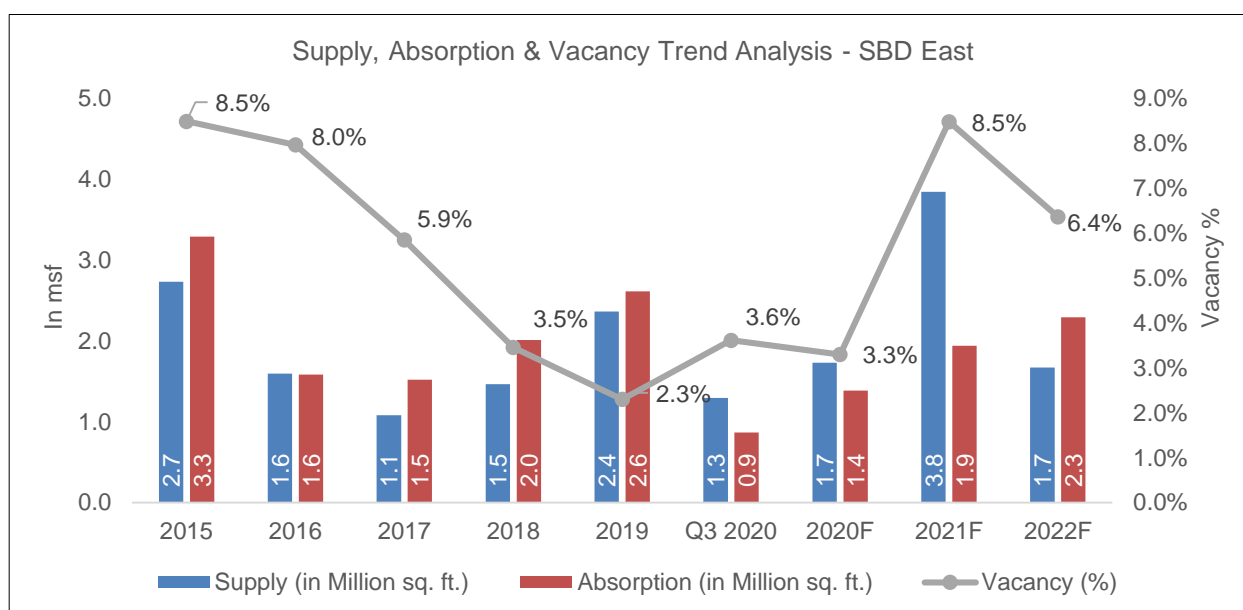
Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 30.0 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 28.9 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 3.6%
<b>Average Absorption (2015 – Q3 2020)</b>	Approximately 2.1 msf
<b>Future Supply (Q2 2020 – 2022)</b>	Q4 2020: Approximately 0.4 msf 2021F: Approximately 3.8 msf 2022F: Approximately 1.7 msf

Source: Cushman & Wakefield Research

### 2.4. Supply, Absorption & Vacancy

SBD East has a good presence of grade A buildings coupled with strong connectivity and well-developed social infrastructure. This micro market has witnessed continuous demand from various sectors. Vacancy in SBD East micro-market has declined significantly from 8.5% in 2015 to 3.6% in Q3 2020 due to absorption outstripping supply. The total grade A stock of office space in the SBD East micro-market is approximately 30.0 msf as of Q3 2020. The absorption as of Q3 2020 for SBD East is 0.9 msf, whereas the supply being 1.3 msf. The current vacancy level is 3.6% in the micro-market.

The following graph represents supply, absorption and vacancy trends in SBD East micro-market (2015-2022F).



Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

*Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.*

*Note: Future supply in Q4 2020 is approximately 0.4 msf out of which 44.0% is pre-committed (0.19 msf). In the year 2021 the future supply in SBD East is approximately 3.8 msf and 1.7 msf in the year 2022.*

SBD East houses approximately 55% of total stock of grade A offices in the city, making it the biggest micro-market of Pune for commercial office spaces. It is home to most of the landmark commercial projects in the city. Approximately, 35% of total stock in the micro-market was completed from 2015 till Q3 2020. Prominent buildings in the micro-market such as Commerzone Yerwada (Building B8), Eon Free Zone (Building E) and Nyati Unitree were completed in 2015.

SBD East hosts the first SEZ commercial space Eon Free Zone in the city, integrated IT township Magarpatta and major IT/Business parks of the city. Such projects pioneered the overall development of this micro-market. These projects attracted demand majorly from BFSI, Technology and Professional Services industries. Companies like Barclays, Mastercard, HSBC, Amdocs, Intel, Accenture, ADP etc. are operational in this micro-market. SBD East has witnessed demand followed by supply. Developers of commercial office spaces considered the requirement of the tenants such as buildings with good quality modern amenities, large floor plates and good aesthetics for their projects. Thus, under-construction buildings attracted pre-commitments for significant area of the building, reducing the vacancy levels.

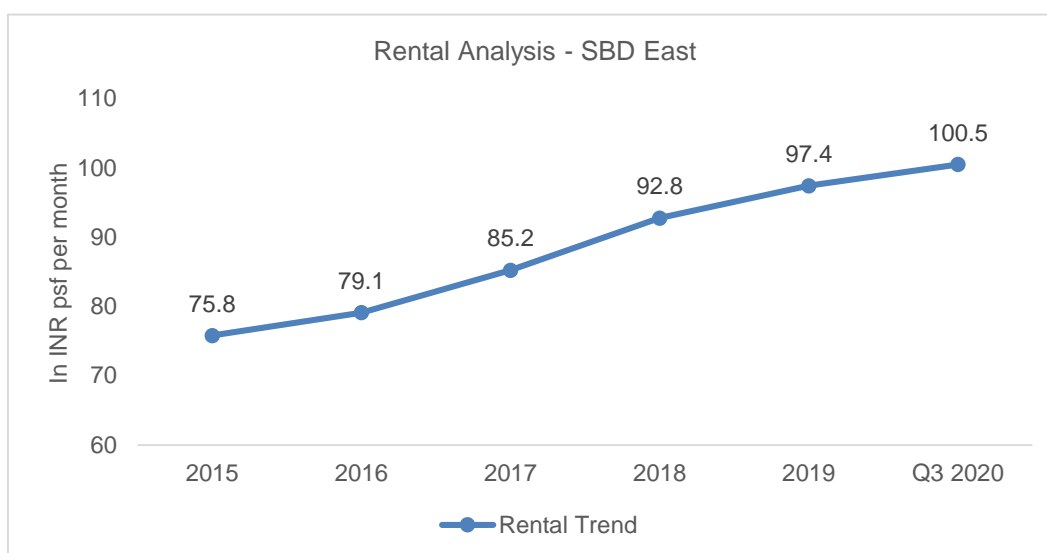
Going forward, major projects are planned in the micro market by established developers. The under-construction projects which are expected to be completed by the end of year 2020 are witnessing approximately 44% of pre-commitments. Supply of approximately 3.8 million sq. ft. and 1.7 million sq. ft. is expected in next two years respectively. Due to COVID-19 and the challenges faced by the commercial real estate sector, the under-construction projects are expected to be delayed resulting in decrease in vacancy level to 3.3% in 2020. Further, due to delayed completion of under-construction projects and staggered revival of growth in demand, vacancy is expected to increase to 8.5% in 2021 and maintain vacancy level of 6.4% by 2022.

## 2.5. Rental Trend Analysis

Commercial rental values in SBD East are in the range of INR 70 to INR 125 psf/ month on leasable area. The rental range variance in this micro market is due to presence of international grade properties with modern facilities which constitutes large IT/Business Parks and individual commercial buildings with smaller floor plates. Owing to the presence of strong social and physical infrastructure, availability of good quality office space and low vacancy levels with good demand-supply dynamics; this micro-market has witnessed a consistent rental escalation for past few years. Rents in SBD East have appreciated by CAGR of 5.0% since 2015. Due to the current pandemic situation, the real estate sector has also faced challenges and hence have been impacted. It is expected, the rental in the micro market to be stagnant and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 12 months. However, we expect the rentals to grow in the future due to healthy demand and development of good quality office spaces.



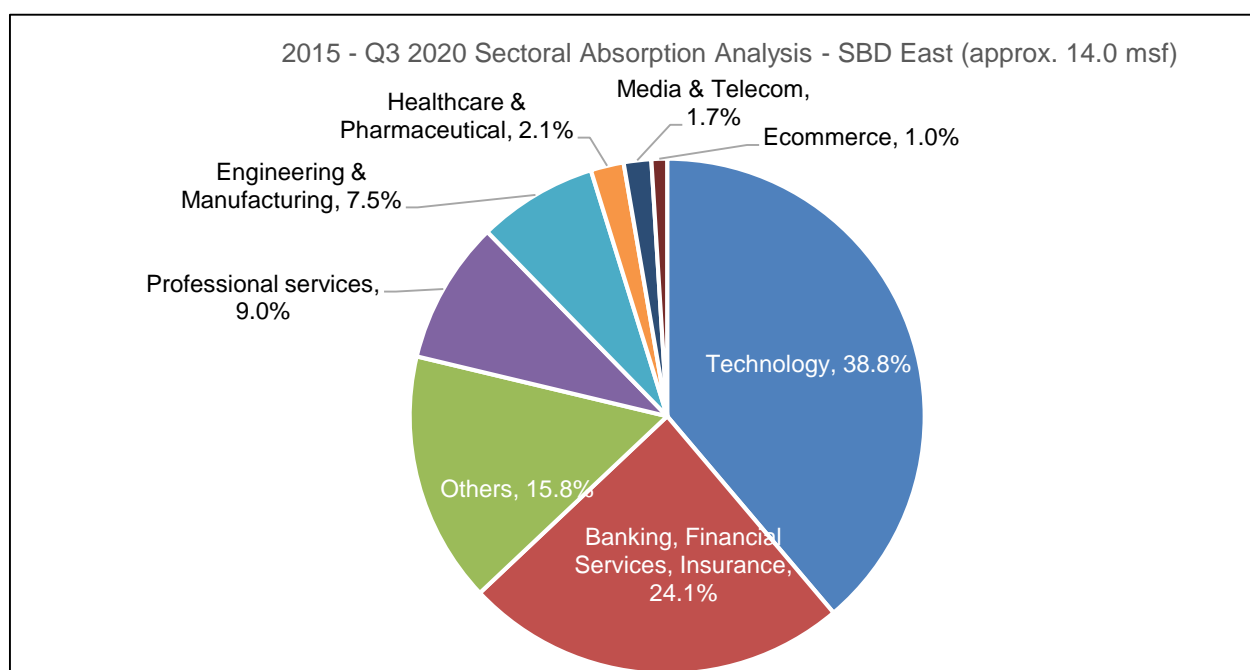
The following graph depicts the rental trend analysis of SBD East micro-market (2015 – Q3 2020):



Source: Cushman and Wakefield Research, 2020

Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters. In case of pre-commitments the achievable rent may vary beyond +/-10% depending upon negotiations.

## 2.6. Sector Demand Analysis



Source: Cushman & Wakefield Research;

Note: Others include Others include Flexible Workspaces, Logistics and Shipping, Oil and Gas, Research & Analysis, Automobile, Food & Beverage, Hospitality, Real Estate & Related Services and Education.

Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc. Total gross absorption from 2015 till Q3 2020 amounts to 14.0 msf of area

SBD East micro market has witnessed a higher demand from Technology and BFSI sector, because of availability of larger floor plate, good connectivity and competitive rent. Technology and BFSI sectors contribute approximately 38.8% and 24.1% to the leasing activity in this micro market during 2015 to

Q3 2020 of time period. Further, it is pertinent to note that Professional Services and Engineering & Manufacturing are emerging sectors which have a share of approximately 9% and 7.5% in the leasing activity during 2015 to Q3 2020 of time period.

## **2.7. Market Outlook**

According to the market assessment report of Cushman & Wakefield current market rentals in the SBD East micro market are in the range of INR 70 psf/ month to INR 125 psf / month. Further over 2015 – Q3 2020 the rentals in SBD East micro market grew at a CAGR of 5.0%.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the commercial real estate markets are likely to attain its long-term growth trajectory.

## **C      PROPERTY REPORT**



## 1 Address, ownership and title details of Subject Property

Address:	Commerzone, Samrat Ashok Path, Off Airport Road, Yerwada, Taluka Haveli, Dist. Pune, Maharashtra 411006
Ownership & title details:	Underlying land is freehold; the buildings thereupon are owned by the Mindspace REIT

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, if the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

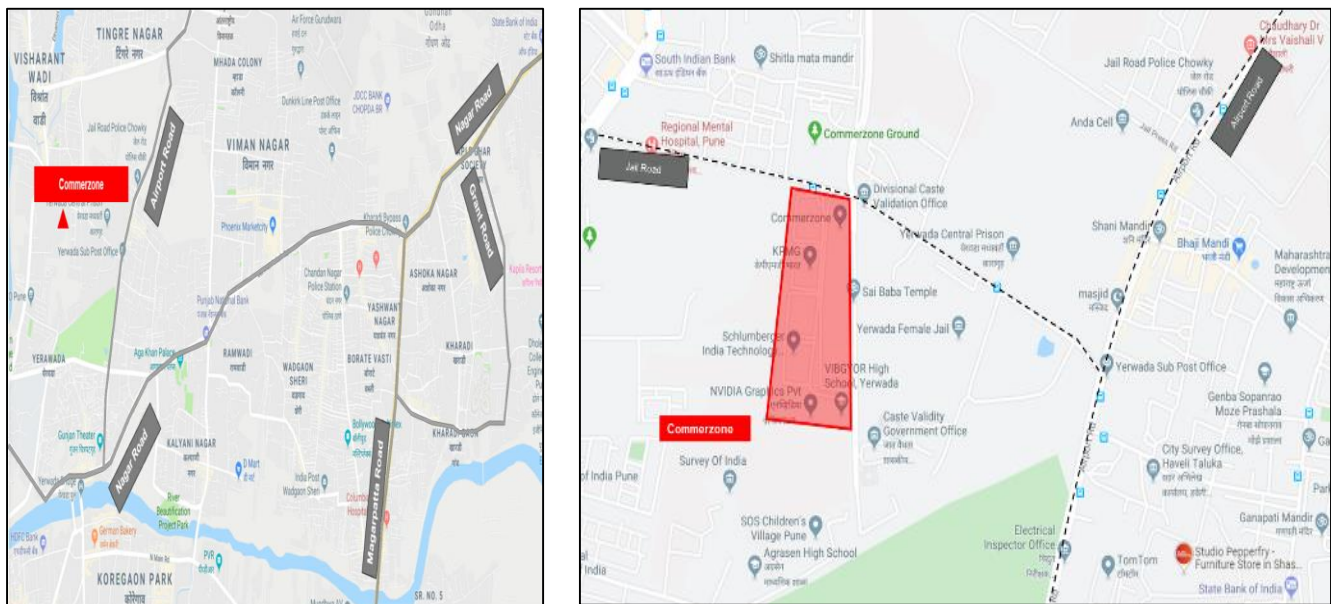
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Draft Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

Commerzone comprises of 6 buildings B1, B4, B5, B6, B7 and B8, and Amenity Building which is located outside the office campus (hereinafter referred to as the Subject Property) is located at Yerwada, located within SBD East micro market is home to a number of IT and SEZ establishments. Subject Property is accessible by 12 m wide Jail Road. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Nyati Group etc. The micro market is an eastern corridor of the city which is one of the most preferred commercial and residential destinations of the city. It also houses prominent tenants such as Barclays, Mastercard, HSBC, etc.

The location map of the Subject Property is set out below:



(Map not to Scale)

The subject property is spread out over ~25.7 acres of land parcel. Located in Yerwada, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land. Further, basis our perusal of the site map provided by the client, we noted that the land plot is regular in shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 4-5 kms from Viman Nagar Chowk
- Approximately 4-5 kms from International Airport Pune
- Approximately 6-7 kms from Pune Railway Station
- Approximately 9-10 kms from Shivajinagar
- Approximately 10-11 kms from Pune University

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from Airport Road and Nagar Road which are major arterial road of the city. Upcoming infrastructures like Metro Rail, HCMTR and BRTS will improve the connectivity of the subject property with other parts of the city. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## **2.4 Environmental Considerations**

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Pune where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and perennial water logging.

## **2.5 Town Planning and Statutory Considerations**

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## **3 Subject Property - Asset Description**

Commerzone is a Grade A, IT Park located in Yerwada, Pune. The Subject Property houses total 8 commercial IT building and 1 Amenity building. Out of total buildings in the campus 6 commercial IT buildings and amenity building are part of the subject property. Amenity building houses an operating school under the brand name of VIBGYOR.

### **Completed Buildings – Building IT and Amenity**

The commercial ready buildings collectively admeasure ~1.6 Million sq. ft. of leasable area and amenity building has leasable area of ~0.1 Million sq. ft. Amenity building is independent building located out of the campus of Commerzone. There are total of 3 entrances to the Commerzone campus, out of which one entrance is dedicated to building 8.

The building wise Leasable Area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 1	43,200	Non-SEZ	Completed
Building 4	207,460	Non-SEZ	Completed
Building 5	371,399	Non-SEZ	Completed
Building 6	178,569	Non-SEZ	Completed
Building 7	371,799	Non-SEZ	Completed
Building 8	424,132	Non-SEZ	Completed
Amenity Building	79,521 <sup>1</sup>	Non-SEZ	Completed

Source: Architect's Certificate, Rent Rolls, Lease Deeds / Leave and License Agreements

<sup>1</sup>Area under full ownership of Mindspace REIT

In addition to the above, the undivided rights, title and interest in the following assets are also part of the Subject Property.

- i. The total Amenity Plot and the premises in the Amenity Building;
- ii. The total Utility Areas and Internal Roads;
- iii. The total Open Spaces;

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
<b>Entity:</b>	Mindspace Business Parks Private Limited
<b>Interest owned by Mindspace REIT (%):</b>	Subject Property is wholly owned by Mindspace Business Parks Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
<b>Age of building based on the date of occupancy certificate:</b>	Building 1 - 8 years and 6 months Building 4 - 11 years and 6 months Building 5 - 5 years and 11 months Building 6 - 11 years and 6 months Building 7 - 9 years and 6 months Building 8 - 5 years and 1 months Amenity Building - 3 years and 2 months
<b>Asset type:</b>	IT Park with Non-SEZ building
<b>Sub-market:</b>	SBD East
<b>Approved and existing usage:</b>	IT Offices
<b>Site Area (acres):</b>	~25.7
<b>Freehold/Leasehold:</b>	The underlying land is taken on freehold
<b>Leasable Area<sup>2</sup>:</b>	1.7 Million sq. ft.
<b>Occupied Area:</b>	1.7 Million sq. ft.
<b>Occupancy (%)<sup>3</sup></b>	99.9%
<b>Committed Occupancy (%)<sup>4</sup></b>	n.a.
<b>Number of Tenants</b>	18 (office space)

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Of the total leasable area of 1.7 Million sq. ft, the Client has obtained occupation certificate for leasable area admeasuring 1.7 Million sq. ft.
3. Occupancy refers to proportion of area leased which is actively occupied by the tenants
4. Committed occupancy also includes area which has been pre-leased to tenants.

### 3.2 Property Inspection

The Subject Property was visually inspected by the valuer and his authorised representatives. The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance within the operational buildings. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

According to information received from the Client, Capital Expenditure of INR 71 Million pertains to tenant specific fitouts. Tenants are charged the fitout rentals against this expenditure and the same is also incorporated in the cashflows.

### 3.3 Investigation and nature and source of information

The Principal Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties part of the Mindspace REIT.

The Principal Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top five tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

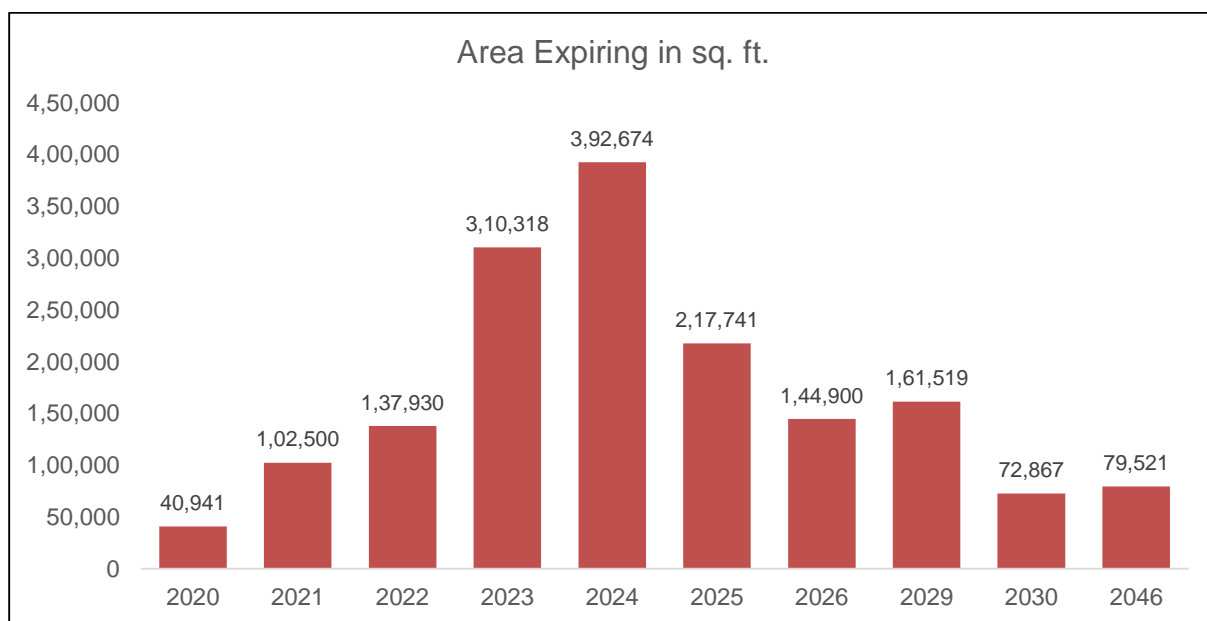
As on 30<sup>th</sup> September 2020, Subject Property has 18 tenants (for office space) which include companies like Nvidia, UBS(India), Schlumberger, TCS, BNY Mellon etc. The Subject Property's top 10 tenants account to ~89.9% of the Gross Rental income.

Rank	Top 10 Tenant according to Leasable Area	Leasable Area (sq. ft.)
1	Nvidia Graphics Pvt. Ltd.	3,71,399
2	UBS Solutions India Pvt Ltd	2,34,386
3	Schlumberger India Technology Centre Pvt. Ltd	2,19,153
4	BNY Mellon International Operations (India) Pvt. Ltd	2,02,588
5	Tata Consultancy Services Ltd	1,84,858
6	Noble Foundation	79,521
7	TIBCO Software India Pvt. Ltd	56,000
8	Aegis Customer Support Service Pvt. Ltd.	53,460
9	DST Worldwide Services India Pvt. Ltd.	52,000
10	KPMG	41,000
	<b>Total</b>	<b>14,943,66</b>

Rank	Top 10 Tenants according to Gross Rentals	Share of Gross Rentals
1	Schlumberger	23.3%
2	Nvidia	17.3%
3	BNY Mellon	14.3%
4	UBS	12.6%
5	TCS	7.5%
6	TIBCO	4.3%
7	Eduspark	3.0%
8	AEGIS Ltd	2.9%
9	KPMG	2.5%
10	DST Worlwide	2.2%
	<b>Total</b>	<b>89.9%</b>

### 3.5 Lease Expiry Profile

The WALE of the property is 6.34 years, with 59.3% of occupied area expiring between CY 2020 and CY 2024 as shown in the chart below.





## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top 5 tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner:

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (The Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. Rent roll and sample of lease deeds of large anchor-tenants were analysed to assess if any adjustments to marginal rent are required for individual leases. For other leases, it has been assumed that they would revert to marginal rents of the subject property following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time.

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step.

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value).

3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free

terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.

4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30th September 2020:

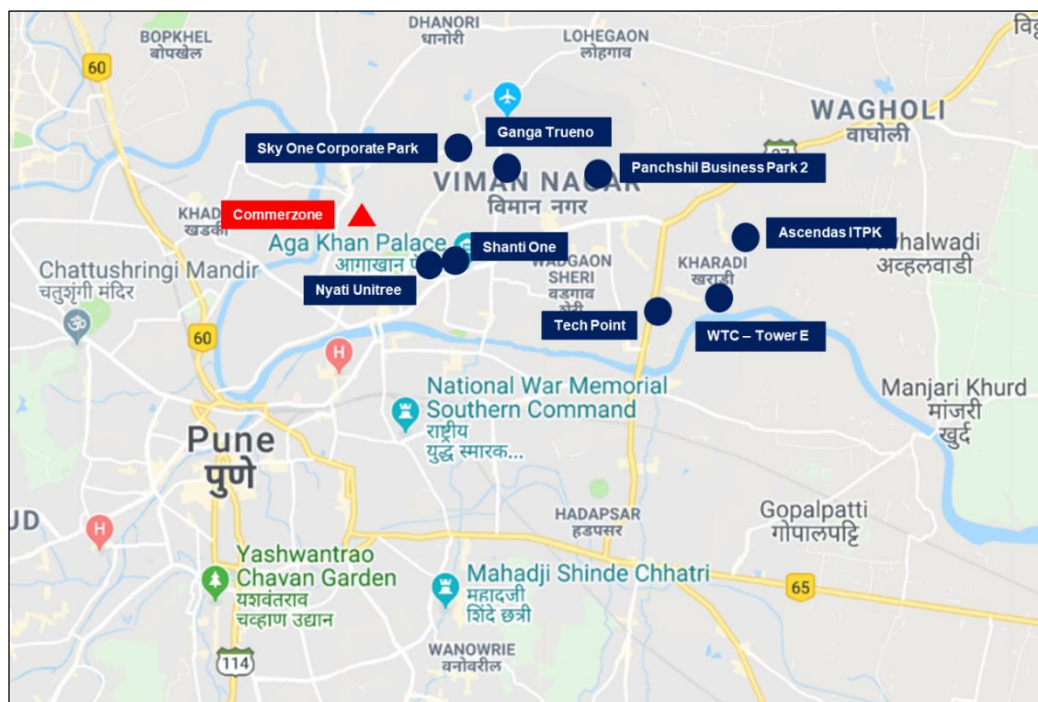
Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Property Leasable Area	sq. ft.	1,676,080
Area Leased	sq. ft.	1,674,912
Leased	%	99.9%
Vacancy	%	1,168
Stabilized Vacancy	%	0.1%
Further leasing	sq. ft.	2.0%
Existing Lease rollovers	%	-
Rent Free Period-Existing Lease Roll Overs	Months	98.1%
Rent Free Period- New Lease	Months	2.0
Total 4W parking slots	Number	3.0
4W Slots leased	Number	1806
Estimated leasing period	No. of quarter	442

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 01 October 2020) in order to retain and support them.
- Future absorption:** Since the subject property is 99.93% leased and the vacancy is below the stabilized vacancy of 2%, stabilized vacancy is adjusted in any future rollovers of existing lease. However, we have considered 9 months of delay in leasing for any vacant spaces arising because of any lease period expiry in 2020, due to temporarily suppressed demand.

### Subject Property and Relevant Existing/Upcoming Supply



### Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq. ft./month	INR 78.00
Market Rent - Anchor	Per sq. ft./month	INR 74.00
Market Rent - Retail	Per sq. ft./month	INR 40.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Other operating income	% of lease rental	1.0%
Market Rent growth rate	% p.a.	5.0%
Parking income growth rate	% p.a.	5.0%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target Efficiency	%	76%
CAM/O&M Income prevailing in the market	Per sq. ft./month	INR 14.45

- **Market rent - office:** In the year 2019 and Q3 2020, approximately 3.5 million sq. ft. was absorbed in the rental range of INR 70-125 per sq. ft. per month. A snapshot of the select lease transactions in year 2019 and Q3 2020 are set out below:

Tenant	Year	Area Leased (sq. ft.)	Rent (INR psf/month)
Simpliworks	2020	216,000	85 - 90
Vertive	2020	33,000	85 - 90
Ubisoft	2020	29,000	75 – 80
Hyundai	2020	5,144	85 - 90
Adler Mediequip Pvt Ltd	2020	28,296	95 - 100
Vanderlande	2020	28,612	85 - 90
Table Space	2020	57,000	90 - 95
Smartworks	2019	1,30,000	80 - 85
Onward Technologies	2019	1,25,000	70 – 75
Red Hat India Pvt Ltd	2019	44,300	80 - 85
Deskera	2019	44,000	70 – 75
Inox Air Products	2019	44,000	70 – 75
L&T	2019	35,713	90 - 95
Schlumberger	2019	33,400	70 – 75
Northern Operating Services Private Limited	2019	30,000	75 – 80
IGT Solutions Pvt Ltd	2019	27,771	70 – 75
BNY Mellon	2019	27,000	70 – 75

Considering the above, market rent for office space has been considered in line with the achievable market rent for completed buildings at INR 78 psf / month. The discounted rentals are considered for the anchor tenants and amenity spaces at INR 74 psf/ month. Anchor tenants are identified on account of two parameters namely significant amount occupied area and rentals at discount of more than 25% to the market rentals. The rental for retail space is considered at INR 40 psf/month

- **Market rent growth rate:** Over 2015 – Q3 2020 is rentals in SBD East grew at a CAGR of 5.0%. Going forward, we have assumed annual growth in market rentals at 5.0%. However, due to covid-19 and current market condition we have not assumed any rental escalation for next 18 months and there after considered growth of 5% (i.e. from April 2022 onwards) considered annual rental growth rate of 5% for the Subject Property.
- **Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in SBD East.
- **Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. Other income includes components from Events, Kiosks, Telecom Towers and Car Parks.

- **Efficiency revision:** Analysis of the recent re-leases suggest that the client has leased the same area at lower efficiency and receive higher rentals for the same carpet area.
- Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at 76% or actual, whichever is lower.

### Operating Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
CAM Margin for 1st Year	Per sq. ft./month	INR 2.60
CAM Margin for 2nd Year	Per sq. ft./month	INR 2.50
Normalized CAM Margin	Per sq. ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. ft./month	INR 12.08
Property Tax	Per sq. ft./month	INR 2.57
Insurance	Per sq. ft./month	INR 0.20
Cost escalation	% p.a.	3%
CAM escalation	% p.a.	5%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals, Fitout Income, Parking Income & Other Operating Income	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM Cost:** Current CAM cost has been projected considering the level of CAM cost incurred in the year ending 31 March 2020 and projected to increase at 5% per annum.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1<sup>st</sup> April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, fitout income & other operating income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

- **Discount Rate & Capitalisation rate assumptions**

**Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.0% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (sq. ft.)	Deal Size (INR mn)	Capitalization Rate
Tishman Speyer - GIC	Shapoorji Pallongji - Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	2,300,000	1900	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	700,000	25000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	1,250,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	1,880,000	9000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	2,700,000	24000	7.75%-8%

*Note: The above information is based on information published in public domain and discussions with various market players.*



- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures (INR Mn)	In Words
Completed Buildings	30 September 2020	INR 19,050 Million	India Rupees Nineteen Billion and Fifty Million Only

*Note: The above-mentioned value includes proportionate undivided ownership in the Amenity Plot, Utility Areas and Internal Roads and total open spaces of the Entire Campus*

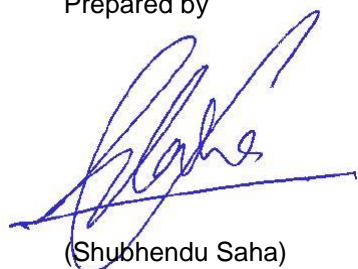
### Ready reckoner rate

Component	Rate
Built up Area	INR 112,770 per sq. m.
Land Area	INR 29,510 per sq. m.

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

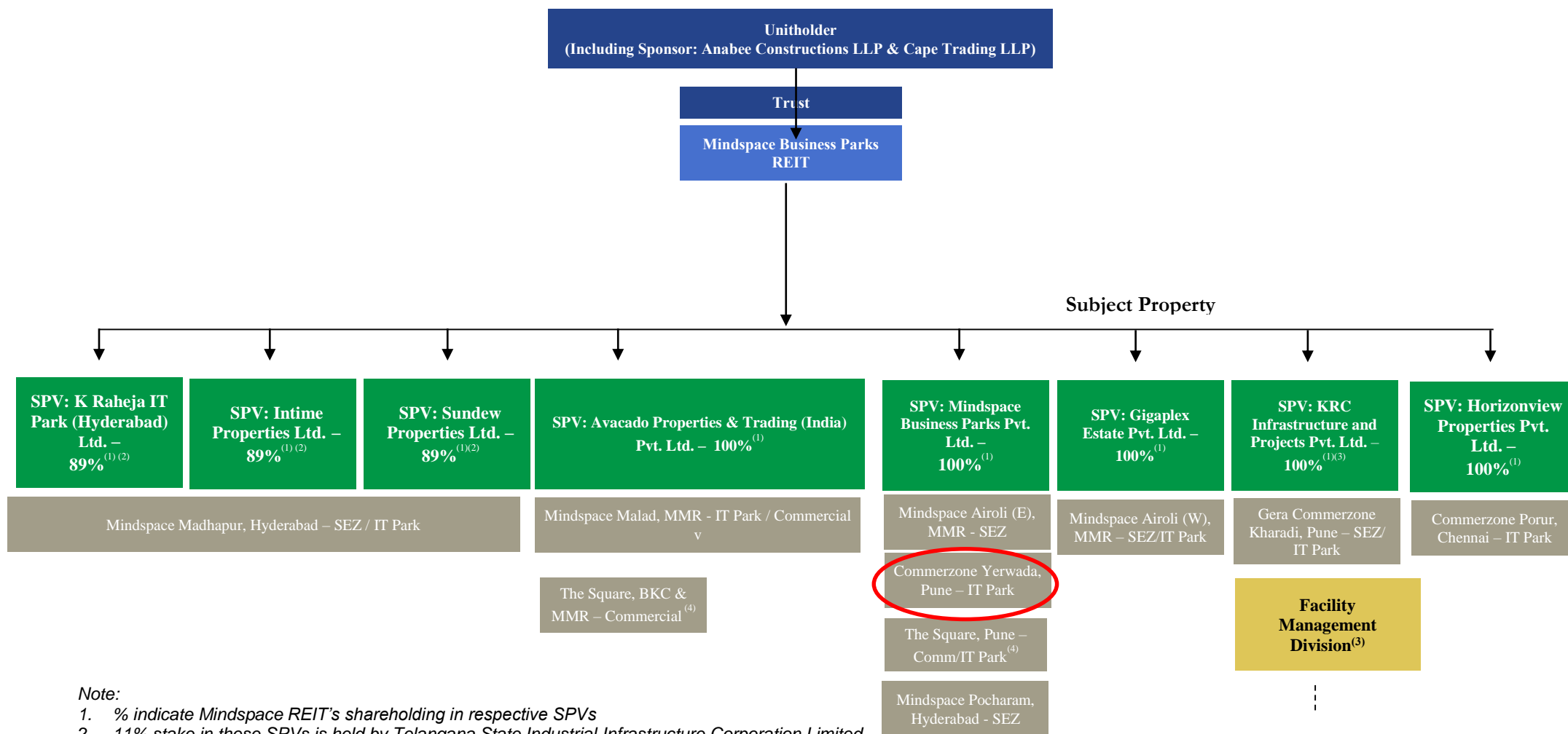
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

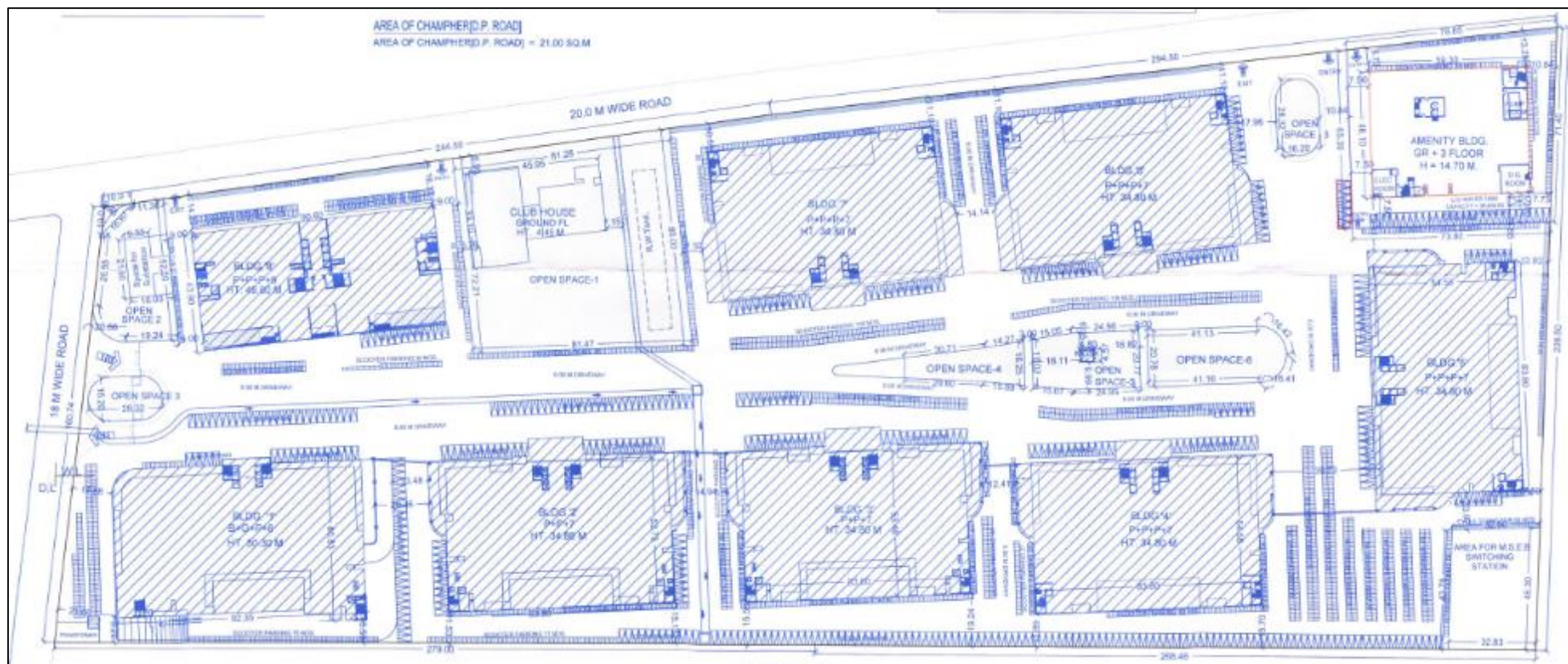


(Shubhendu Saha)

IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

**Annexure 2: Site Layout Map**

**Annexure 3: Property Photographs**

Building 6 in the Subject Property



External View of Building 7



Building 7 in the Subject Property



External View of Building 8



Access Road of the Subject Property



Entrance of the Subject Property





Internal Road in the Subject Property



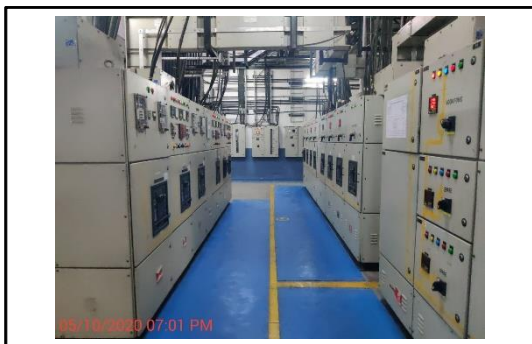
Parking area of the Subject Property



Services Installed in the Subject Property



Services Installed in the Subject Property



Services Installed in the Subject Property



Services Installed in the Subject Property

**Annexure 4: Statement of Key Assets**

Complex	Name	Commerzone - Pune							
Building	No. / Name	B1	B2	B3	B4	B5	B6	B7	B8
Floor	Nos	1 B+1P+7F	2P +7F	2P +7 F	G+P1+P2+7	3P +7F	G+P1+P2+7	3P +7F	3 P + 9 F
No of DG / Capacity	No. / KVA	750kvax1no, 1010kva x2no	1010kva x4	1010kva x4	3X1010 KVA	4 Nos /1650 KVA	3X1010 KVA	4 Nos /1010 KVA	3 Nos /1650 KVA
No of Transformers / Capacity	KVA	2000kva x 2	2000kva x 2	2000kva x2	1600 KVAx2	1750 KVAx4	1600 KVAx2	1650 KVAx2	1750 KVAx3
Chiller Rating	TR	No centralised	No centralised	180Tr x 7 (Air Cooled)	2X450 WC &1X350 AC	WC-600 TR X 2, ACH-350 TR X 1 no.	2X450 WC &1X350 AC	WC-450 TR X 2,ACH-350 TR X 1 no.	WC-600 TR X 2,ACH-350 TR X 1 no.
STP Rating	KLD	150KL	150KL	150KL	150KL	170 KLD	150KL	150 KLD	170 KLD
Cooling tower		NA	NA	NA	02/350/Paharpur	02/650/Bell Cooling Towers	02/350/Bell Cooling Towers	02/450/Bell Cooling Towers	02/600/Bell Cooling Towers
FF System (Pumps) & Engine		Hyd PP - 01/100/Kirloskar Bros, DD PP - 01/109/Kirloskar Bros, Jockey - 01/7.5/Kirloskar Bros Sprinkler PP - 01/100/Kirloskar Bros	Hyd PP - 01/100/Kirloskar Bros, DD PP - 01/91.19/Kirloskar Bros, Jockey - 01/7.5/Kirloskar Bros Sprinkler PP - 01/100/KirloskarBros	Hyd PP - 01/75/Kirloskar Bros, DD PP - 01/92/Kirloskar Bros, Jockey - 01/15/KirloskarBros Sprinkler PP - 01/75/Kirloskar Bros	Hyd PP - 01/110/Kirloskar DD PP - 01/92/Kirloskar Jockey - 01/15/Kirloskar Sprinkler PP - 01/110/Kirloskar	Hyd PP - 01/125/ABB DD PP - 01/150/Kirloskar Jockey - 01/7.5/Kirloskar Sprinkler PP - 01/125/ABB	Hyd PP - 01/100/Kirloskar DD PP - 01/100/Kirloskar Jockey - 01/5.5/Kirloskar Sprinkler PP - 01/100/Kirloskar	Hyd PP - 01/100/Crompton DD PP - 01/92/Kirloskar Jockey - 01/7.5/Kirloskar Sprinkler PP - 01/100/Crompton	Hyd PP - 01/150/Kirloskar, Hyd Jockey - 01/7.5/Kirloskar Sprinkler PP - 01/150/Kirloskar, Sprinkler Jockey - 01/7.5/Kirloskar DD PP - 01/149/Kirloskar
Water pumping system (Domestic & Flushing)		DWS PP - 02/10/Kirloskar Bros, FWS PP - 02/10/Kirloskar Bros,	DWS PP - 02/10/Kirloskar Bros, FWS PP - 02/10/Kirloskar Bros,	DWS PP - 02/10/Kirloskar Bros, FWS PP - 02/10/Kirloskar Bros,	DWS PP - 02/10/Kirloskar, FWS PP - 02/10/Kirloskar	DWS PP - 02/15/Kirloskar, FWS PP - 02/15/Kirloskar	DWS PP - 02/10/Kirloskar, FWS PP - 02/10/Kirloskar	DWS PP - 02/15/Kirloskar, FWS PP - 02/15/Kirloskar	DWS PP - 02/15/Kirloskar, FWS PP - 02/15/Kirloskar
Warm Shell / Bare shell		Warm shell, but HVAC	Warm shell, but HVAC	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell	Warm shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending:

**Approvals Received**


- a) Approved masterplans
- b) Commencement Certificate
- c) Consent to Operate valid for all operational buildings except Amenity Building
- d) Full Occupancy Certificates for all operational buildings
- e) Height Clearance NOC from AAI
- f) Fire NOC for all buildings valid
- g) Environmental Clearances
- h) Consent for Establishment
- i) Lift Licenses for all buildings
- j) Occupancy Certificates
- k) Share Transfer Application – DOI



**Annexure 6: Cash Flow Profile - Completed Buildings**

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	1,141.9	1,256.0	1,359.6	1,450.2	1,696.2	1,769.8	1,846.7	1,974.3	2,045.8	2,152.8	2,328.3
Parking Income	INR Million	5.8	5.9	5.9	6.9	13.0	13.6	14.0	14.7	15.4	16.2	17.0
O&M income	INR Million	466.4	486.7	509.4	534.9	561.6	589.7	619.2	650.1	682.6	716.8	752.6
Other operating income	INR Million	11.4	12.6	13.6	14.5	17.0	17.7	18.5	19.7	20.5	21.5	23.3
Total Income	INR Million	1,625.5	1,761.1	1,888.5	2,006.5	2,287.8	2,390.8	2,498.3	2,658.8	2,764.3	2,907.3	3,121.2
Total Income from occupancy	INR Million	1,625.5	1,761.1	1,888.5	2,006.5	2,287.8	2,390.8	2,498.3	2,658.8	2,764.3	2,907.3	3,121.2
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(396.4)	(416.2)	(437.1)	(458.9)	(481.9)	(506.0)	(531.2)	(557.8)	(585.7)	(615.0)	(645.7)
Insurance Cost	INR Million	(4.2)	(4.3)	(4.5)	(4.6)	(4.7)	(4.9)	(5.0)	(5.2)	(5.3)	(5.5)	(5.6)
Property Taxes	INR Million	(54.1)	(55.7)	(57.3)	(59.1)	(60.8)	(62.7)	(64.5)	(66.5)	(68.5)	(70.5)	(72.6)
Total Operating Costs	INR Million	(454.7)	(476.2)	(498.9)	(522.6)	(547.4)	(573.5)	(600.8)	(629.5)	(659.5)	(691.0)	(724.0)
Net operating Income	INR Million	1,170.9	1,284.8	1,389.6	1,483.9	1,740.3	1,817.3	1,897.5	2,029.4	2,104.8	2,216.3	2,397.1
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	29,964.3	2,397.1
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(299.6)	-
Fit Out Income	INR Million	178.8	162.2	95.9	59.5	28.6	-	-	-	-	-	-
Total Net income	INR Million	1,349.6	1,447.1	1,485.6	1,543.4	1,769.0	1,817.3	1,897.5	2,029.4	2,104.8	31,880.9	-
Property Mangement Fees	INR Million	(46.8)	(50.3)	(51.6)	(53.6)	(61.4)	(63.0)	(65.8)	(70.3)	(72.9)	(76.7)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(23.0)	(25.2)	(27.3)	(29.1)	(34.2)	(35.7)	(37.2)	(39.8)	(41.2)	(43.4)	-
Brokerage Expenses	INR Million	(5.4)	(12.5)	(24.7)	(40.2)	(12.5)	(9.4)	(14.5)	-	(19.5)	(17.0)	-
CAPEX	INR Million	(71.3)	-	-	-	-	-	-	-	-	-	-
Net Cashflows	INR Million	1,203.2	1,359.1	1,381.9	1,420.5	1,660.9	1,709.2	1,780.0	1,919.3	1,971.2	31,743.8	-

**Annexure 7: Ready Reckoner Rate**


**Department of Registration & Stamps**  
 Government of Maharashtra

**नोंदणी व मुद्रांक विभाग**  
**महाराष्ट्र शासन**

**नोंदणी व मुद्रांक विभाग, महाराष्ट्र शासन**  
**बाजारमूल्य दर पत्रक**

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**Year**  
 2020/2021

**Annual Statement of Rates**

**Language**  
 English

**Selected District** पुणे  
**Select Taluka** हवेली  
**Select Village** येरवडा  
**Search By** ☐ Survey No ☒ Location

Select	उपविभाग	खुली जमीन	निवासी सदनिका	ऑफिस	दुकाने	औद्योगिक	एकक (Rs./)
<a href="#">SurveyNo</a>	25/403.1 - निवासी प्रकल्प	35520	84860	124460	185300	0	चौ. मीटर
<a href="#">SurveyNo</a>	25/403.2 - कल्याणनगर	41260	97350	158260	231550	0	चौ. मीटर
<a href="#">SurveyNo</a>	25/403.3-सम्राट अशोक रोड वरील मिळकती	24860	58500	69860	109490	0	चौ. मीटर
<a href="#">SurveyNo</a>	25/403.4-मकंद भवन ट्रस्ट यांचा निवासी प्रकल्प	29510	64030	112770	154030	0	चौ. मीटर
<a href="#">SurveyNo</a>	25/403.5-पी.ए.इनामदार यांचा निवासी प्रकल्प	29510	67760	112770	154030	0	चौ. मीटर

1 2 3 4

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.

3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose except set out herein.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report:**

## **Gera Commerzone, Kharadi, Pune**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

## Disclaimer


*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

Gera Commerzone Kharadi, Pune		
<b>Valuation Date:</b>	30 September, 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	The property Gera Commerzone (hereinafter referred to as the Subject Property) is located at Kharadi, located within SBD East (Secondary Business District) micro market which is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Magarpatta Developers etc. The micro market is an eastern corridor of the city which is most one of the most preferred commercial and residential destinations of the city. It also houses prominent tenants such as Barclays, Martercard, HSBC, etc.	 <p>External View of the Subject Property</p>
<b>Description:</b>	<p>Gera Commerzone is a Grade A, SEZ and IT Park located in Kharadi. Gera Commerzone campus is planned to house a total of six buildings. The Subject Property has potential future development of ~0.6 Million sq. ft. It comprises of one under-construction building namely building 5; and future development of building 4.</p> <p><b>Completed Building – Building 3 and 6</b></p> <p>Building 3 and 6 which are SEZ buildings, recently got completed and has received Occupancy Certificate, admeasures ~ 1.3 Million sq. ft. of leasable area. The building 3 is currently completely occupied and is 12 floors tall and building 6 is partially occupied which is 13 floors tall.</p> <p><b>Under-Construction</b></p> <p>Buildings 4 and 5 are IT buildings admeasuring ~1.3 Million sq. ft. of total leasable area and will be 13 floors tall. Building 5 is under construction with first floor completed and casting of 2<sup>nd</sup> floor is in progress and building 4 is being planned.</p> <p>The entire campus has common parking and has a podium floor. Podium floor will house all the common amenities for the 5 buildings in the campus.</p>	 <p>External View of the Subject Property</p>  <p>Internal View of Under Construction Building</p>  <p>External View of Under Construction Building.</p>
<b>Total Area:</b>	<p>Total Plot Area: 25.8 Acres</p> <p>Completed Leasable Area: 1,284,467 sq. ft.</p> <p>Under Construction Leasable Area – 675,617 sq. ft.</p> <p>Future Development Leasable Area - 605,500 sq. ft.</p> <p>Total - 2,565,584 sq. ft.</p>	

**MARKET VALUE OF THE SUBJECT PROPERTY BASED ON**

<b>Component</b>	<b>Market Value as on</b>	<b>In Figures (INR Mn)</b>	<b>In Words</b>
Completed/Operational ( <i>Including Power Distribution Business of KRC Infrastructure and Projects Pvt. Ltd. and the Facilities Management Business<sup>1</sup></i> )	30-Sep-20	INR 17,902	Indian Rupees Seventeen Billion Nine Hundred and Two Million only
Under Construction/ Future Development ( <i>Including Power Distribution Business of KRC Infrastructure and Projects Pvt. Ltd. and the Facilities Management Business<sup>1</sup></i> )	30-Sep-20	INR 4,002	Indian Rupees Four Billion and Two Million only

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

<sup>1</sup>Includes value of Facility Management Business for Completed and Under-Construction/Future Area



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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT/ITeS SEZ and IT Park christened “Gera Commerzone” located at Kharadi, Pune

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary facilities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014), as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes.

In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### Income Approach - Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation

date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents- except as maybe required in connection with disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in the paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favour, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## **13 Limitation of Liability**

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.

- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said Mindspace REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate



any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B PUNE CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1. Pune City Overview

Particulars	Pune City	CBD	*SBD East	PBD West	SBD West	PBD East
<b>Total Completed Stock Q3 2020 (Million Sq.ft.)</b>	54.6	4.3	30.0	12.6	5.9	1.9
<b>Current occupied stock Q3 2020 (Million Sq.ft.)</b>	51.7	4.2	28.9	11.0	5.6	1.9
<b>Current vacancy Q3 2020 (%)</b>	5.3%	1.8%	3.6%	12.0%	3.7%	0.8%
<b>Average annual absorption 2015 – Q3 2020 (Million Sq.ft.)</b>	3.7	0.2	2.1	0.7	0.6	0.1
<b>Future Supply – Q4 2020 – 2022 (Million sq. ft.)</b>	13.0	1.2	6.0	3.4	2.5	0.0
<b>Market rent – Q3 2020 (INR psf/month)</b>	87.5	100.1	100.5	53.6	91.6	64.6

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District, SBD stands for Secondary Business District and PBD stands for Peripheral Business District. \*Mindspace REIT's micro markets.

Pune is the second most populous city in Maharashtra and is located at a distance of ~150 kms from Mumbai. Pune houses multiple important educational institutions which attract talent from across the country and provides a young cosmopolitan workforce. Presence of strong infrastructure and availability of skilled manpower has made Pune an attractive destination for major domestic and multinational companies. Pune is a hub for the technology sector housing companies such as Wipro, Infosys, Cognizant and Tata Consulting Services. The city is also an established industrial, defense and automobile hub housing companies like Mahindra and Mahindra, TATA Motors, Bajaj, JCB, Hyundai, Volkswagen, Mercedes Benz, Fiat, Forbes Marshall and GE India.

Note: Commercial office demand can be broadly divided into IT/ITES (Information Technology / Information Technology Enabled Services) & Commercial offices (Non-IT). IT/ITES would broadly qualify as those tenants whose nature of activity is Technology or Technology related. This would majorly comprise of technology companies, operations for Banking, Financial Services & Insurance (BFSI) companies etc. whereas those tenants whose activities do not qualify as technology would fall in the category of corporate office / commercial office.

The key drivers of demand for office space in Pune are as follows:

- **Good Quality Offices:** Pune houses many Grade-A office spaces and SEZs (16 operational SEZs<sup>1</sup> which account for 22.3 msf of office stock) which provide large floor plates, international grade structures and amenities attracting major technology companies such as IBM and Cognizant as well as financial companies such as Credit Suisse, Barclays and Citi Corp Service India Limited.
- **Educated and skilled workforce:** High literacy rate of 89.56% (Per Census of India, 2011) and various renowned institutes (800+ colleges<sup>2</sup>) such as College of Engineering Pune, Pune University and National Institute of Construction Management and Research provide companies with the requisite talent pool. (12,000+ engineering graduates every year<sup>3</sup>)
- **Well-developed social infrastructure:** There are many high streets (FC Road, JM Road and North Main Road), operational malls (Phoenix Marketcity, Amanora Town Center, Seasons Malls etc.), hotels (JW Marriott, Hyatt Regency, Lemon Tree Premier etc.) and hospitals (Jehangir Hospital, Aditya Birla Memorial Hospital, Deenanath Mangeshkar Hospital etc.) in the city which provide a good network of social infrastructure.
- **Existing and Upcoming infrastructure:** Pune is well-connected by rail, roads (Mumbai – Pune Expressway and Mumbai – Bengaluru Highway) and air (Pune International Airport) to major Indian cities. There are many upcoming infrastructure initiatives such as High Capacity Mass Transit Route, six-lane Ring Road, Metro Lines (which are currently under-construction), bus rapid transit (operational) and the new international airport (under planning stage) which are expected to further enhance the connectivity.

These new infrastructure initiatives will provide the commuter with ease of travelling to various commercial nodes and reduce the traffic congestion on the roads as well.

<sup>1</sup>Source: <http://sezindia.nic.in/>; List of Operational SEZ as on 30.09.2020

<sup>2</sup>Source: <https://punesmartcity.in/explore-pune>

<sup>3</sup>Source: Zinnov Management Consulting study of 2011/12

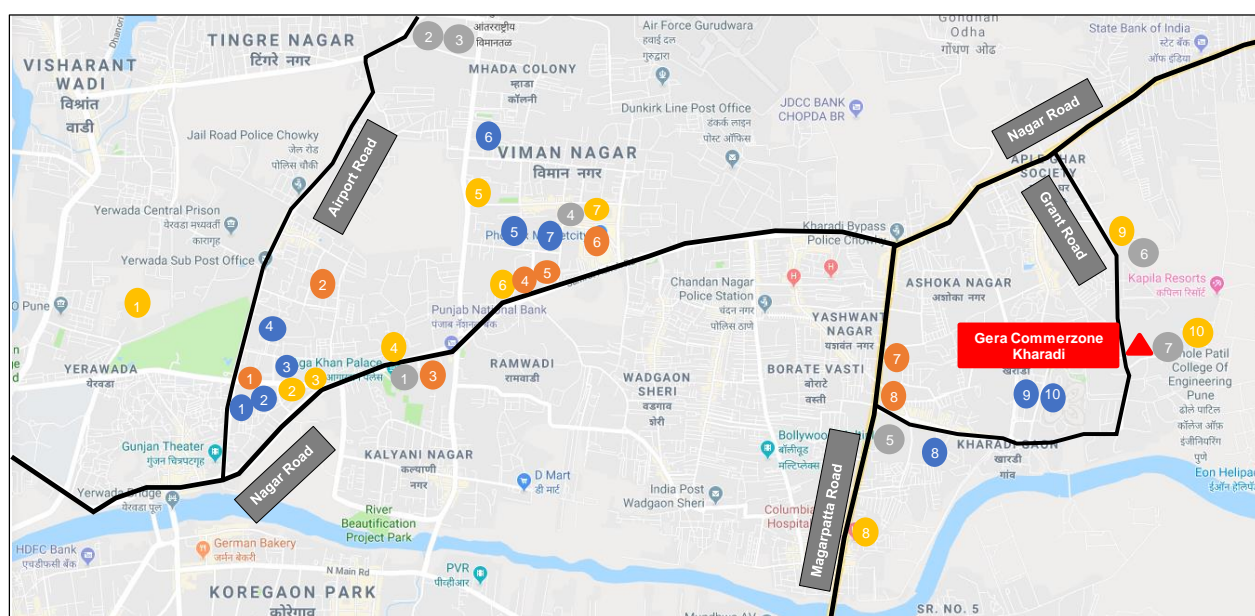
## 2. Secondary Business District – East (SBD East)

### 2.1. Overview

Secondary Business District – East (SBD East) of Pune is eastern corridor of the city located adjacent to the Central Business District. SBD East is one of the best performing micro-market of the city. Nagar Road which is also known as Pune Ahmednagar highway, Magarpatta road and Solapur Highway are the main arterial roads of the city which runs through this micro-market. Nagar Road is one of the developed roads in terms of social infrastructure. Hotels like Hyatt Regency, Novotel & Hyatt Pune and Phoenix Marketcity Mall are located on this road. The other arterial road known as Magarpatta Road has developments like Amanora Town Center & Seasons Malls and hotels like Radisson Blu and Fairfield Marriott.

Locations like Viman Nagar, Yerwada, Hadapsar and Kharadi are commercial and residential clusters which are accessible mainly by Nagar Road. Residential development such as Sky belvedere, Rohan Mithila, Gera Song of Joy, Marvel Zephyr, Panchshil Towers, etc are present in these locations. The renowned townships of Magarpatta and Amanora are accessible by Magarpatta road and Solapur road which are located in Hadapsar.

Presence of strong social and physical infrastructure, upcoming and proposed infrastructure projects, residential development for different segments, good connectivity and proximity to International Airport led SBD East to emerge as a preferred commercial destination by major multinational and national companies. This micro-market is sought after location by national and local developers for development of modern high-quality office spaces. Some prominent commercial developments such as Commerzone, Business Bay, Eon Free Zone etc. are present in the micro-market which houses companies like Barclays, Eaton, Tieto, Credit Suisse, Zensar Technologies, Allstate etc.

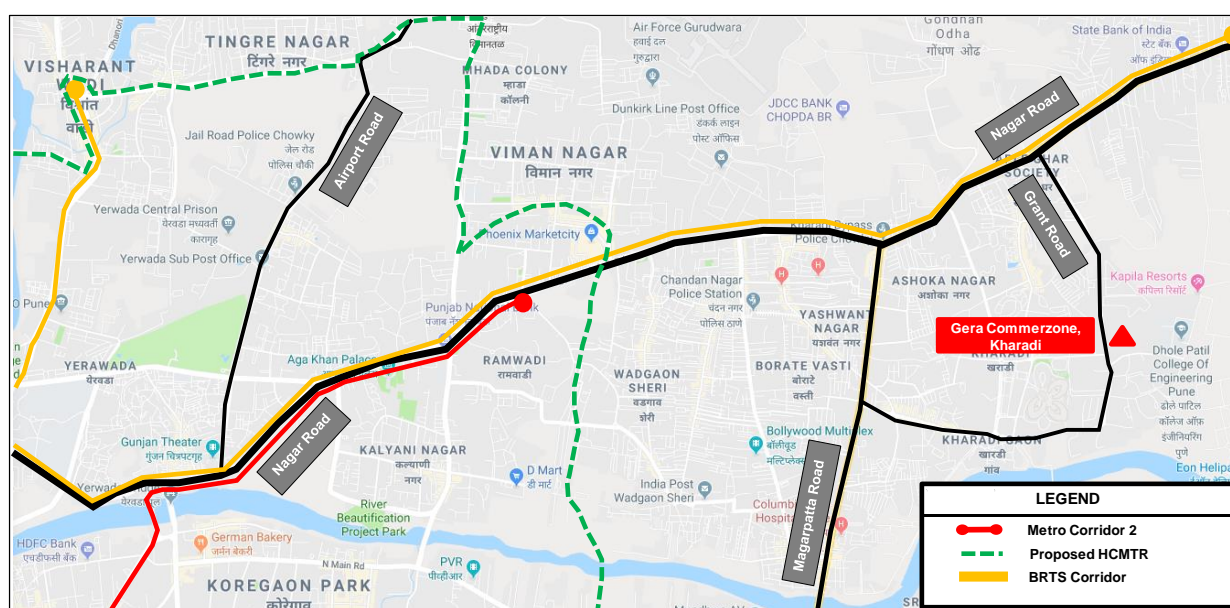


(Map not to Scale)

● Key Commercial Developments ● Social Infrastructure ● Lifestyle Infrastructure ● Proposed Commercial Developments

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Business Bay	1. VIBGYOR High School	1. Ritz Carlton	1. Shanti One
2. Mutha Towers	2. Don Bosco High School	2. Creaticity Mall	2. The Corporate Park
3. Tech Park One	3. Lunkad Hospital	3. Hyatt Place	3. The Corporate Park – B
4. Binarius	4. Ebdoscopic Sinustic Treatment Centre	4. Novotel	4. Panchshil Business Park
5. Bajaj House	5. Symbiosis University	5. Hyatt Regency	5. Tech Point
6. Lunkad Sky Vista	6. Hi Line Hospital	6. Phoenix Market City Mall	6. Ascendas - ITP Phase I
7. Marvel Edge	7. International Institute of Hotel Management	7. Radisson Blu	7. Gera Commerzone G1
8. Zensar Technologies	8. Columbia Asia Hospital	8. Fairfield Marriott	
9. World Trade Centre	9. Phoenix World School		
10. Eon Free Zone	10. Dhole Patil College of Engineering		

## 2.2. Existing and Upcoming Infrastructure



(Map not to scale)

An active BRTS (Bus Rapid Transit System) service with dedicated lane is functional along Nagar road, which connects central Pune locations to outskirts locations such as Wagholi through Viman Nagar and Yerwada. Also, Pune International Airport is located in SBD East micro-market.

The 2nd corridor of Pune metro line (Phase 1) has been proposed from Vanaz to Ramwadi and proposed HCMTR passes through this micro-market. This proposed metro line and HCMTR would further improve the connectivity with SBD (Secondary Business District) East micro market.

### 2.3. Key Statistics

Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 30.0 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 28.9 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 3.6%
<b>Average Absorption (2015 – Q3 2020)</b>	Approximately 2.1 msf
<b>Future Supply (Q4 2020 – 2022)</b>	Q4 2020: Approximately 0.4 msf 2021F: Approximately 3.8 msf 2022F: Approximately 1.7 msf

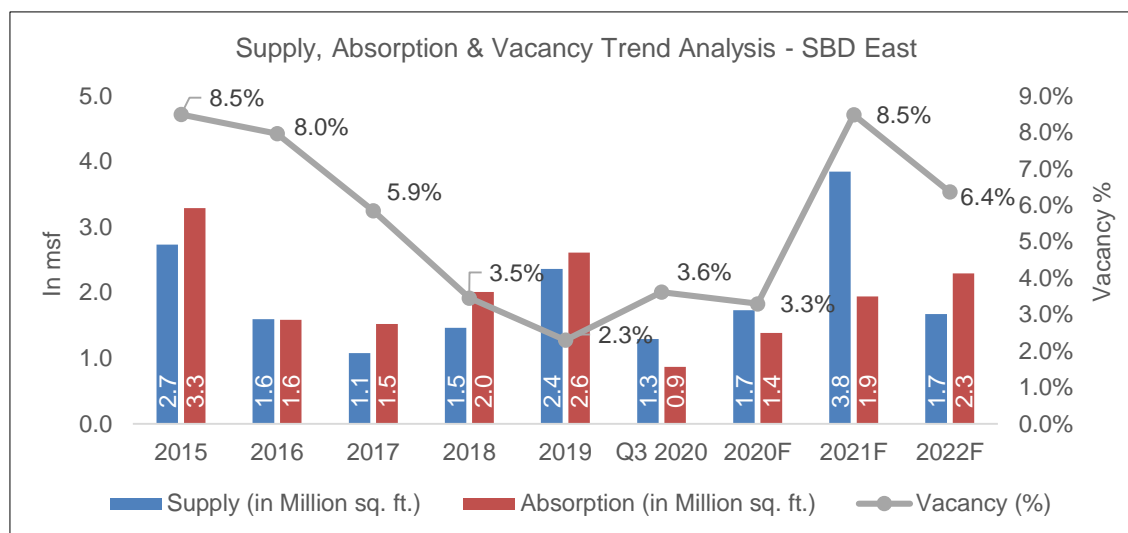
Source: Cushman & Wakefield Research

### 2.4. Supply, Absorption & Vacancy

SBD East has a good presence of grade A buildings coupled with strong connectivity and well-developed social infrastructure. This micro market has witnessed continuous demand from various sectors. Vacancy in SBD East micro-market has declined significantly from 8.5% in 2015 to 3.6% in Q3 2020 due to absorption outstripping supply. The total grade A stock of office space in the SBD East micro-market is approximately 30.0 msf as of Q3 2020. The absorption as of Q3 2020 for SBD East is 0.9 msf, whereas the supply being 1.3 msf. The current vacancy level is 3.6% in the micro-market.



The following graph represents supply, absorption and vacancy trends in SBD East micro-market (2015-2022F).



Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

Note: Future supply in Q4 2020 is approximately 0.4 msf out of which 44.0% is pre-committed (0.19 msf). In the year 2021 the future supply in SBD East is approximately 3.8 msf and 1.7 msf in the year 2022.

SBD East houses approximately 55% of total stock of grade A offices in the city, making it the biggest micro-market of Pune for commercial office spaces. It is home to most of the landmark commercial projects in the city. Approximately, 35% of total stock in the micro-market was completed from 2015 till Q3 2020. Prominent buildings in the micro-market such as Commerzone Yerwada (Building B8), Eon Free Zone (Building E) and Nyati Unitree were completed in 2015.

SBD East hosts the first SEZ commercial space Eon Free Zone in the city, integrated IT township Magarpatta and major IT/Business parks of the city. Such projects pioneered the overall development of this micro-market. These projects attracted demand majorly from BFSI, Technology and Professional Services industries. Companies like Barclays, Mastercard, HSBC, Amdocs, Intel, Accenture, ADP etc. are operational in this micro-market. SBD East has witnessed demand followed by supply. Developers of commercial office spaces considered the requirement of the tenants such as buildings with good quality modern amenities, large floor plates and good aesthetics for their projects. Thus, under-construction buildings attracted pre-commitments for significant area of the building, reducing the vacancy levels.

Going forward, major projects are planned in the micro market by established developers. The under-construction projects which are expected to be completed by the end of year 2020 are witnessing approximately 44% of pre-commitments. Supply of approximately 3.8 million sq. ft. and 1.7 million sq. ft. is expected in next two years respectively. Due to COVID-19 and the challenges faced by the commercial real estate sector, the under-construction projects are expected to be delayed resulting

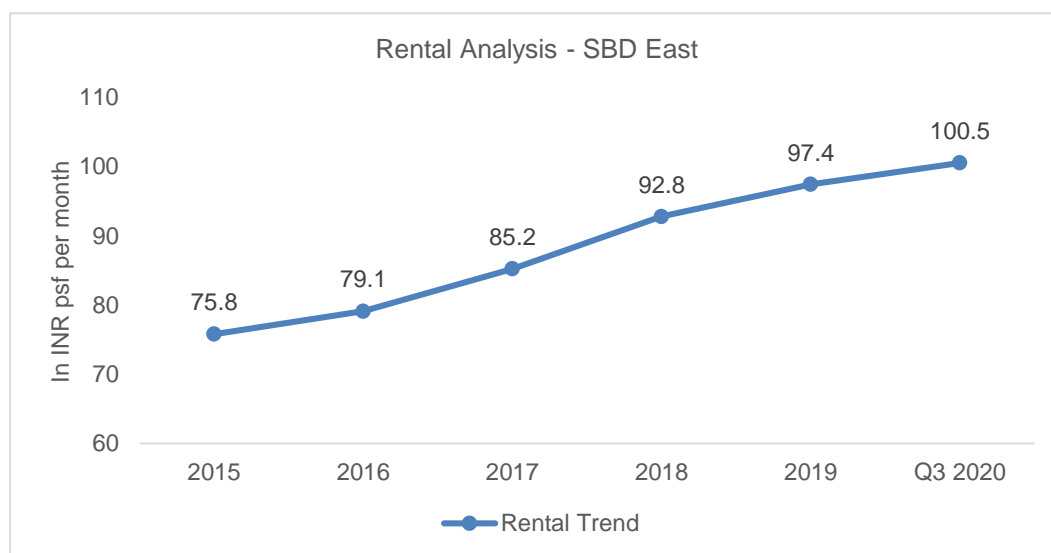


in decrease in vacancy level to 3.3% in 2020. Further, due to delayed completion of under-construction projects and staggered revival of growth in demand, vacancy is expected to increase to 8.5% in 2021 and maintain vacancy level of 6.4% by 2022.

## 2.5. Rental Trend Analysis

Commercial rental values in SBD East are in the range of INR 70 to INR 125 psf/ month on leasable area. The rental range variance in this micro market is due to presence of international grade properties with modern facilities which constitutes large IT/Business Parks and individual commercial buildings with smaller floor plates. Owing to the presence of strong social and physical infrastructure, availability of good quality office space and low vacancy levels with good demand-supply dynamics; this micro-market has witnessed a consistent rental escalation for past few years. Rents in SBD East have appreciated by CAGR of 5.0% since 2015. Due to the current pandemic situation, the real estate sector has also faced challenges and hence have been impacted. It is expected, the rental in the micro market to be stagnant and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 12 months. However, we expect the rentals to grow in the future due to healthy demand and development of good quality office spaces.

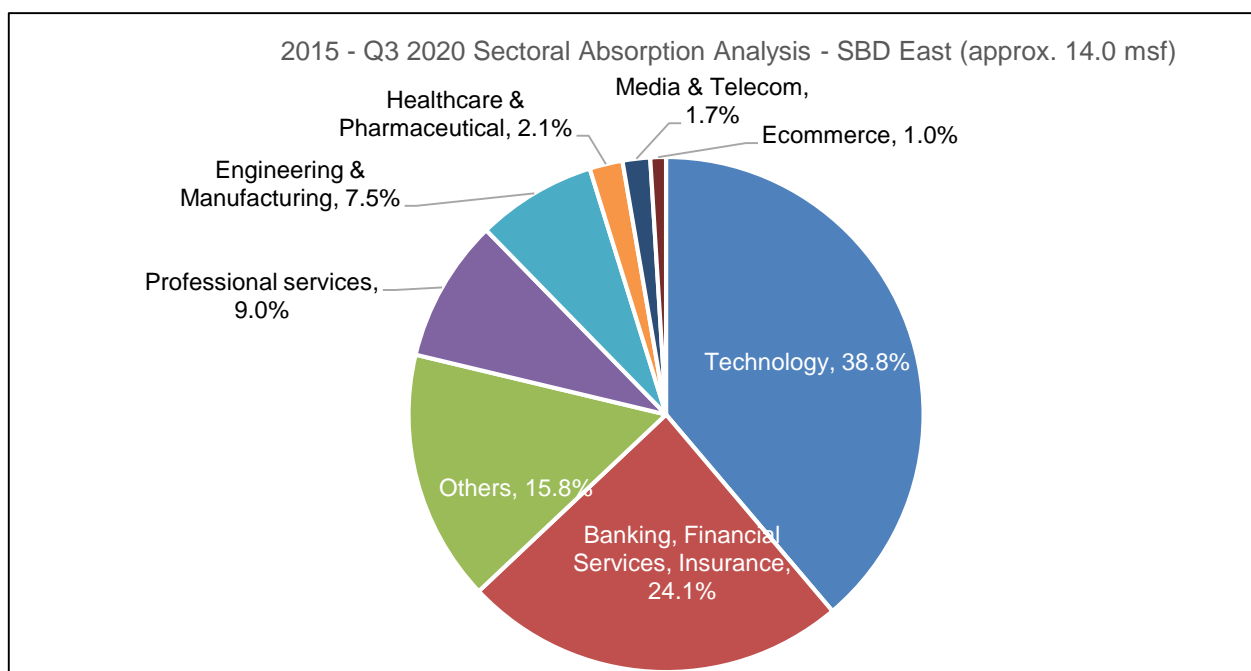
The following graph depicts the rental trend analysis of SBD East micro-market (2015 – Q3 2020):



Source: Cushman and Wakefield Research, 2020

*Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters. In case of pre-commitments the achievable rent may vary beyond +/-10% depending upon negotiations.*

## 2.6. Sector Demand Analysis



Source: Cushman & Wakefield Research;

Note: Others include Others include Flexible Workspaces, Logistics and Shipping, Oil and Gas, Research & Analysis, Automobile, Food & Beverage, Hospitality, Real Estate & Related Services and Education.

Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc. Total gross absorption from 2015 till Q3 2020 amounts to 14.0 msf of area

SBD East micro market has witnessed a higher demand from Technology and BFSI sector, because of availability of larger floor plate, good connectivity and competitive rent. Technology and BFSI sectors contribute approximately 38.8% and 24.1% to the leasing activity in this micro market during 2015 to Q3 2020 of time period. Further, it is pertinent to note that Professional Services and Engineering & Manufacturing are emerging sectors which have a share of approximately 9% and 7.5% in the leasing activity during 2015 to Q3 2020 of time period.

## 2.7. Market Outlook

According to the market assessment report of Cushman & Wakefield current market rentals in the SBD East micro market are in the range of INR 70 psf/ month to INR 125 psf / month. Further over 2015 – Q3 2020 the rentals in SBD East micro market grew at a CAGR of 5.0%.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the

demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the markets commercial real estate markets are likely to attain its long term growth trajectory with 5% growth in market rents appearing achievable then.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	Gera Commerzone, Kharadi, S.No. 65 at Kharadi, Tal, Haveli, Pune, Maharashtra 411006
Ownership & title details:	Underlying land is freehold; the buildings thereupon are owned by the Mindspace REIT

*Source: Client information*

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, if the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Wadia Ghandy & Co. for plot number 65 (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsels and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

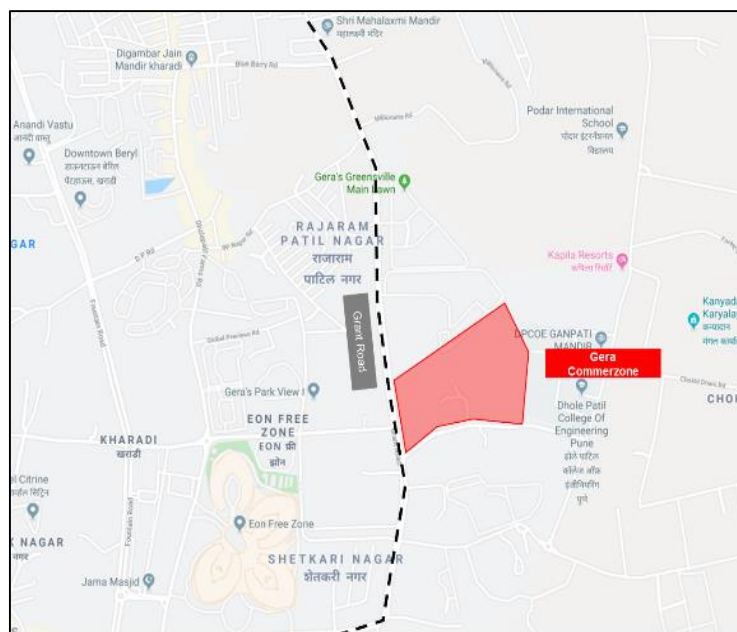
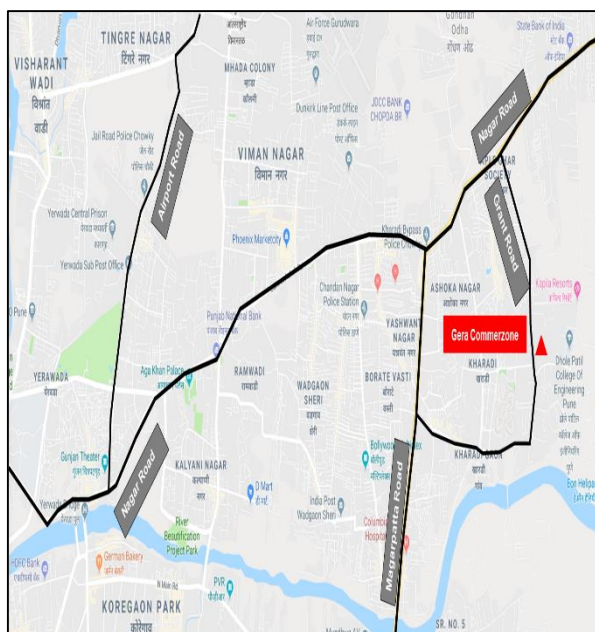
Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

## 2 Location

### 2.1 General

Subject Property comprises of two completed buildings 3 and 6, one under construction building 5 and future development of one building 4 (hereinafter referred to as Subject Property) is located at Kharadi, located within SBD East (Secondary Business District) micro market. Subject property is accessible by 24 m wide Grant Road which connects Nagar Road and Magarpatta Road. SBD East micro- market is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Magarpatta Developers etc. The micro market is an eastern corridor of the city which is most one of the most preferred commercial and residential destinations of the city. It also houses prominent tenants such as Barclays, Mastercard, HSBC, etc.

The location map of the Subject Property is set out below:



(Map not to scale)

The Subject Property is spread out over approximately 26 acres of land. Located on the Grant road, it enjoys good frontage. Further, basis the perusal of the site map provided by the client; it has been observed that the plot is slightly irregular in shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 2-3 kms from Nagar Road
- Approximately 8-9 kms from Pune International Airport
- Approximately 11-12 kms from Pune Railway Station

The property photographs of the Subject Property are attached in Annexure 3.

The Subject Property is well accessible from Nagar Road and Magarpatta Road. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## 2.4 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Pune where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and does not face any significant problems of flooding or waterlogging.

## 2.5 Town Planning and Statutory Considerations

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## 3 Subject Property - Asset Description

Gera Commerzone is a Grade A, SEZ and IT Park located in Kharadi. Gera Commerzone campus is planned to house a total of six buildings. The Subject Property has potential future development of ~0.6 Million sq. ft. It comprises of one under-construction buildings namely 5; and future development of building 4.

### Completed Building – Building 3 and 6

Building 3 and 6 which are SEZ buildings, recently got completed and has received Occupancy certificate, admeasures ~ 1.3 Million sq. ft. of leasable area. The building 3 is currently completely occupied and is 12 floors tall and building 6 is partially occupied which is 13 floors tall.

### Under-Construction –

Buildings 4 and 5 are IT buildings admeasuring ~1.3 Million sq. ft. of total leasable area and will be 13 floors tall. Building 5 is under construction with first floor completed and casting of 2<sup>nd</sup> floor is in progress and building 4 is being planned. The entire campus has common parking and has a podium floor. Podium floor will house all the common amenities for the 5 buildings in the campus.

The building wise leasable area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
Building 3 (Plot no 65)	531,373	SEZ	Completed
Building 4 (Plot no 65)	605,500	Non-SEZ	Future Development
Building 5 (Plot no 65)	675,617	Non-SEZ	Under-construction
Building 6 (Plot no 65)	753,094	SEZ	Completed

*Source: Architect's Certificate, Rent Rolls, Lease Deeds/Lease and License Agreement*

The entire IT park has common parking and podium floor. Podium floor will house all the common amenities for the total 6 buildings in the campus.



### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	KRC Infrastructure Projects Private Limited
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by KRC Infrastructure Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	Building 3: 0 years 9 months Building 6: 0 years and 7 month
Asset type:	IT Park
Sub-market:	SBD East
Approved and existing usage:	Commercial Office
Site Area (acres):	~26
Freehold/Leasehold:	Freehold
Leasable Area <sup>2</sup> :	1.28 million sq. ft.
Occupied Area:	1.20 million sq. ft.
Occupancy (%) <sup>3</sup>	93.07%
Committed Occupancy (%) <sup>4</sup>	n.a
Number of Tenants	5

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Of the total leasable area of 2.6 Million sq. ft, the Client has obtained occupation certificate for leasable area admeasuring 1.3 Million sq. ft.
3. Occupancy refers to proportion of area leased which is actively occupied by the tenants
4. Committed occupancy also includes area which has been pre-leased to tenants.

**Under-construction Buildings**

Particulars	Details
<b>Entity:</b>	KRC Infrastructure Projects Private Limited
<b>Interest owned by Mindspace REIT (%):</b>	Subject Property is wholly owned by KRC Infrastructure Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
<b>Expected completion date of construction:</b>	Building 4 - December 2023 Building 5 - December 2021
<b>Asset type:</b>	IT Park
<b>Approved Usage:</b>	Commercial office
<b>Leasable Area:</b>	1.3 million sq. ft.
<b>Status of construction:</b>	The under-construction buildings are planned with common Basement which varies from 2 to 5 levels + common podium + 13 office floors.  Building 5 is under construction with first floor completed and casting of 2 <sup>nd</sup> floor is in progress whereas, building 4 is at the planning stage.  Based on the information shared by client, both the buildings are expected to be completed by Q3 FY 2021-22 and Q3 FY2023-24 respectively.
<b>Approvals received and pending as on Valuation Date:</b>	List of approvals detailed in Annexure 5

Source: Client information

**Notes:**

1. Refer company structure set out in Annexure 1
2. We understand from the Client that occupancy certificate would be obtained as and when the area is leased in the future
3. Occupancy refers to proportion of area leased which is actively occupied by the tenants
4. Committed occupancy also includes area which has been pre-leased to tenants.

The underlying land of the Subject Property is freehold in nature.

### 3.2 Property Inspection

The Subject Property was visually inspected by the valuer and his authorised representatives. Building 3 and 4 are operational and partially occupied. Building 5 is currently under construction with RCC work of 1st floor is completed and the casting of 2nd slab was in progress 's excavation is under progress and estimate is that the building comprising 13 office floors would be complete by Q3 FY 2021-22. Building 4 is currently under planning stage and estimated to be completed by Q3 FY 2022-23.

Given, the operational buildings are recently completed, the visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance within the operational buildings. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure are based completely on visual survey.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties forming part of the portfolio to be part of the Mindspace REIT .

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top ten tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any

- iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

As of 30 September 2020, Subject Property has one tenant in completed building 3 and four tenants in building 6 (for office space).

Rank	Top Tenants according to Leasable Area	Leasable Area (sq. ft.)	Building
1	Barclays	531,373	3
2	Allstate	278,545	6
3	UPS Logistics Pvt Ltd	105,500	6
4	BP Global Investment Ltd	168,000	6
5	Mindcrest India Pvt Ltd	112,000	6
	<b>Total</b>	<b>1,195,418</b>	

### **3.5 Power Distribution Services**

In accordance with Section 14 (b) of the Electricity Act, 2003 read with Section 4(1) of the SEZ Act, 2005, entities that own and operate SEZ Parks are considered Deemed Distribution Licensee for supplying electricity to consumers within the SEZ area. Pursuant to the above regulations, KRC Infrastructure and Projects Private Limited (SPV) also has the license to distribute power within the Subject Property.

The SPV has invested in the infrastructure to facilitate the distribution of the power to the customers (occupiers and operators within the subject properties). It procures power from Power generators supplying to the grid and then distribute it to the end consumers within the Subject Property. The SPV is not allowed to expand the power distribution outside the limits of the SEZ, i.e., the Subject Property in this case.

### 3.6 Facilities Management Services

KRC Infrastructure and Projects Private Limited is planned to commence facility management business effective October 1, 2020 to provide such services to the Subject Properties within the portfolio as well as properties with ownership interests of/owned by third parties within the same parks as the Subject Properties of the Portfolio (as mentioned in the following table). Facility management services include housekeeping services, management of MEP equipment, façade cleaning, security expenses, repair and maintenance, maintenance of common areas etc. Service charges are levied on a cost-plus mark-up basis to the SPVs owned by REIT, which has ownership interest in the Subject Properties.

S. no.	Building Name	Location	Area Under Management (Mn sq. ft.)
<b>A</b>	<b><u>Existing buildings</u></b>		
1	Avocado	Malad Mumbai	0.7
2	Commerzone	Yerwada Pune	2.9
3	Gigaplex	Airoli West Mumbai	3.5
4	Intime	Madhapur Hyderabad	1.7
5	KRIT	Madhapur Hyderabad	2.9
6	MBPPL	Airoli East Mumbai	4.7
7	MBPPL - Pocharam	Pocharam Hyderabad	0.4
8	Sundew	Madhapur Hyderabad	5.6
9	The Square	Pune	0.7
10	Gera Commerzone, Kharadi	Pune	0.8
11	Horizon / Porur	Chennai	0.8
	<b>Subtotal "A"</b>		<b>24.7</b>
<b>B</b>	<b><u>Expansion in Existing Buildings</u></b>		
1	Gigaplex Expansion	Airoli West Mumbai	1.0
2	MBBPL Airoli East	Airoli East Mumbai	0.8
3	KRIT Expansion	Madhapur Hyderabad	0.5
4	Mindspace- Pocharam Expansion	Pocharam Hyderabad	0.2
	<b>Subtotal "B"</b>		<b>2.5</b>
<b>C</b>	<b><u>Buildings under construction</u></b>		
1	Commerzone, Kharadi	Pune	1.3
	<b>Subtotal "C"</b>		<b>1.3</b>
	<b>Total "A" + "B" + "C"</b>		<b>28.5</b>

## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner:

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable marginal rent (The Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).



2. Rent roll and sample of lease deeds of large/anchor-tenants were analysed to assess if any adjustments to marginal rent are required for individual leases. For other leases, it has been assumed that they would revert to marginal rent of the Subject property following the expiry of the lease tenure, factoring appropriate re-leasing time and costs.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/ future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/ future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time.

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step.

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value).

3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free

terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.

4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

#### **4.4 Approach for Power Distribution Services**

The detailed tariff petition submitted to Maharashtra Electricity Regulatory Commission (MERC or the Commission), which included demand projections, power procurement plan, capital investment plan, financing plan, and expected revenue (aggregate revenue requirement) from tariff and charges for its power distribution services for a projected period of 5 years by two of the SPVs, namely Gigaplex Estate Private Limited and Mindspace Business Parks Private Limited has been taken as the basis on which KRC Infrastructure and Projects Private Limited is expected to file its tariff petition. The Commission in accordance with prevailing regulations determined the tariff in those petitions, that may be charged to the customers/operators within the Subject property over the said projected period. The aggregate revenue requirement for the distribution business for each projected year contained mainly power purchase cost, operational & maintenance expenses, depreciation, interest on loan, interest on working capital, return on equity, etc. In other words, licensee can charge cost plus mark up as approved by the Commission to the end users. This mark-up is equivalent to return on its investment in power distribution infrastructure and enabling services. The return on investment comprise annual depreciation on investment, interest expenses on notional debt and return on equity.

1. As the first step to the valuation of the power distribution service, the tariff order from Maharashtra Electricity Regulatory Commission determining the aggregate revenue requirement for 5 years from the date of order has been reviewed.
2. Earnings before interest, depreciation & tax (EBITDA) for each year is projected for the balance life of the license and NPV (net present value) is computed as on valuation date at appropriate discounting rate
3. EBITDA is projected based on the component of aggregate revenue requirement in the latest order from the commission.
4. For the future project capex requirement has been given by the client.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30 September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building – 3 and 6

Property Details	Unit	Details
Total Property Leasable Area*	sq. ft.	1,284,467
Area Leased	sq. ft.	1,195,418
Leased	%	93.07%
Vacant Area	sq. ft.	89,049
Vacancy	%	6.93%
Stabilized Vacancy	%	2%
Further leasing	sq. ft.	21,501
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	1008
4W Slots leased	Number	802
Estimated leasing period	No. of quarter	4.0

Note:

\*The total leasable area includes 42,713 sq. ft. of Food Court area which is assumed to be leased out on expenditure reimbursement basis

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 01 October 2020) in order to retain and support them.
- Future absorption:** Since the building 6 in subject property is 93.50% leased and the same is well above the stabilized vacancy of 2% stabilized vacancy is adjusted in further leasing. We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand.

**Construction related assumptions**

Construction-related Assumptions	Unit	Building 3	Building 6
Start date of construction		01-Feb-17	1-Jul-17
End date of construction		31-Dec-19	31-Mar-20
Total construction cost	INR million	2,137	2,812
Construction cost incurred till date	INR million	1,968	2,384
Construction cost to be incurred	INR million	169	428

*Note: Construction cost is including the PSS (Project Support Services) cost and General Development (GD) cost.*

Construction Cost Phasing	Unit	2020	2021
Cost to be Incurred (Building 3)	INR Million	130.0	39.1
Cost to be Incurred (Building 6)	INR Million	159.0	269.2

*Note: We have relied on Client inputs for the assumptions relating to construction schedule and budgets.*

### Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq. ft./month	INR 78.00
Other operating income	% of lease rental	1.0%
Market Rent growth rate	% p.a.	5.0%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
Target efficiency	%	76.0%
CAM/O&M Income prevailing in the market	Per sq. ft./month	INR 2.00 (for B3) INR 9.37 (for B6)

- Market rent - office:** In the year 2019 and Q3 2020, approximately 3.5 million sq. ft. was absorbed in the rental range of INR 70-125 per sq. ft. per month. A snapshot of the select lease transactions in year 2019 and Q3 2020 are set out below

Tenant	Year	Area Leased (sq. ft.)	Rent (INR psf/month)
Simpliworks	2020	216,000	85 - 90
Vertive	2020	33,000	85 - 90
Ubisoft	2020	29,000	75 - 80
Hyundai	2020	5,144	85 - 90
Adler Mediequip Pvt Ltd	2020	28,296	95 - 100
Vanderlande	2020	28,612	85 - 90
Table Space	2020	57,000	90 - 95
Smartworks	2019	1,30,000	80 - 85
Onward Technologies	2019	1,25,000	70 - 75
Red Hat India Pvt Ltd	2019	44,300	80 - 85
Deskera	2019	44,000	70 - 75
Inox Air Products	2019	44,000	70 - 75
L&T	2019	35,713	90 - 95
Schlumberger	2019	33,400	70 - 75
Northern Operating Services Private Limited	2019	30,000	75 - 80
IGT Solutions Pvt Ltd	2019	27,771	70 - 75
BNY Mellon	2019	27,000	70 - 75

Considering the above, market rent for office space has been considered in line with the achievable market rent for completed buildings at INR 78 psf / month.

- Market rent growth rate:** Over 2015 – Q3 2020 is rentals in SBD East grew at a CAGR of 5.0%. Going forward, we have assumed annual growth in market rentals at 5.0%. However, due to current market condition we have not assumed any rental escalation for next 18 months and there after considered growth of 5% (i.e. from April 2022 onwards)

- **Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. Other income includes components from Events, Kiosks, Telecom Towers and Car Parks.
- **Efficiency revision:** Analysis of the recent re-leases suggest that the client has leased the same area at lower efficiency and receive higher rentals for the same carpet area.
- Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at 76% or actual, whichever is lower.

### Cost Assumptions

Cost Assumptions	Unit	Building 3	Building 6
Brokerage cost (New Lease)		2 Month Rent	2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent	1 Month Rent
CAM Margin for 1st Year	Per sq. ft./month	INR 1.10	INR 2.27
CAM Margin for 2nd Year	Per sq. ft./month	INR 1.16	INR 2.40
Normalized CAM Margin	Per sq. ft./month	INR 1.10	INR 2.10
Current CAM/ O&M cost	Per sq. ft./month	INR 1.00	INR 6.93
Property Tax	Per sq. ft./month	INR 3.50	INR 3.50
Insurance	Per sq. ft./month	INR 0.20	INR 0.20
Cost escalation	% p.a.	3%	3%
CAM escalation	% p.a.	5%	5%
Transaction cost on sale	% of Terminal Value	1.0%	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%	2.0%
Property Management Fees	% of Lease Rentals, Fitout Income, Parking Income & Other Operating Income	3.5%	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM Cost:** Current CAM cost has been projected considering the level of CAM cost estimated in the year ending 31 March 2020 and projected to increase at 5% per annum.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 1.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) for Building 3 and INR 2.1 per sq. ft. for Building 6 and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at escalation of 3% over the 31 March 2020 year ended numbers and projected to increase at 3% per annum effective 1<sup>st</sup> April of every year.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses

- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, fitout income & other operating income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

### Discount Rate & Capitalisation rate assumptions

- Capitalization Rate:**

Capitalisation rate (“Cap rate”) is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.0% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (sq. ft.)	Deal Size (INR mn)	Capitalization Rate
Tishman Speyer - GIC	Shapoorji Pallongji - Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	2,300,000	1900	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	700,000	25000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	1,250,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	1,880,000	9000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	2,700,000	24000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players.



- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

**Under-construction/Proposed Buildings****Property details**

Property Details	Unit	Building 5	Building 4
Total Leasable Area	sq. ft.	675,617	605,500
Vacancy	%	100.0%	100%
Stabilized Vacancy	%	2.0%	2.0%
Further leasing	sq. ft.	662,105	593,390
Existing Lease rollovers	%	100.0%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0	2.0
Rent Free Period- New Lease	Months	3.0	3.0
Estimated leasing period	No. of quarter	2.0	2.0

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 01 October 2020) in order to retain and support them.

- **Future absorption:**

Over 2015 - Q1 2020, the SBD East micro market has witnessed an average annual absorption of approximately 2.1 million sq. ft. However, micro-market has a history of robust pre-commitments and highest absorption was witnessed in the year 2015 which also experienced highest supply. Similarly, it is expected the SBD East micro market will absorb most of upcoming supply on account of low vacancy levels and pre-commitment level of ~44% in the micro market.

Going forward, the micro market is expected to have an average annual demand of approximately 2.0 million sq. ft. for 2021F & 2022F. Considering the upcoming supply for year 2021 and 2022, annual leasing of about 0.6-0.7 million sq. ft. can reasonably be assumed in subject property.

For building 5 in the Subject Property, considering the share in the supply in the micro-market in the year 2021, annual leasing of about 0.6-0.7 million sq. ft. can be reasonably assumed.

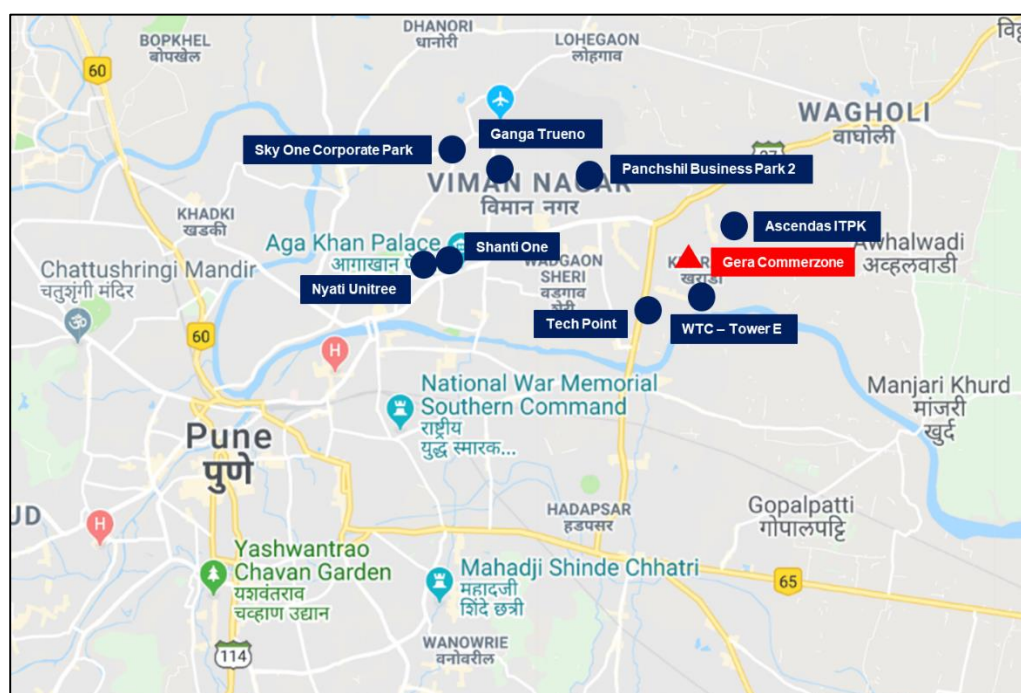
The performance of the initial phases of the subject property will likely have a positive effect on the absorption of building 4 and it is expected to witness similar absorption rate.

We have also considered the buildings in the subject property will attract pre-commitments for some portion of area of the under-construction buildings. We have apportioned the pre-committed area in accordance to the reasonable absorption velocity stated above, the available time period for good market exposure during construction and existing pre-commitments.

Competition for the subject property in the near future would primarily arise from other under-construction buildings as new supply in the micro-market; namely,

- Future supply – Shanti One with 0.43 million sq. ft. (44% pre-committed) expected to be completed by Q4 2020, Sky One with 0.75 million sq. ft. (76% pre-committed) which are expected to be completed in Q1 2021
- Future supply – Ascendas ITPK with 1.2 million sq. ft. and which is expected to be delivered in Q4 2021
- Future supply – In addition to above mentioned future supply total of 1.9 million sq. ft. is expected in the year 2020 and 2021.

### Subject Property and Relevant Existing/Upcoming Supply



Considering the above, it would be reasonable to believe that the buildings in the Subject Property shall be able to lease:

- In building 5 following the completion of construction, approx. 0.39 million sq. ft. of leasable area in Q4 FY 2022, 0.13 million sq. ft. in Q1 FY 2023 and 0.13 million sq. ft. in Q2 FY 2023.
- In building 4 following the completion of construction approx. 0.39 million sq. ft. in Q4 FY 2024 and 0.19 million sq. ft. in Q1 FY 2025.
- Further leasing has been assumed after incorporating a 2% stabilised vacancy which is in line with the market trends.

**Construction related assumptions**

Construction-related Assumptions	Unit	Building 5	Building 4
Start date of construction		1-Apr-19	1-Oct-21
End date of construction		31-Dec-21	31-Dec-23
Total construction cost	INR million	2,856	2,596
Construction cost incurred till date	INR million	706	-
Construction cost to be incurred	INR million	2,149	2,596

Note: In addition to the above-mentioned construction cost:

- 1) The construction cost of Building 1 (INR 1,781 million) is loaded on buildings 5 and 4 apportioned to the area of respective building.
- 2) Cost to be incurred towards approvals/premiums of INR 2,454 million is loaded on the under-construction buildings 5 and 4 in accordance to the construction timelines.
- 3) Building 3 and 6 have received occupancy certificate but there is some construction cost related yet to be incurred as mentioned above

Note: Construction cost is including the PSS (Project Support Services) cost and General Development (GD) cost.

Construction Cost Phasing	Unit	2020	2021	2022	2023	2024
Cost to be Incurred (Building 5)	INR Million	320.6	1,295.2	533.5	-	-
Cost to be Incurred (Building 4)	INR Million	-	148.6	994.8	1223.7	228.9

Note: We have relied on Client inputs for the assumptions relating to construction.

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq. ft./month	INR 78.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Market Rent growth rate	% p.a.	5.0%
Parking income growth rate	% p.a.	5.0%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq. ft./month	INR 9.37

- **Market rent - office:** In the year 2019 and Q3 2020, approximately 3.5 million sq. ft. was absorbed in the rental range of INR 70-125 per sq. ft. per month. A snapshot of the select lease transactions in year 2019 and Q3 2020 are set out below:

Tenant	Year	Area Leased (sq. ft.)	Rent (INR psf/month)
Simpliworks	2020	216,000	85 - 90
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Ubisoft	2020	29,000	75 - 80
Hyundai	2020	5,144	85 - 90
Adler Mediequip Pvt Ltd	2020	28,296	95 - 100
Vanderlande	2020	28,612	85 - 90
Table Space	2020	57,000	90 - 95
Smartworks	2019	1,30,000	80 - 85
Onward Technologies	2019	1,25,000	70 - 75
Red Hat India Pvt Ltd	2019	44,300	80 - 85
Deskera	2019	44,000	70 - 75
Inox Air Products	2019	44,000	70 - 75
L&T	2019	35,713	90 - 95
Schlumberger	2019	33,400	70 - 75
Northern Operating Services Private Limited	2019	30,000	75 - 80
IGT Solutions Pvt Ltd	2019	27,771	70 - 75
BNY Mellon	2019	27,000	70 - 75

Considering the above, market rent for office space has been considered in line with the achievable market rent for completed buildings at INR 78 psf / month.

- **Market rent growth rate:** Over 2015 – Q3 2020 is rentals in SBD East grew at a CAGR of 5.0%. Going forward, we have assumed annual growth in market rentals at 5.0%. However, due to covid-19 and current market condition we have not assumed any rental escalation for next 18 months and there after i.e. from April 2022 onwards considered annual rental growth rate of 5% for the Subject Property.
- **Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in SBD East.

### Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)		2 Month Rent
Brokerage cost (Renewal/Release)		1 Month Rent
CAM Margin for 1st Year	Per sq. ft./month	INR 2.27
CAM Margin for 2nd Year	Per sq. ft./month	INR 2.40
Normalized CAM Margin	Per sq. ft./month	INR 2.10
Current CAM/ O&M cost	Per sq. ft./month	INR 6.93
Property Tax	Per sq. ft./month	INR 3.50
Insurance	Per sq. ft./month	INR 0.20
Cost escalation	% p.a.	3%
CAM Escalation	%	5%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management Fees	% of Lease Rentals, fit out Income, Parking Income & Other Operating Income	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM Cost:** Current CAM cost has been projected considering the level of CAM cost estimated in the year ending 31 March 2020 and projected to increase at 5% per annum.
- **CAM margin:** CAM margin being earned by the Subject Property has been assumed to be at INR 2.10 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year post completion) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been considered at escalation of 3% over the 31 March 2020 year ended numbers and projected to increase at 3% per annum effective 1<sup>st</sup> April of every year.
- **Other operating expenses** and have been assumed at 2% of the lease rentals.
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, fitout income & other operating income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Discount Rate & Capitalisation Rate assumptions**

- Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.0% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (sq. ft.)	Deal Size (INR mn)	Capitalization Rate
Tishman Speyer - GIC	Shapoorji Pallongji - Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	2,300,000	1900	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	700,000	25000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	1,250,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	1,880,000	9000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	2,700,000	24000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players

- **Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 13.1% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.



## 5.1 Valuation Methodology for Power Distribution Services

Referring to the commission's latest order for the operational facility, the cash flows from the power distribution services are projected in the following manner:

**Step 1:** Amount of approved Gross Fixed Assets ("GFA") is considered

**Step 2:** Further, Net Fixed Asset (NFA) which is GFA reduced by accumulated depreciation allowed as on date is computed.

**Step 3:** To compute the EBITDA, mainly return on equity, interest on notational debt, recovery of depreciation, interest on working capital have been added.

**Step 4:** Licensee is allowed to charge 14% return on equity which is 30% of GFA. Licensees is further allowed to charge interest on notional debt which is 70% of the GFA reduced by the depreciation for each year. Interest rate is equivalent to the actual cost of debt in the SPV which is 9.0%. SLM (Straight Line Method) is considered for depreciation, as per the average rate approved by the commission. Depreciation is considered to the extent of 90% of the GFA.

**Step 5:** Power procurement, operational and maintenance expenses are allowed completely pass through.

## 5.2 Valuation Assumptions for Power Distribution Services

Following are the key assumptions for proposed license in line with Commission's order for other two license in Kharadi, Pune.

Assumptions	Unit	Figure
Gross Fixed Assets (GFA)	INR Million	146
Accumulated Depreciation YTD FY20	INR Million	-4
Notional Equity (30% of GFA)	INR Million	44
Notional Debt as on March 2019 (70% of GFA)	INR Million	102
Depreciation rate (Straight Line Method)	% pa	5.28
Remaining License Period	years	25
WACC	%	10.50

For the purpose of discounting the future cash flows, a Weighted Average Cost of Capital (WACC) of 10.5% has been used.

### 5.3 Valuation Assumptions for Facilities Management Services

Existing Operational Building under facility management	Total area of ~24.7 million sq. ft. as at [March 31, 2020] Mix of SEZ and non SEZ building.	The revenue of facility management is linked to the expense for such facility plus mark up, the growth in the revenues from existing tenants are in line with the inflation expectation of 5%.
Expansion in Existing business and Building under construction	Total area of ~3.8 million sq. ft.	For future development/proposed buildings, revenue and margins of existing properties is considered as a base to compute the projected cash flows of new buildings. Growth in revenue is linked to the improvement in occupancy plus 5% revenue growth from existing tenants. Initially those buildings are likely to have lower margins due to lesser occupancy.

For the purpose of arriving at terminal year income multiple, Indian and International comparable companies listed on various stock exchanges were studied. It was observed that International companies with primary business of facility/property management trade at 10 -13 times EV/EBITDA multiple. However, there are very limited comparable facility management listed companies. SIS India which is recently listed in Indian stock exchange in India trades at around at 17x EV/EBITDA multiple. SIS India offers facility management services in India including security services, cash logistic etc. Given the fact that facility/property management business is limited to the Subject Properties only with ownership interest of Mindspace REIT, we have considered the EV/EBITDA multiple of 15x to compute the exit value at stabilized financial year ending March 2027.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures (INR Mn)	In Words
Completed/Operational (Including Power Distribution Business of KRC Infrastructure and Projects Pvt. Ltd. and the Facilities Management Business <sup>1</sup> )	30-Sep-20	INR 17,902	Indian Rupees Seventeen Billion Nine Hundred and Two Million only
Under Construction/ Future Development (Including Power Distribution Business of KRC Infrastructure and Projects Pvt. Ltd. and the Facilities Management Business <sup>1</sup> )	30-Sep-20	INR 4,002	Indian Rupees Four Billion and Two Million only

### Ready reckoner rate

Component	Rate
Built up Area	INR 72,510 per sq. m.
Land Area	INR 28,010 per sq. m.

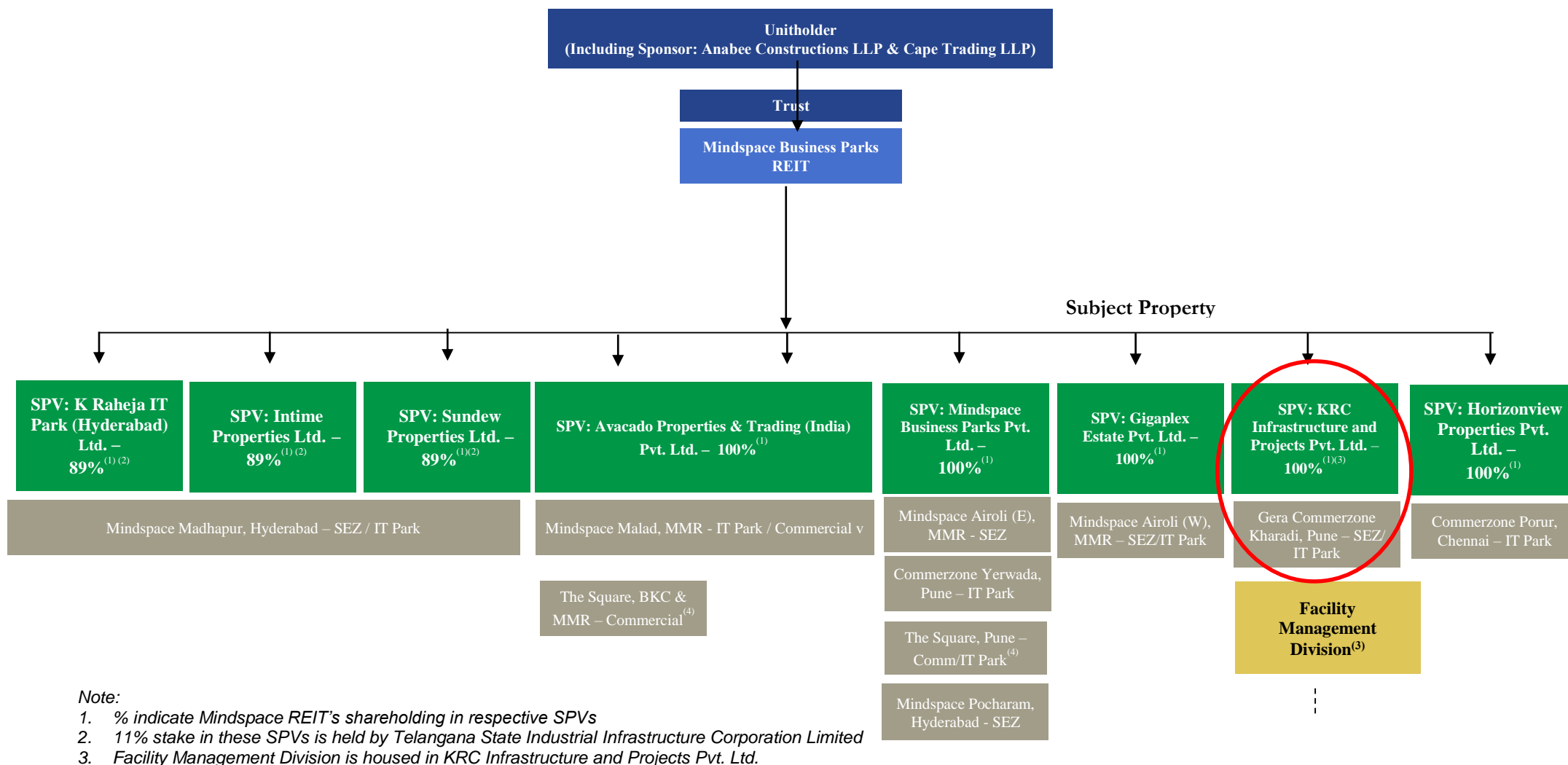
I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

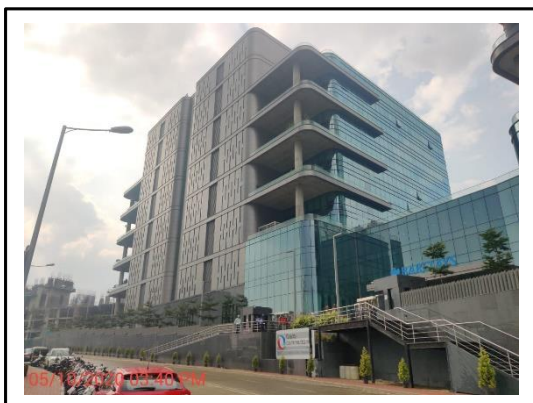
Prepared by



(Shubhendu Saha)  
IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property**

**Annexure 2: Site Layout Map**

**Annexure 3: Property Photographs**

External View of the Subject Property



External View of the Subject Property



External View of the Subject Property.



External View of the Subject Property.



Internal View of the Under Construction Portion of the Subject Property



External View of the Under Construction Portion of the Subject Property



**Annexure 4: Statement of Key Assets**

The following statement of key assets are as of 30 September 2020.

Complex	Name	Gera Commerzone	
Building	No. / Name	B3	B6
Floor	Nos	2B+2P+12F	1B+1P+13F
No of DG / Capacity	No. / KVA	4*2250KVA	3*2000KVA
No of Transformers / Capacity	KVA	4*2250KVA	3*2000KVA
Chiller Rating	TR	450TR- 03 Nos. WC 400TR-2No- AC	450TR- 03 Nos. WC 400TR-1No- AC
Cooling Tower		3 / 625 TR / Paharpur	3 / 500 TR / Paharpur
FF Systems (Pumps) & Engine		Hydrant PP - 01/180 HP/ Greaves Sprinkler - 01/180/HP/ Greaves. Sprinkler Jockey - 1/10 HP/Kirloskar Hydrant Jockey - 1/10 HP/Kirloskar. DD pump - 01/180 BHP/Kirloskar Booster Pump - 01/15 hp/Kirloskar	Hydrant PP - 01/150 HP/ Greaves Sprinkler - 01/150/HP/ Greaves. Sprinkler Jockey - 1/15 HP/Kirloskar Hydrant Jockey - 1/15 HP/Kirloskar. DD pump - 01/150 BHP/Kirloskar Booster Pump - 01/15 hp/Kirloskar
Water Pumping System (Domestic & Flushing)		DWS PP - 02/18.5 KW/wilo DWS Booster Pump - 02/3 hp/wilo FWS Pump - 02/18.5 KW / wilo Terrace Booster FWP - 02/3HP/wilo.	DWS PP - 02/18 HP / KSB. DWS Booster Pump - 02/3 hp/KSB. FWS Pump - 02/18 hp / KSB. Terrace Booster FWP - 02/3HP/KSB.
STP Rating	KLD	350KLD	400KLD
Warm Shell / Bare shell		Warm shell	Warm shell



**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Approved masterplans
- b) Commencement Certificate
- c) Height Clearance NOC from AAI
- d) Fire NOC received for operational building 3 & 6
- e) Environmental Clearances (Received and Applied for further amendments)
- f) SEZ Notification
- g) Consent for Establishment
- h) Consent for Operate for operational Building 3 & 6
- i) Lift Licenses for operational Building 3 & 6
- j) Occupancy Certificate for operational building 3 and 6
- k) Consent to Operate (Applied for building 3 and 6)
- l) HT Power
- m) Share Transfer Application to DOI

**Annexure 6: Cash Flow Profile of Buildings and Power Business****Completed Buildings****Building 3 & 6**

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	952.5	1,052.5	1,109.0	1,187.2	1,206.8	1,271.7	1,361.4	1,383.8	1,458.3	1,462.7	1,605.5
Parking Income	INR Million	7.4	8.6	8.8	9.0	9.3	9.5	9.8	10.1	10.4	10.7	12.9
O&M income	INR Million	98.7	117.2	123.3	129.5	136.0	142.8	149.9	157.4	165.3	167.6	155.9
Power income	INR Million	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	INR Million	9.5	10.5	11.1	11.9	12.1	12.7	13.6	13.8	14.6	14.6	16.1
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>1,068.2</b>	<b>1,188.8</b>	<b>1,252.3</b>	<b>1,337.6</b>	<b>1,364.2</b>	<b>1,436.7</b>	<b>1,534.7</b>	<b>1,565.1</b>	<b>1,648.5</b>	<b>1,655.6</b>	<b>1,790.3</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>1,068.2</b>	<b>1,188.8</b>	<b>1,252.3</b>	<b>1,337.6</b>	<b>1,364.2</b>	<b>1,436.7</b>	<b>1,534.7</b>	<b>1,565.1</b>	<b>1,648.5</b>	<b>1,655.6</b>	<b>1,790.3</b>
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(49.2)	(69.3)	(81.8)	(85.9)	(90.2)	(94.7)	(99.5)	(104.5)	(109.7)	(115.2)	(120.9)
Power expense	INR Million	-	-	-	-	-	-	-	-	-	-	-
Insurance Cost	INR Million	(3.1)	(3.2)	(3.3)	(3.4)	(3.5)	(3.6)	(3.7)	(3.8)	(4.0)	(4.1)	(4.2)
Property Taxes	INR Million	(54.8)	(56.4)	(58.1)	(59.8)	(61.6)	(63.5)	(65.4)	(67.3)	(69.4)	(71.4)	(73.6)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(107.1)</b>	<b>(128.9)</b>	<b>(143.3)</b>	<b>(149.2)</b>	<b>(155.4)</b>	<b>(161.9)</b>	<b>(168.6)</b>	<b>(175.7)</b>	<b>(183.0)</b>	<b>(190.7)</b>	<b>(198.7)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>961.1</b>	<b>1,059.8</b>	<b>1,109.0</b>	<b>1,188.4</b>	<b>1,208.8</b>	<b>1,274.9</b>	<b>1,366.1</b>	<b>1,389.5</b>	<b>1,465.5</b>	<b>1,464.9</b>	<b>1,591.6</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	19,895.0	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(198.9)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>961.1</b>	<b>1,059.8</b>	<b>1,109.0</b>	<b>1,188.4</b>	<b>1,208.8</b>	<b>1,274.9</b>	<b>1,366.1</b>	<b>1,389.5</b>	<b>1,465.5</b>	<b>21,160.9</b>	<b>-</b>
Property Mangement Fees	INR Million	(33.9)	(37.5)	(39.5)	(42.3)	(43.0)	(45.3)	(48.5)	(49.3)	(51.9)	(52.1)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(19.2)	(21.2)	(22.4)	(23.9)	(24.3)	(25.6)	(27.4)	(27.9)	(29.4)	(29.5)	-
Brokerage Expenses	INR Million	(3.4)	-	-	-	-	-	-	-	-	(48.5)	-
<b>Net Cashflows- before Construction</b>	<b>INR Million</b>	<b>904.6</b>	<b>1,001.1</b>	<b>1,047.2</b>	<b>1,122.2</b>	<b>1,141.5</b>	<b>1,204.0</b>	<b>1,290.2</b>	<b>1,312.3</b>	<b>1,384.2</b>	<b>21,030.9</b>	<b>-</b>
Construction Cost	INR Million	(462.0)	-	-	-	-	-	-	-	-	-	-
General Development	INR Million	(135.2)	-	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>307.4</b>	<b>1,001.1</b>	<b>1,047.2</b>	<b>1,122.2</b>	<b>1,141.5</b>	<b>1,204.0</b>	<b>1,290.2</b>	<b>1,312.3</b>	<b>1,384.2</b>	<b>21,030.9</b>	<b>-</b>

**Building 5**

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	218.5	649.1	678.3	708.8	740.7	774.0	808.9	845.3	883.3	947.6
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	44.5	80.2	84.2	88.4	92.8	97.4	102.3	107.4	112.8	118.4
Other Operating Income	INR Million	-	2.2	6.5	6.8	7.1	7.4	7.7	8.1	8.5	8.8	9.5
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	-	265.2	735.7	769.2	804.3	840.9	879.2	919.2	961.1	1,004.9	1,075.5
<b>Total Income from occupancy</b>	<b>INR Million</b>	-	265.2	735.7	769.2	804.3	840.9	879.2	919.2	961.1	1,004.9	1,075.5
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	(24.0)	(45.9)	(65.7)	(73.5)	(77.1)	(81.0)	(85.1)	(89.3)	(93.8)	(98.5)
Insurance Cost	INR Million	-	(1.3)	(1.7)	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)
Property Taxes	INR Million	-	(22.4)	(30.6)	(31.5)	(32.4)	(33.4)	(34.4)	(35.4)	(36.5)	(37.6)	(38.7)
<b>Total Operating Costs</b>	<b>INR Million</b>	-	(47.6)	(78.2)	(99.0)	(107.7)	(112.4)	(117.4)	(122.5)	(127.9)	(133.5)	(139.4)
<b>Net operating Income</b>	<b>INR Million</b>	-	217.5	657.5	670.2	696.5	728.4	761.8	796.7	833.2	871.4	936.1
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	11,701.5	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(117.0)	-
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	-	217.5	657.5	670.2	696.5	728.4	761.8	796.7	833.2	12,455.9	-
Property Mangement Fees	INR Million	-	(7.7)	(22.9)	(24.0)	(25.1)	(26.2)	(27.4)	(28.6)	(29.9)	(31.2)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	(4.4)	(13.0)	(13.6)	(14.2)	(14.8)	(15.5)	(16.2)	(16.9)	(17.7)	-
Brokerage Expenses	INR Million	-	(105.4)	-	-	-	-	-	-	-	-	-
<b>Net Cashflows- Post Construction</b>	<b>INR Million</b>	-	100.1	621.6	632.7	657.3	687.5	719.0	752.0	786.5	12,407.0	-
Construction Cost	INR Million	(819.2)	(1,160.4)	(313.0)	-	-	-	-	-	-	-	-
Approvals/Premium	INR Million	(517.9)	(658.1)	(118.3)	-	-	-	-	-	-	-	-
<b>Net Cashflows During Construction</b>	<b>INR Million</b>	(1,838.1)	(1,387.1)	503.2	632.7	657.3	687.5	719.0	752.0	786.5	12,407.0	-

**Building 4**

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	-	-	-	257.7	641.1	670.0	700.2	731.7	764.6	799.0	834.9
Parking Income	INR Million	-	-	-	-	-	-	-	-	-	-	-
O&M income	INR Million	-	-	-	50.9	79.2	83.2	87.3	91.7	96.3	101.1	106.1
Other Operating Income	INR Million	-	-	-	2.6	6.4	6.7	7.0	7.3	7.6	8.0	8.3
<b>Total Income</b>	<b>INR Million</b>	-	-	-	311.2	726.8	759.9	794.5	830.7	868.5	908.1	949.4
<b>Total Income from occupancy</b>	<b>INR Million</b>	-	-	-	311.2	726.8	759.9	794.5	830.7	868.5	908.1	949.4
<b>OPERATING COSTS</b>												
O&M cost	INR Million	-	-	-	(23.7)	(45.4)	(64.9)	(72.6)	(76.2)	(80.0)	(84.0)	(88.2)
Insurance Cost	INR Million	-	-	-	(1.2)	(1.7)	(1.7)	(1.8)	(1.8)	(1.9)	(1.9)	(2.0)
Property Taxes	INR Million	-	-	-	(21.3)	(29.1)	(29.9)	(30.8)	(31.7)	(32.7)	(33.7)	(34.7)
<b>Total Operating Costs</b>	<b>INR Million</b>	-	-	-	(46.2)	(76.1)	(96.6)	(105.2)	(109.8)	(114.6)	(119.6)	(124.9)
<b>Net operating Income</b>	<b>INR Million</b>	-	-	-	265.0	650.7	663.3	689.3	720.9	753.9	788.4	824.5
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	10,306.4	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(103.1)	-
<b>Total Net income</b>	<b>INR Million</b>	-	-	-	265.0	650.7	663.3	689.3	720.9	753.9	10,991.8	-
Property Mangement Fees	INR Million	-	-	-	(9.1)	(22.7)	(23.7)	(24.8)	(25.9)	(27.0)	(28.2)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	-	-	-	(5.2)	(12.8)	(13.4)	(14.0)	(14.6)	(15.3)	(16.0)	-
Brokerage Expenses	INR Million	-	-	-	(103.8)	-	-	-	-	-	-	-
<b>Net Cashflows- Post Construction</b>	<b>INR Million</b>	-	-	-	147.0	615.2	626.2	650.5	680.4	711.6	10,947.6	-
Construction Cost	INR Million	-	(297.1)	(1,166.5)	(1,017.9)	(114.4)	-	-	-	-	-	-
Approvals/Premiums	INR Million	(464.1)	(589.8)	(106.0)	-	-	-	-	-	-	-	-
<b>Net Cashflows During Construction</b>	<b>INR Million</b>	(464.1)	(1,412.9)	(1,501.4)	(230.5)	615.2	626.2	650.5	680.4	711.6	10,947.6	-

**Power Business:****Completed Buildings**

Profit & Loss Statement	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31	30-Sep-32	30-Sep-33	30-Sep-34	30-Sep-35	30-Sep-36	30-Sep-37	30-Sep-38	30-Sep-39	30-Sep-40	30-Sep-41	30-Sep-42
Revenue	144	167	173	180	187	194	202	211	220	229	239	250	261	273	286	301	316	327	338	356	375	96
EBITDA	8	-7	23	20	20	19	18	18	17	16	16	15	14	14	13	12	12	11	11	10	9	2

**Under Construction Buildings**

Profit & Loss Statement	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31	30-Sep-32	30-Sep-33	30-Sep-34	30-Sep-35	30-Sep-36	30-Sep-37	30-Sep-38	30-Sep-39	30-Sep-40	30-Sep-41	30-Sep-42
Revenue	155	179	186	193	200	208	217	226	235	245	256	268	280	293	307	322	338	350	363	382	402	103
EBITDA	8	-8	25	22	21	20	20	19	18	18	17	16	15	15	14	13	13	12	11	11	10	2


**Facilities Management Services****Completed**


Profit & Loss Statement	30-Sep-20	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
Revenue	-	1287	1351	1419	1490	1564	1642	1724	1811	1901	1996	1022
EBITDA	-	368	391	413	434	455	478	502	527	553	581	298

**Under - Construction**

Profit & Loss Statement	30-Sep-20	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
Revenue	-	47	80	136	183	200	217	232	244	257	270	138
EBITDA	-	11	20	35	47	54	60	65	69	73	76	39

**Annexure 7: Ready Reckoner Rate**


**Department of Registration & Stamps**  
 Government of Maharashtra

**नोंदणी व मुद्रांक विभाग**  
**महाराष्ट्र शासन**


**नोंदणी व मुद्रांक विभाग, महाराष्ट्र शासन**  
**बाजारमूल्य दर पत्रक**

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**Year**  
 20202021 ▼

**Annual Statement of Rates**

**Language**  
 English ▼

**Selected District** पुणे ▼  
**Select Taluka** हवेली ▼  
**Select Village** खराडी ▼  
**Search By** ☒ Survey No ☐ Location  
**Enter Survey No** 65

उपविभाग	खुली जमीन	निवासी सदनिका	ऑफिस	दुकाने	औद्योगिक	एकक (Rs./)	Attribute
55/669-उर्वरीत मालमत्ता	28010	64990	72510	81810	0	चौ. मीटर	सर्व्हे नंबर

**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.



3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third-party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose except set out herein.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: The Square, Nagar Road, Pune**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

## Disclaimer

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks REIT, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer.*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

The Square, Nagar Road, Pune			
Valuation Date:	30 September, 2020		
Valuation Purpose:	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014		
Location / Situation:	<p>The property The Square (hereinafter referred to as the Subject Property) is located at Viman Nagar, located within Secondary Business District East (SBD East) micro market which is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Magarpatta developers etc. The micro market is an eastern corridor of the city which is most one of the most preferred commercial and residential destinations of the city. It also houses prominent tenants such as Barclays, Mastercard, HSBC, etc.</p>		
Description:	<p>The Square is a Grade A, IT Park located in Viman Nagar, Pune. The Subject Property has two buildings IT building and Mall building. The Mall building is used as a commercial office space.</p> <p><b>Completed Buildings – Building IT and Mall</b></p> <p>The ready buildings collectively admeasure ~0.7 million sq. ft. of leasable area. The Mall building is located at the entrance of the Subject Property and IT building situated in backside of the mall building. There is one main entrance to the subject property from Nagar Road. IT building is also facilitated with separate gate which is accessible from the lane connecting Nagar Road.</p>		
	Total Area:	Total Plot Area: 10.1 <sup>1</sup> Acres Completed Leasable Area – 742,822 sq. ft.	
			
View of the Subject Property			
			
View of the Subject Property			
			
View of the Access Road.			
MARKET VALUE OF THE SUBJECT PROPERTY BASED ON			
Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 8,092 Million	India Rupees Eight Billion and Ninety-Two Million Only
This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.			



View of the Subject Property



View of the Subject Property



View of the Access Road.

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT Park christened “The Square” located at Nagar Road, Pune

**Report Date:** 03 November 2020

**Valuation Date:** 30 September 2020

## A REPORT

### 1 Instructions

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the “Valuer”), in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as incidental or ancillary activities including a facility management business and power distribution facility (together herein referred as “Subject Properties” across the report),. for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### 2 Professional Competency of The Valuer

Mr. Shubhendu Saha the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ

International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the Valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes.

In addition, other documents in relation to regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.

### **5 Basis of Valuation**

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes.



Accordingly, the valuation exercise has been carried out to estimate the “Market Value” of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020.

Market Value is defined as ‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’

## **6 Valuation Approach & Methodology**

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### **Market Approach**

In ‘**Market Approach**’, the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### **Income Approach**

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### **Income Approach - Direct Capitalization Method**

Direct capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

#### **Income Approach - Discounted Cash Flow Method**

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

#### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying

above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Properties, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation

## **8 Inspection**

The Property was inspected by the Valuer and his authorised representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents- except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, under the applicable law.

## 11 Authority

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in the paragraph 4 herein, then (a) with Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favour, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## 12 Reliant Parties

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and willful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect.

## 13 Limitation of Liability

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.
- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that the Manager, the sponsors, the trustee, the REIT, or other intermediaries appointed by the Manager and / or REIT or its SPVs be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Report, the Claim Parties will be entitled to require the Valuer to be a necessary party/respondent to such claim and he shall not object to his inclusion as a necessary party/ respondent. In all such cases, the Manager, on behalf of the REIT, agrees to reimburse/ refund to the Valuer, the actual cost (which shall include legal fees and external counsel's fee) incurred by him while becoming a necessary

party/respondent. If the Valuer does not cooperate to be named as a party/respondent to such claims in providing adequate/successful defense in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against him in this regard.

- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc.

#### **14 Disclosure and Publication**

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

#### **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B PUNE CITY REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1. Pune City Overview

Particulars	Pune City	CBD	*SBD East	PBD West	SBD West	PBD East
<b>Total Completed Stock Q3 2020 (Million Sq.ft.)</b>	54.6	4.3	30.0	12.6	5.9	1.9
<b>Current occupied stock Q3 2020 (Million Sq.ft.)</b>	51.7	4.2	28.9	11.0	5.6	1.9
<b>Current vacancy Q3 2020 (%)</b>	5.3%	1.8%	3.6%	12.0%	3.7%	0.8%
<b>Average annual absorption 2015 – Q3 2020 (Million Sq.ft.)</b>	3.7	0.2	2.1	0.7	0.6	0.1
<b>Future Supply – Q4 2020 – 2022 (Million sq. ft.)</b>	13.0	1.2	6.0	3.4	2.5	0.0
<b>Market rent – Q3 2020 (INR psf/month)</b>	87.5	100.1	100.5	53.6	91.6	64.6

Source: Cushman & Wakefield Research

Note: CBD stands for Central Business District, SBD stands for Secondary Business District and PBD stands for Peripheral Business District. \*Mindspace REIT's micro markets.

Pune is the second most populous city in Maharashtra and is located at a distance of ~150 kms from Mumbai. Pune houses multiple important educational institutions which attract talent from across the country and provides a young cosmopolitan workforce. Presence of strong infrastructure and availability of skilled manpower has made Pune an attractive destination for major domestic and multinational companies. Pune is a hub for the technology sector housing companies such as Wipro, Infosys, Cognizant and Tata Consulting Services. The city is also an established industrial, defense and automobile hub housing companies like Mahindra and Mahindra, TATA Motors, Bajaj, JCB, Hyundai, Volkswagen, Mercedes Benz, Fiat, Forbes Marshall and GE India.

Note: Commercial office demand can be broadly divided into IT/ITES (Information Technology / Information Technology Enabled Services) & Commercial offices (Non-IT). IT/ITES would broadly qualify as those tenants whose nature of activity is Technology or Technology related. This would majorly comprise of technology companies, operations for Banking, Financial Services & Insurance (BFSI) companies etc. whereas those tenants whose activities do not qualify as technology would fall in the category of corporate office / commercial office.

The key drivers of demand for office space in Pune are as follows:

- **Good Quality Offices:** Pune houses many Grade-A office spaces and SEZs (16 operational SEZs<sup>1</sup> which account for 22.3 msf of office stock) which provide large floor plates, international grade structures and amenities attracting major technology companies such as IBM and Cognizant as well as financial companies such as Credit Suisse, Barclays and Citi Corp Service India Limited.
- **Educated and skilled workforce:** High literacy rate of 89.56% (Per Census of India, 2011) and various renowned institutes (800+ colleges<sup>2</sup>) such as College of Engineering Pune, Pune University and National Institute of Construction Management and Research provide companies with the requisite talent pool. (12,000+ engineering graduates every year<sup>3</sup>)
- **Well-developed social infrastructure:** There are many high streets (FC Road, JM Road and North Main Road), operational malls (Phoenix Marketcity, Amanora Town Center, Seasons Malls etc.), hotels (JW Marriott, Hyatt Regency, Lemon Tree Premier etc.) and hospitals (Jehangir Hospital, Aditya Birla Memorial Hospital, Deenanath Mangeshkar Hospital etc.) in the city which provide a good network of social infrastructure.
- **Existing and Upcoming infrastructure:** Pune is well-connected by rail, roads (Mumbai – Pune Expressway and Mumbai – Bengaluru Highway) and air (Pune International Airport) to major Indian cities. There are many upcoming infrastructure initiatives such as High Capacity Mass Transit Route, six-lane Ring Road, Metro Lines (which are currently under-construction), bus rapid transit (operational) and the new international airport (under planning stage) which are expected to further enhance the connectivity.

These new infrastructure initiatives will provide the commuter with ease of travelling to various commercial nodes and reduce the traffic congestion on the roads as well.

<sup>1</sup>Source: <http://sezindia.nic.in/>; List of Operational SEZ as on 30.09.2020

<sup>2</sup>Source: <https://punesmartcity.in/explore-pune>

<sup>3</sup>Source: Zinnov Management Consulting study of 2011/12



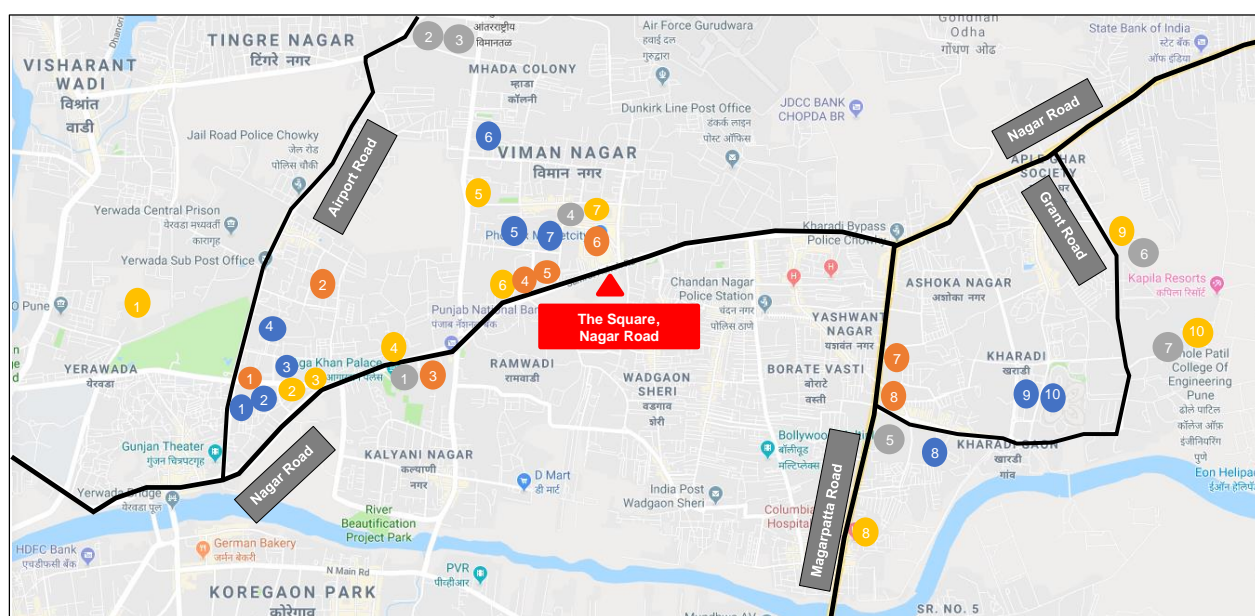
## 2. Secondary Business District – East (SBD East)

### 2.1. Overview

Secondary Business District – East (SBD East) of Pune is eastern corridor of the city located adjacent to the Central Business District. SBD East is one of the best performing micro-market of the city. Nagar Road which is also known as Pune Ahmednagar highway, Magarpatta road and Solapur Highway are the main arterial roads of the city which runs through this micro-market. Nagar Road is one of the developed roads in terms of social infrastructure. Hotels like Hyatt Regency, Novotel & Hyatt Pune and Phoenix Marketcity Mall are located on this road. The other arterial road known as Magarpatta Road has developments like Amanora Town Center & Seasons Malls and hotels like Radisson Blu and Fairfield Marriott.

Locations like Viman Nagar, Yerwada, Hadapsar and Kharadi are commercial and residential clusters which are accessible mainly by Nagar Road. Residential development such as Sky belvedere, Rohan Mithila, Gera Song of Joy, Marvel Zephyr, Panchshil Towers, etc are present in these locations. The renowned townships of Magarpatta and Amanora are accessible by Magarpatta road and Solapur road which are located in Hadapsar.

Presence of strong social and physical infrastructure, upcoming and proposed infrastructure projects, residential development for different segments, good connectivity and proximity to International Airport led SBD East to emerge as a preferred commercial destination by major multinational and national companies. This micro-market is sought after location by national and local developers for development of modern high-quality office spaces. Some prominent commercial developments such as Commerzone, Business Bay, Eon Free Zone etc. are present in the micro-market which houses companies like Barclays, Eaton, Tieto, Credit Suisse, Zensar Technologies, Allstate etc.



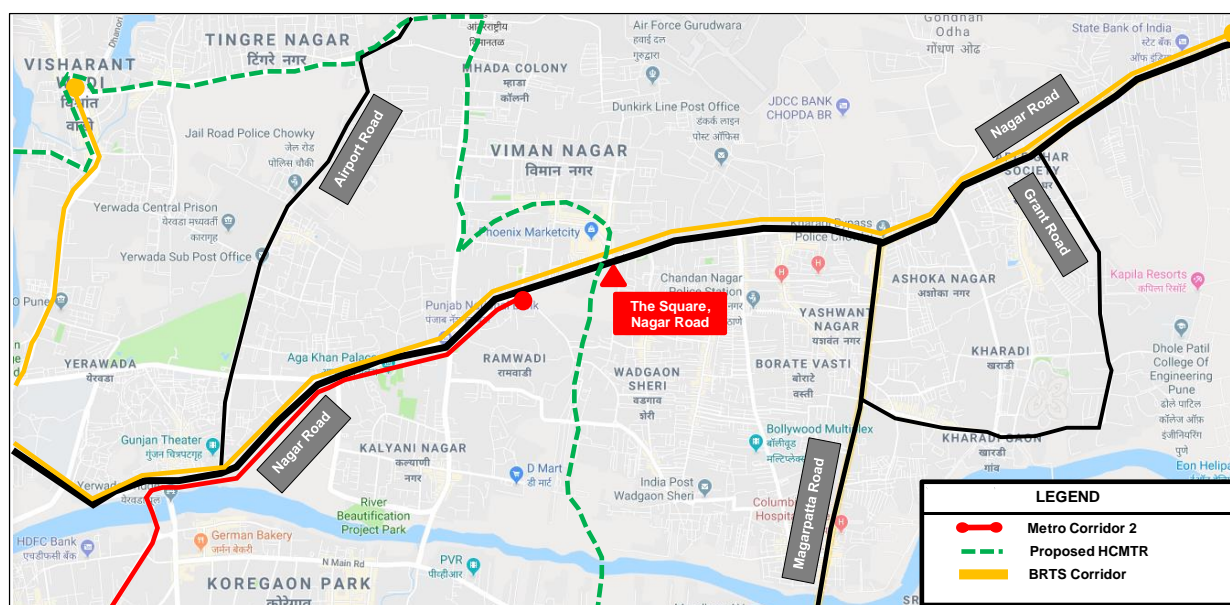
(Map not to Scale)

● Key Commercial Developments ● Social Infrastructure ● Lifestyle Infrastructure ● Proposed Commercial Developments



Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Developments
1. Business Bay	1. VIBGYOR High School	1. Ritz Carlton	1. Shanti One
2. Mutha Towers	2. Don Bosco High School	2. Creaticity Mall	2. The Corporate Park
3. Tech Park One	3. Lunkad Hospital	3. Hyatt Place	3. The Corporate Park – B
4. Binarius	4. Ebdoscopic Sinusitic Treatment Centre	4. Novotel	4. Panchshil Business Park
5. Bajaj House	5. Symbiosis University	5. Hyatt Regency	5. Tech Point
6. Lunkad Sky Vista	6. Hi Line Hospital	6. Phoenix Market City Mall	6. Ascendas - ITP Phase I
7. Marvel Edge	7. International Institute of Hotel Management	7. Radisson Blu	7. Gera Commerzone G1
8. Zensar Technologies	8. Columbia Asia Hospital	8. Fairfield Marriott	
9. World Trade Centre	9. Phoenix World School		
10. Eon Free Zone	10. Dhole Patil College of Engineering		

## 2.2. Existing and Upcoming Infrastructure



(Map not to scale)

An active BRTS (Bus Rapid Transit System) service with dedicated lane is functional along Nagar road, which connects central Pune locations to outskirts locations such as Wagholi through Viman Nagar and Yerwada. Also, Pune International Airport is located in SBD East micro-market.

The 2nd corridor of Pune metro line (Phase 1) has been proposed from Vanaz to Ramwadi and proposed HCMTR passes through this micro-market. This proposed metro line and HCMTR would further improve the connectivity with SBD (Secondary Business District) East micro market.

### 2.3. Key Statistics

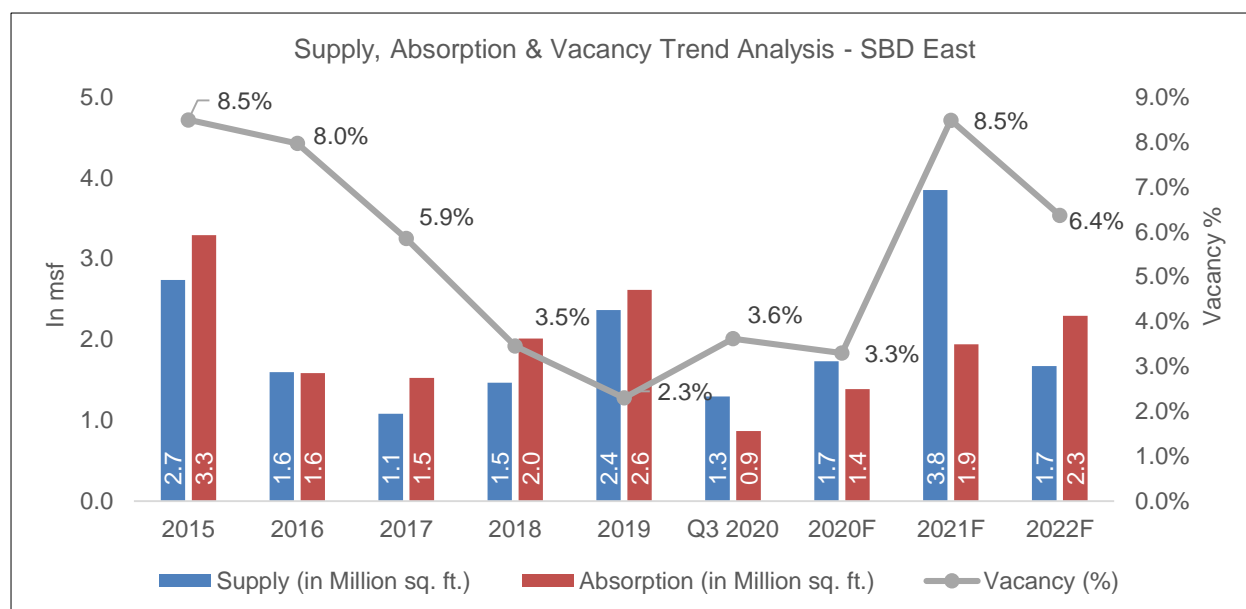
Particulars	Details
<b>Total completed stock (Q3 2020)</b>	Approximately 30.0 msf
<b>Current occupied stock (Q3 2020)</b>	Approximately 28.9 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 3.6%
<b>Average Absorption (2015 – Q3 2020)</b>	Approximately 2.1 msf
<b>Future Supply (Q2 2020 – 2022)</b>	Q4 2020: Approximately 0.4 msf 2021F: Approximately 3.8 msf 2022F: Approximately 1.7 msf

Source: Cushman & Wakefield Research

### 2.4. Supply, Absorption & Vacancy

SBD East has a good presence of grade A buildings coupled with strong connectivity and well-developed social infrastructure. This micro market has witnessed continuous demand from various sectors. Vacancy in SBD East micro-market has declined significantly from 8.5% in 2015 to 3.6% in Q3 2020 due to absorption outstripping supply. The total grade A stock of office space in the SBD East micro-market is approximately 30.0 msf as of Q3 2020. The absorption as of Q3 2020 for SBD East is 0.9 msf, whereas the supply being 1.3 msf. The current vacancy level is 3.6% in the micro-market.

The following graph represents supply, absorption and vacancy trends in SBD East micro-market (2015-2022F).



Source: Cushman & Wakefield Research

Note: Future supply estimates are based on analysis of under construction projects considering their physical progress, available information on their approvals and interactions held with various stake holders, future absorption estimates are derived basis past trend, current vacancy an estimated supply. Vacancy estimates are based on supply and absorption trend.

Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building.

Note: Future supply in Q4 2020 is approximately 0.4 msf out of which 44.0% is pre-committed (0.19 msf). In the year 2021 the future supply in SBD East is approximately 3.8 msf and 1.7 msf in the year 2022.

SBD East houses approximately 55% of total stock of grade A offices in the city, making it the biggest micro-market of Pune for commercial office spaces. It is home to most of the landmark commercial projects in the city. Approximately, 35% of total stock in the micro-market was completed from 2015 till Q3 2020. Prominent buildings in the micro-market such as Commerzone Yerwada (Building B8), Eon Free Zone (Building E) and Nyati Unitree were completed in 2015.

SBD East hosts the first SEZ commercial space Eon Free Zone in the city, integrated IT township Magarpatta and major IT/Business parks of the city. Such projects pioneered the overall development of this micro-market. These projects attracted demand majorly from BFSI, Technology and Professional Services industries. Companies like Barclays, Mastercard, HSBC, Amdocs, Intel, Accenture, ADP etc. are operational in this micro-market. SBD East has witnessed demand followed by supply. Developers of commercial office spaces considered the requirement of the tenants such as buildings with good quality modern amenities, large floor plates and good aesthetics for their projects. Thus, under-construction buildings attracted pre-commitments for significant area of the building, reducing the vacancy levels.

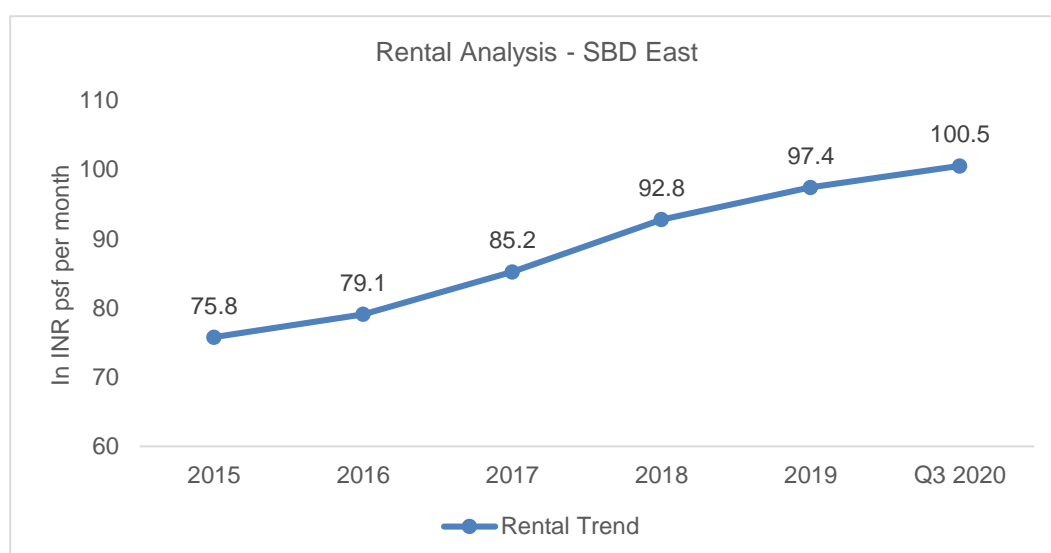
Going forward, major projects are planned in the micro market by established developers. The under-construction projects which are expected to be completed by the end of year 2020 are witnessing approximately 44% of pre-commitments. Supply of approximately 3.8 million sq. ft. and 1.7 million sq. ft. is expected in next two years respectively. Due to COVID-19 and the challenges faced by the

commercial real estate sector, the under-construction projects are expected to be delayed resulting in decrease in vacancy level to 3.3% in 2020. Further, due to delayed completion of under-construction projects and staggered revival of growth in demand, vacancy is expected to increase to 8.5% in 2021 and maintain vacancy level of 6.4% by 2022.

## 2.5. Rental Trend Analysis

Commercial rental values in SBD East are in the range of INR 70 to INR 125 psf/ month on leasable area. The rental range variance in this micro market is due to presence of international grade properties with modern facilities which constitutes large IT/Business Parks and individual commercial buildings with smaller floor plates. Owing to the presence of strong social and physical infrastructure, availability of good quality office space and low vacancy levels with good demand-supply dynamics; this micro-market has witnessed a consistent rental escalation for past few years. Rents in SBD East have appreciated by CAGR of 5.0% since 2015. Due to the current pandemic situation, the real estate sector has also faced challenges and hence have been impacted. It is expected, the rental in the micro market to be stagnant and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 12 months. However, we expect the rentals to grow in the future due to healthy demand and development of good quality office spaces.

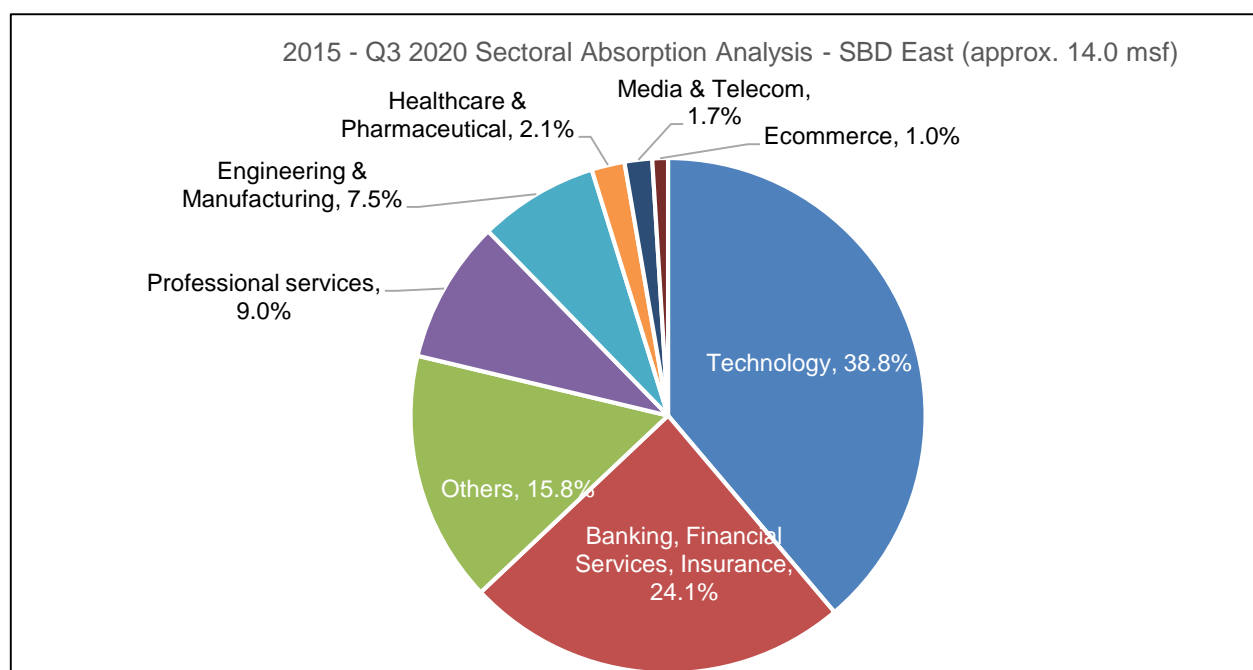
The following graph depicts the rental trend analysis of SBD East micro-market (2015 – Q3 2020):



Source: Cushman and Wakefield Research, 2020

Note: The rentals are basis prevailing quote in the micro market. Actual achievable rent may vary +/-10% depending upon negotiations, final structuring of the lease agreement and other parameters. In case of pre-commitments the achievable rent may vary beyond +/-10% depending upon negotiations.

## 2.6. Sector Demand Analysis



Source: Cushman & Wakefield Research;

Note: Others include Others include Flexible Workspaces, Logistics and Shipping, Oil and Gas, Research & Analysis, Automobile, Food & Beverage, Hospitality, Real Estate & Related Services and Education.

Note: The sectoral absorption analysis is based on gross absorption activity of the city i.e. including any relocations, consolidations etc. Total gross absorption from 2015 till Q3 2020 amounts to 14.0 msf of area

SBD East micro market has witnessed a higher demand from Technology and BFSI sector, because of availability of larger floor plate, good connectivity and competitive rent. Technology and BFSI sectors contribute approximately 38.8% and 24.1% to the leasing activity in this micro market during 2015 to Q3 2020 of time period. Further, it is pertinent to note that Professional Services and Engineering & Manufacturing are emerging sectors which have a share of approximately 9% and 7.5% in the leasing activity during 2015 to Q3 2020 of time period.

## 2.7. Market Outlook

According to the market assessment report of Cushman & Wakefield current market rentals in the SBD East micro market are in the range of INR 70 psf/ month to INR 125 psf / month. Further over 2015 – Q3 2020 the rentals in SBD East micro market grew at a CAGR of 5.0%.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruption impacting the economic activity. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to

remain intact and therefore our valuation assumptions reflect our long term expectation while taking into account any short term impacts.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the markets commercial real estate markets are likely to attain its long term growth trajectory with 5% growth in market rents appearing achievable then.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	The Square, Ahmednagar Road, Village Wadgaon Sheri, Taluka Haveli, District Pune- 411014
Ownership & title details:	Underlying land is freehold; the buildings thereupon are owned by the Mindspace REIT

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possess a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & Co. (hereinafter collectively referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsel and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material Litigation

Based on discussions with the Client and Title Reports shared, there are no material litigation including tax disputes other than the litigation disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

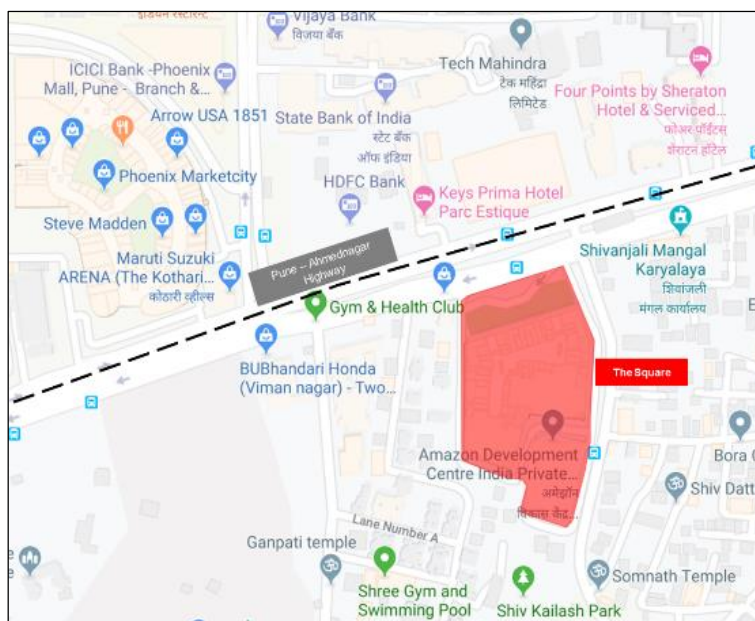
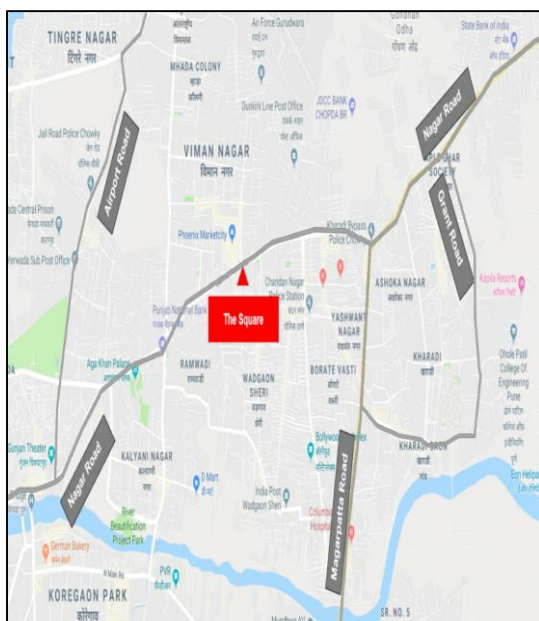
## 2 Location

### 2.1 General

The Square comprise of 2 buildings IT and Mall building (hereinafter referred to as the Subject Property). The property The Square, Nagar Road is located at Viman Nagar and accessible from 30 m wide Nagar Road. Subject Property is located within Secondary Business District East (SBD East) micro market which is home to a number of IT and SEZ establishments. The micro market has presence of established buildings by prominent developers like K Raheja Corp, Panchshil Realty, Magarpatta developers etc. The micro market is an eastern corridor of the city which is most one of the most preferred commercial and residential destinations of the city. It also houses prominent tenants such as Barclays, Mastercard, HSBC, etc.



The location map of the Subject Property is set out below:



(Map not to Scale)

The subject property is spread out over ~10.1 acres of land parcel. Located on the Nagar Road, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land. Further, basis our perusal of the site map provided by the client, we noted that the land plot is slightly irregular in shape.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 1 kms from Viman Nagar Chowk
- Approximately 4-5 kms from International Airport Pune
- Approximately 7-8 kms from Pune Railway Station

The property photographs of the Subject Property are attached in Annexure 1.

The Subject Property is well accessible from Nagar Road which is major arterial road of the city. Upcoming infrastructures like Metro Rail, HCMTR and BRTS are improve the connectivity of the subject property with other parts of the city.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## 2.4 Environmental Considerations

We have not carried out any investigations or tests or been supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Pune where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The Subject Property is located at relatively higher elevation compared to its immediate surroundings, indicating low risk of flooding and perennial water logging.

## 2.5 Town Planning and Statutory Considerations

We have not made formal search but have generally relied on readily available information to general public. Our Report is on current use/ current state basis of the property and we have not considered any Government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

## 3 Subject Property - Asset Description

The Square, Nagar Road is a Grade A, IT Park located in Viman Nagar, Pune. The Subject Property has two buildings IT building and Mall building. The Mall building is used as a commercial office space.

### Completed Buildings – Building IT and Mall

The ready buildings collectively admeasure ~0.7 million sq. ft. of leasable area. The Mall building is located at the entrance of the Subject Property and IT building situated in backside of the mall building. There is one main entrance to the subject property from Nagar Road. IT building is also facilitated with separate gate which is accessible from the lane connecting Nagar Road.

The building wise leasable area break up for the Subject Property is mentioned in the table below:

Particulars	Leasable Area (sq. ft.)	Usage type	Status
IT Building	187,020	Non-SEZ	Completed
Mall Building	555,802	Non-SEZ	Completed

*Source: Architect's Certificate, Rent Rolls, Lease Deeds/Leave and License Agreements*

### 3.1 Key Asset Information

#### Completed Buildings

Particulars	Details
Entity:	The Square
Interest owned by Mindspace REIT (%):	Subject Property is wholly owned by Mindspace Business Parks Private Limited which is 100% owned and controlled by the Mindspace REIT <sup>1</sup>
Age of building based on the date of occupancy certificate:	IT Building - 3 years and 11 months Mall Building - 2 years and 11 months
Asset type:	IT Park with 2 Non-SEZ building
Sub-market:	Secondary Business District East (SBD East)
Approved and existing usage:	Commercial Office/IT Office Space
Site Area (acres):	~10.1
Freehold/Leasehold:	The underlying land is taken on freehold basis
Leasable Area <sup>2</sup> :	0.7 million sq. ft.
Occupied Area:	0.7 million sq. ft.
Occupancy (%) <sup>3</sup>	95.6%
Committed Occupancy (%) <sup>4</sup>	n.a.
Number of Tenants	4

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1
2. Of the total leasable area of 0.7 million sq. ft, the Client has obtained occupation certificate for leasable area admeasuring 0.7 million sq. ft.
3. Occupancy refers to proportion of area leased which is actively occupied by the tenants
4. Committed occupancy also includes area which has been pre-leased to tenants.

The underlying land of the Subject Property is freehold in nature.

### 3.2 Property Inspection

The Subject Property was visually inspected by the valuer and his authorised representatives. The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair or ill maintenance within the operational buildings. The utility areas also appeared well maintained, visually. No instances of any major logging or water accumulation was observed during the inspections. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure are based completely on visual survey.

According to information received from the Client, INR 30 Million capital expenditure is planned towards refurbishment of space in the subject property previously used for operation of multiplex to commercial office space. This refurbishment is expected to be completed by 30 September 2021.

### 3.3 Investigation and nature and source of information

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Sources of information:

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties forming part of the portfolio of the Mindspace REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Lease agreements and commercial clauses thereof for top tenants on a sample basis
- d. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- e. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

### 3.4 Tenant Profile

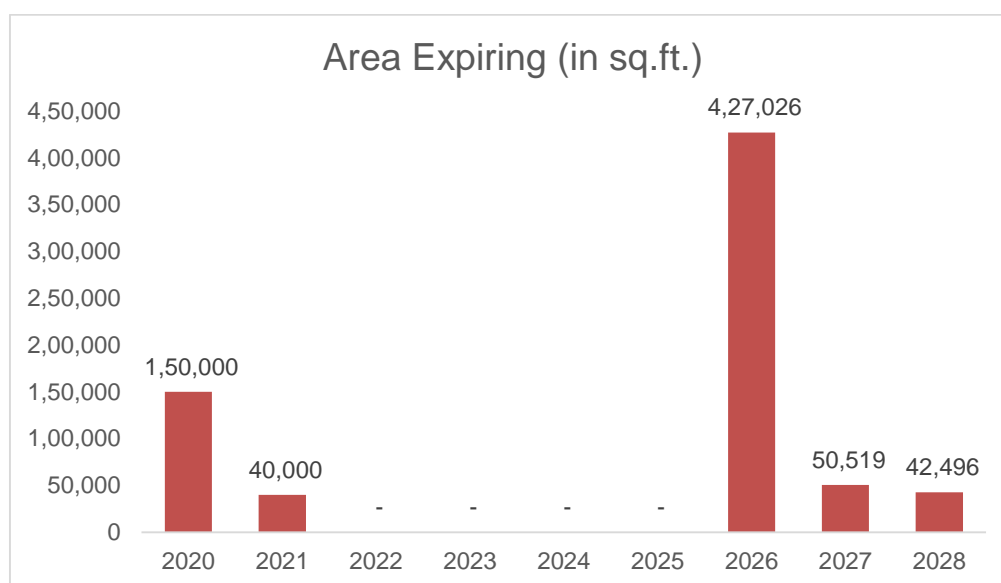
As of 30 September 2020, Subject Property has 4 tenants (for office space and multiplex area) which include companies like Barclays, Fiserv and Amazon

Rank	Top Tenants according to Leasable Area	Leasable Area (sq. ft.)
1	Fiserv	3,33,021
2	Barclays	1,50,000
3	Amazon	1,87,020
4	BP Business Solutions	40,000
	<b>Total</b>	<b>710,041</b>

Rank	Top Tenants according to Gross Rentals	Percentage of Gross Rentals
1	Fiserv	38%
2	Barclays	32%
3	Amazon	21%
4	BP Business Solutions	9%
	<b>Total</b>	<b>100%</b>

### 3.5 Lease Expiry Profile

The WALE of the property is 4.47 years, with approximately 30% of occupied area expiring between CY 2020 and CY (Calendar Year) 2025 as shown in the chart below.



## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, demand for spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or micro-markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset. As part of the rent roll review, major tenancy agreements belonging to top tenants were reviewed on a sample basis.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-Market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner:

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the asset over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where

the asset is located) and achievable market rent (The Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).

2. Rent roll and sample of lease deeds of large anchor-tenants were analysed to assess if any adjustments to marginal rent are required for individual leases. For other leases, it has been assumed that they would revert to marginal rents of the subject property following the expiry of the lease, factoring appropriate re-leasing time.

#### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value)



3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.
4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30th September 2020:

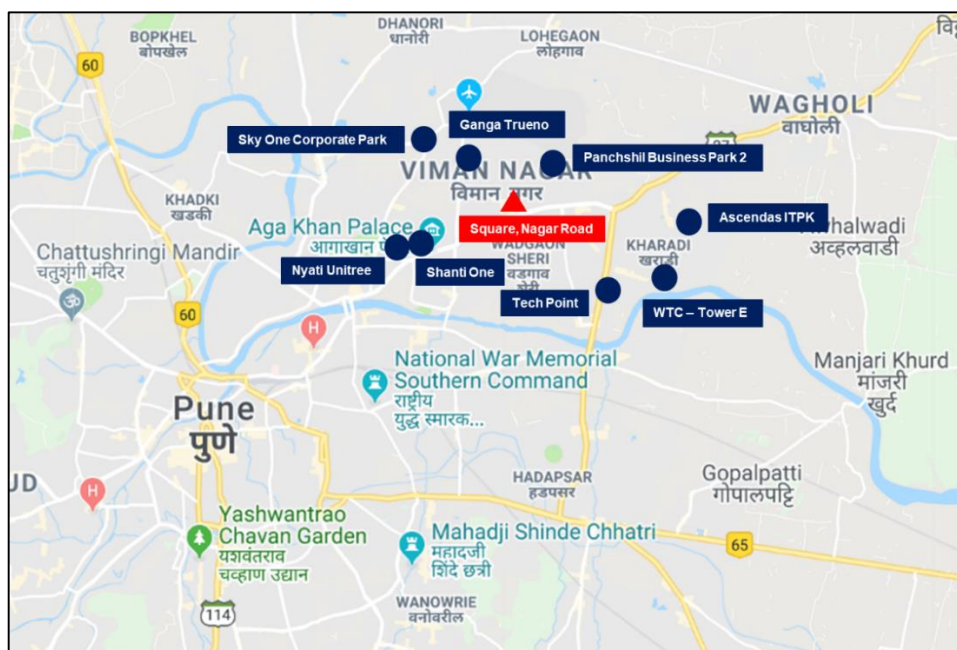
Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Completed Building

Property Details	Unit	Details
Total Property Leasable Area	sq. ft.	7,42,822
Area Leased	sq. ft.	7,10,041
Leased	%	95.59%
Vacancy	%	4.4%
Stabilized Vacancy	%	2.0%
Further leasing	sq. ft.	17,925
Existing Lease rollovers	%	100.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Total 4W parking slots	Number	846
4W Slots leased	Number	40

- Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases. Amidst temporarily suppressed demand due to current economic slowdown, we expect the tenants being offered an additional 1 month of rent-free period for all the existing lease rollovers happening within the upcoming 12 months (from 01 October 2020) in order to retain and support them.
- Future absorption:** Since the subject property is 95.59% leased and the vacancy is well above the stabilized vacancy of 2%. We have considered additional 6 months delay in leasing for the vacant spaces and 2-months delay in leasing of the fresh spaces arising out of expiry of any leases until Dec-21, due to temporarily suppressed demand. However, area under refurbishment will be leased by 1 Oct-2021 after refurbishment is completed and area of 150,000 sq. ft. is scheduled to be vacant by 31st Oct-2020 and considering current situation of market as well as quantum of area we have assumed 9 months of delay for releasing.

- **Subject Property and Relevant Existing/Upcoming Supply**



### Revenue Assumptions

Revenue Assumptions	Unit	Details
Market Rent - Office	Per sq. ft./month	INR 78.00
Market 4 W Parking Rent	Per slot/month	INR 2,000
Other Operating income	% of lease rental	1.00%
Market Rent growth rate	% p.a.	5.00%
Parking income growth rate	% p.a.	5.00%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	1 years of lease tenure
Market escalation at end of escalation period	%	4.5%
CAM/O&M Income prevailing in the market	Per sq. ft./month	INR 18.17

- **Market rent - office:** In the year 2019 and Q3 2020, approximately 3.5 million sq. ft. was absorbed in the rental range of INR 70-125 per sq. ft. per month. A snapshot of the select lease transactions in year 2019 and Q3 2020 are set out below:

Tenant	Year	Area Leased (sq. ft.)	Rent (INR psf/month)
Simpliworks	2020	216,000	85 - 90
Vertive	2020	33,000	85 - 90
Ubisoft	2020	29,000	75 - 80
Hyundai	2020	5,144	85 - 90
Adler Mediequip Pvt Ltd	2020	28,296	95 - 100
Vanderlande	2020	28,612	85 - 90
Table Space	2020	57,000	90 - 95
Smartworks	2019	1,30,000	80 - 85
Onward Technologies	2019	1,25,000	70 - 75
Red Hat India Pvt Ltd	2019	44,300	80 - 85
Deskera	2019	44,000	70 - 75
Inox Air Products	2019	44,000	70 - 75
L&T	2019	35,713	90 - 95
Schlumberger	2019	33,400	70 - 75
Northern Operating Services Private Limited	2019	30,000	75 - 80
IGT Solutions Pvt Ltd	2019	27,771	70 - 75
BNY Mellon	2019	27,000	70 - 75

Considering the above, market rent for office space has been considered in line with the achievable market rent for completed buildings at INR 78 psf / month.

- **Market rent growth rate:** Over 2015 – Q3 2020 is rentals in SBD East grew at a CAGR of 5.0%. Going forward, we have assumed annual growth in market rentals at 5.0%. However, due to covid-19 and current market condition we have not assumed any rental escalation for next 18 months and there after considered growth of 5% (i.e. from April 2022 onwards) considered annual rental growth rate of 5% for the Subject Property.
- **Market rent - 4W parking:** Rent for car parks are assumed at INR 2,000 per slot per month in line with the current rentals for paid car parks in SBD East.
- **Other income:** Analysis of the historical trend of other income suggest a normalised level of other income can be achieved in the future. Accordingly, we have considered other income at 1% of lease rental and an annual inflation of 5%. Other income includes components from Events, Kiosks, Telecom Towers and Car Parks.
- **Efficiency revision:** Analysis of the recent re-leases suggest that the client has leased the same area at lower efficiency and receive higher rentals for the same carpet area. Going forward, for leases which will expiry during the next 10 years, we have considered efficiency at 76% or actual, whichever is lower.

**Cost Assumptions**

Cost Assumptions	Unit	Details
<b>Brokerage cost (New Lease)</b>		2 Month Rent
<b>Brokerage cost (Renewal/Release)</b>		1 Month Rent
<b>CAM Margin for 1st Year</b>	Per sq. ft./month	INR 2.60
<b>CAM Margin for 2nd Year</b>	Per sq. ft./month	INR 2.50
<b>Normalized CAM Margin</b>	Per sq. ft./month	INR 2.10
<b>Current CAM/ O&amp;M cost</b>	Per sq. ft./month	INR 15.45
<b>Property Tax</b>	Per sq. ft./month	INR 3.52
<b>Insurance</b>	Per sq. ft./month	INR 0.22
<b>Cost escalation</b>	% p.a.	3%
<b>CAM cost escalation</b>	% p.a.	5%
<b>Transaction cost on sale</b>	% of Terminal Value	1.0%
<b>Other Operating Expenses</b>	% of Lease Rentals	2.0%
<b>Property Management Fees</b>	% of Lease Rentals, fit out Income, Parking Income & Other Operating Income	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, we brokerage expenses amounting to two months for new leases and one month for existing lease rollovers.
- **CAM Cost:** Current CAM cost has been projected considering the level of CAM cost incurred in the year ending 31 March 2020 and projected to increase at 5% per annum.
- **CAM margin:** CAM margin being earned by the Subject Property has been normalised from the current levels to INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year) and thereafter escalated at the assumed inflation rate. The escalation is effective 1<sup>st</sup> April of every year.
- **Property tax and insurance cost** have been considered at the same level as financial year ended 31 March 2020 and projected to increase at 3% per annum.
- **Other operating expenses** and have been assumed at 2% of the lease rentals. The other expenses account for minor repairs and maintenance to buildings, legal and professional fees, rates and taxes and other such expenses
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, fitout income & other operating income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Capitalisation and Discount rate assumptions**

- Capitalization Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8.0% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (sq. ft.)	Deal Size (INR mn)	Capitalization Rate
Tishman Speyer - GIC	Shapoorji Pallongji - Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	2,300,000	1900	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	700,000	25000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	1,250,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	1,880,000	9000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	2,700,000	24000	7.75%-8%

*Note: The above information is based on information published in public domain and discussions with various market players.*

- **Discount rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows

Component	Market Value as on	In Figures (INR Mn)	In Words
Completed Buildings	30-Sep-20	INR 8,092 Million	India Rupees Eight Billion and Ninety-Two Million Only

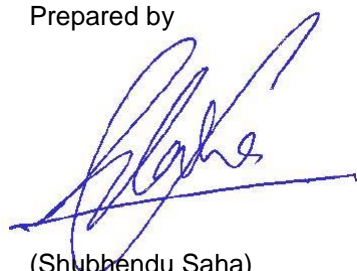
### Ready reckoner rate

Component	Rate
Built up Area	INR 101,780 per sq. m.
Land Area	INR 26,920 per sq. m.

I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

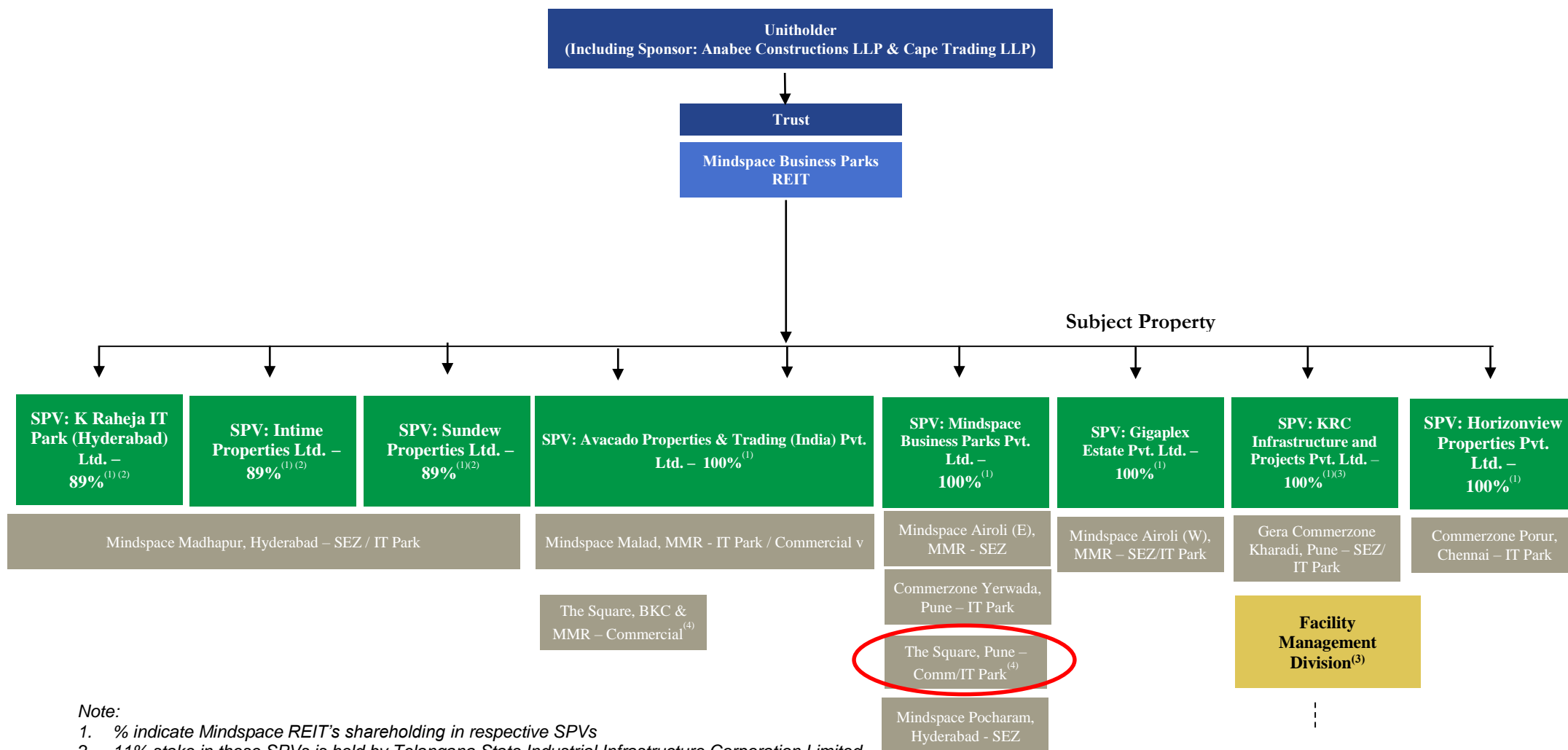
- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

Prepared by

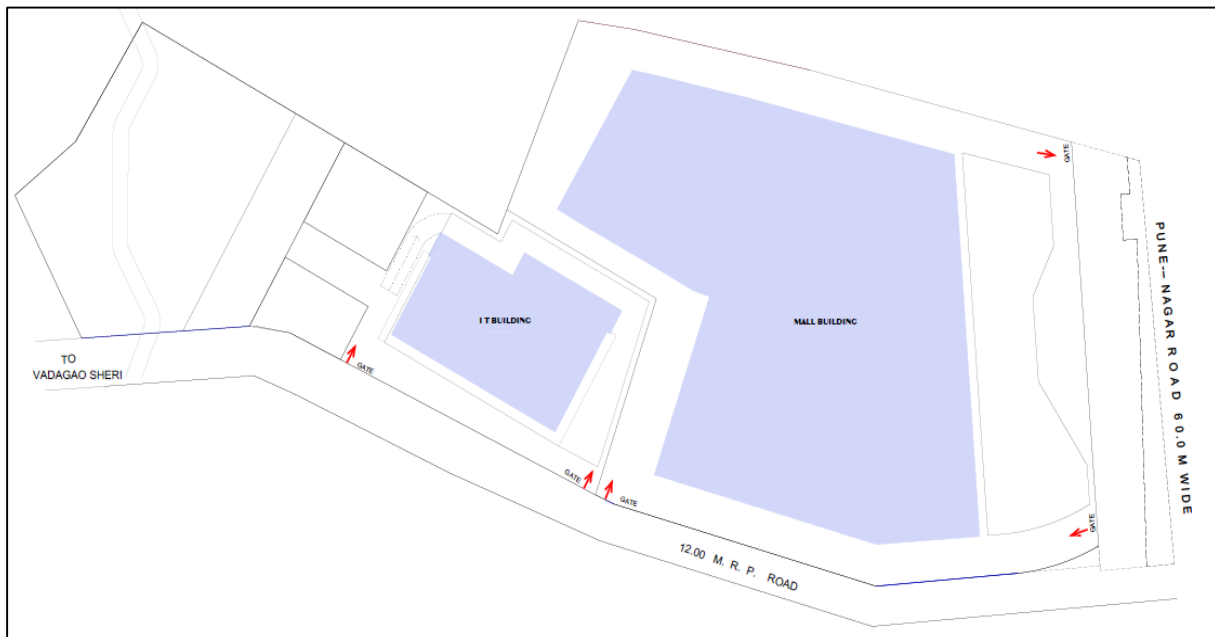


(Shubhendu Saha)  
IBBI/RV/05/2019/11552



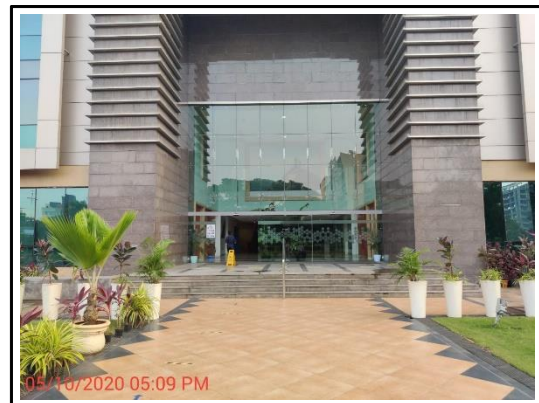
**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

**Annexure 2: Site Layout**

**Annexure 3: Property Photographs**

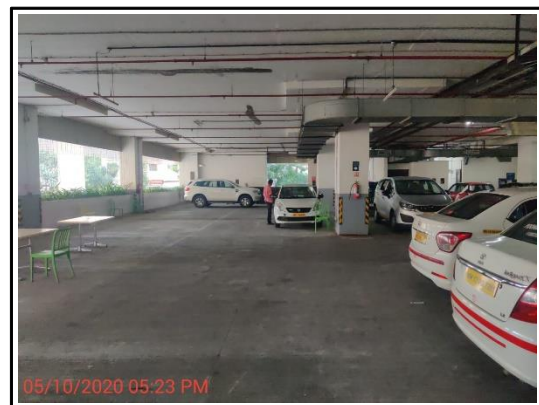
View of the Subject Property - Mall Building



View of the Subject Property - Mall Building



View of the IT Building



View of the Parking Area



View of the Chiller Plant



View of the Access Road

**Annexure 4: Statement of Key Assets**

Complex	Name	The Square	
Building	No. / Name	IT	Mall
Floor	Nos	B1+G+6F	B1+2P+4F
No of DG / Capacity	No. / KVA	2/1250 KVA	4/1500 KVA
No of Transformers / Capacity	KVA	2/1250 KVA	4/2000 KVA
Chiller Rating	TR	3350 TR-01 Number WC. 180 TR-01 Number WC. 200 TR-01 Number AC	450 TR -04 Numbers WC. 350 TR -01 Number WC
Cooling Tower	TR	02/450/Flowtech	01/450/Advance 01/950/Advance
FF Systems (Pumps) & Engine		Hyd PP - 01/75/Bharat Bijlee, Hyd Jockey - 01/7.5/Willo Sprinkler PP - 01/75/Bharat Bijlee, Sprinkler Jockey - 01/7.5/Willo DD PP - 01/100/Greaves Cotton	Hyd PP - 01/100/Crompton, Hyd Jockey - 01/20/Crompton Sprinkler PP - 01/100/Crompton, Sprinkler Jockey - 01/20/Crompton DD PP - 01/100/Greaves Cotton
Water Pumping System (Domestic & Flushing)		DWS PP - 03/04/DP Pumps, FWS PP - 03/7.5/DP Pumps	DWS PP - 03/7.5/Durjvelaar Pomper DP Holland FWS PP - 04/7.5/Kirloskar Brothers
STP Rating	KLD	380KLD	
Warm Shell / Bare shell		Warm shell	Warm shell

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending


**Approvals Received**

- a) Approved masterplans
- b) Commencement Certificate
- c) Consent to Operate (Applied for IT Building, and renewal for Mall Building)
- d) Occupancy Certificates for all operational buildings (Revised OC for Mall Building to be obtained post conversion)
- e) Height Clearance NOC from AAI
- f) Fire NOC for all buildings valid
- g) Environmental Clearances
- h) Lift License for IT & Mall Building
- i) Consent to Establishment
- j) Share Transfer Application – DOI (Applied)

**Annexure 6: Cash Flow Profile - Completed Buildings (IT & Mall)**

Particulars	Unit	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-29	30-Sep-30	30-Sep-31
<b>OPERATING INCOME</b>												
Lease Rentals	INR Million	422.1	591.2	622.9	647.4	680.8	660.6	850.5	893.9	946.3	959.2	1,060.1
Parking Income	INR Million	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.4	1.5	1.5
O&M income	INR Million	169.9	176.6	184.6	193.8	203.5	213.7	224.4	235.6	247.4	259.8	272.7
Other Operating Income	INR Million	4.2	5.9	6.2	6.5	6.8	6.6	8.5	8.9	9.5	9.6	10.6
Total Income	INR Million	597.4	774.9	814.9	848.9	892.3	882.1	1,084.7	1,139.8	1,204.5	1,230.0	1,345.0
Total Income from occupanc	INR Million	597.4	774.9	814.9	848.9	892.3	882.1	1,084.7	1,139.8	1,204.5	1,230.0	1,345.0
<b>OPERATING COSTS</b>												
O&M cost	INR Million	(148.3)	(155.7)	(163.5)	(171.6)	(180.2)	(189.2)	(198.7)	(208.6)	(219.0)	(230.0)	(241.5)
Insurance Cost	INR Million	(2.0)	(2.1)	(2.2)	(2.2)	(2.3)	(2.4)	(2.4)	(2.5)	(2.6)	(2.7)	(2.7)
Property Taxes	INR Million	(32.8)	(33.8)	(34.8)	(35.8)	(36.9)	(38.0)	(39.2)	(40.3)	(41.6)	(42.8)	(44.1)
Total Operating Costs	INR Million	(183.1)	(191.5)	(200.4)	(209.7)	(219.4)	(229.6)	(240.3)	(251.5)	(263.2)	(275.4)	(288.3)
Net operating Income	INR Million	414.3	583.4	614.5	639.2	672.9	652.5	844.4	888.3	941.4	954.6	1,056.7
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	13,209.0	-
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(132.1)	-
Fit Out Income	INR Million	11.2	22.8	22.8	22.8	22.8	22.8	22.8	17.1	-	-	-
Total Net income	INR Million	425.6	606.2	637.3	662.0	695.7	675.3	867.2	905.4	941.4	14,031.5	-
Property Mangement Fees	INR Million	(15.4)	(21.7)	(22.9)	(23.7)	(24.9)	(24.2)	(30.9)	(32.2)	(33.5)	(34.0)	-
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(8.5)	(11.8)	(12.5)	(13.0)	(13.6)	(13.2)	(17.0)	(17.9)	(19.0)	(19.2)	-
Brokerage Expenses	INR Million	(14.8)	(2.8)	-	-	-	(42.8)	-	(5.4)	(4.8)	(23.0)	-
CAPEX	INR Million	(30.0)	-	-	-	-	-	-	-	-	-	-
Net Cashflows	INR Million	356.9	569.8	601.9	625.3	657.2	595.1	819.2	849.9	884.1	13,955.3	-

**Annexure 7: Ready Reckoner Rate**


**Department of Registration & Stamps**  
 Government of Maharashtra

**नोंदणी व मुद्रांक विभाग**  
**महाराष्ट्र शासन**

**नोंदणी व मुद्रांक विभाग, महाराष्ट्र शासन**  
**बाजारमूल्य दर पत्रक**

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**Year**  
 2020/2021

**Annual Statement of Rates**

**Language**  
 English

**Selected District** पुणे  
**Select Taluka** हवेली  
**Select Village** वडगाव शेरी (रामवाडी)  
**Search By** ☐ Survey No ☒ Location

Select	उपविभाग	खुली जमीन	निवासी सदनिका	ऑफिस	दुकाने	औद्योगिक	एकक (Rs./)
SurveyNo	29/434 - रामवाडी गावठाण	16470	48400	71150	103970	0	चौ. मीटर
SurveyNo	29/436.1-टीयान प्रॉपर्टीज प्रा.लि.यांचा निवासी प्रकल्प	26920	77210	101780	133100	0	चौ. मीटर
SurveyNo	29/436.2-वेकफील्ड इंडीया कं.प्रा.लि यांचा निवासी प्रकल्प	26920	80150	102450	133100	0	चौ. मीटर
SurveyNo	29/436-पुणे नगर रस्त्यावरील मालमत्ता - रस्त्यावर ( नविन हद्द )	26920	75040	88600	112890	0	चौ. मीटर
SurveyNo	29/437.1 - निवासी प्रकल्प	30580	79240	118510	176620	0	चौ. मीटर

1 2 3 4



**Annexure 8: Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.



3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third-party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose except set out herein.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.

# **Valuation Report: Commerzone Porur, Chennai**

Date of Valuation: 30 September 2020

Date of Report: 03 November 2020

**Submitted to:**

**K Raheja Corp Investment Managers LLP**

### Disclaimer


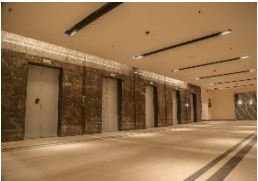

*This report is prepared exclusively for the benefit and use of K Raheja Corp Investment Managers LLP (“Recipient” or “Entity” or “Manager”) and / or its associates and, other than publication in offering document(s) and advertisement related materials prepared for the disclosure of valuation of assets, forming part of the portfolio of Mindspace Business Parks REIT (“Mindspace REIT”), in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange does not carry any right of publication to any other party. The Entity is the investment manager to Mindspace Business Parks, a Real Estate Investment Trust under the Securities and Exchanges Board of India (Real Estate Investment Trust), 2014 and amended till date (“SEBI REIT Regulations”). The Manager may share the report with its appointed advisors for any statutory or reporting requirements, in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT. Neither this report nor any of its contents may be used for any other purpose other than the purpose as agreed upon in the Letter of Engagement (“LOE”) dated 21 September 2020 without the prior written consent of the Valuer.*

*The information in this report reflects prevailing conditions and the view of Valuer as of this date, all of which are, accordingly, subject to change. In preparation of this report, the accuracy and completeness of information shared by the Manager has been relied upon and assumed, without independent verification, while applying reasonable professional judgment by the Valuer*

*This report has been prepared upon the express understanding that it will be used only for the purposes set out in the LOE dated 21 September 2020. The Valuer is under no obligation to provide the Recipient with access to any additional information with respect to this report unless required by any prevailing law, rule, statute or regulation.*

*This report should not be deemed an indication of the state of affairs of the real estate financing industry nor shall it constitute an indication that there has been no change in the business or state of affairs of the industry since the date of preparation of this document.*

## Executive Summary

Commerzone Porur, Chennai		
<b>Valuation Date:</b>	30 <sup>th</sup> September, 2020	
<b>Valuation Purpose:</b>	Disclosure of valuation of assets forming part of the portfolio of Mindspace REIT in accordance with The SEBI (REIT) Regulations, 2014	
<b>Location / Situation:</b>	Subject property comprises of completed buildings Tower A & B (herein referred to as Subject Property), which are part of Commerzone Porur located in Porur, Chennai. Commerzone Porur is spread over 6.13 acres comprising IT office space. It enjoys good accessibility and connectivity with other parts of the city. Commerzone Porur is accessible through Mount Poonamalle road. Prominent developments in the vicinity of the IT park are DLF IT SEZ, RMZ One Paramount, Jayanth Tech park, L&T infopark Saravana Stores, Lemon Tree hotel etc. The micro market houses prominent tenants like IBM, Cognizant, Ernst & Young, Transunion, BNY mellon, Barclays etc.	 <p>View of Subject Property</p>  <p>View of Subject Property</p>
<b>Description:</b>	<p>Commerzone Porur forming part of Horizonview Properties Private Limited located in Porur comprises of two towers namely Tower A and Tower B</p> <p><b>Completed Buildings – Tower A and B</b></p> <p>Tower A and Tower B which is recently got completed and has received occupancy certificate admeasures 1,038,197 sq ft. of leasable area. The economic interest of the Mindspace REIT in the Subject property is to the extent of 809,794 sq ft.</p>	 <p>Partial View of the floor plate</p>
<b>Total Area:</b>	<p>Total Plot Area – 6.13 acres<sup>1</sup></p> <p>Total Leasable area – 1,038,197 sq. ft<sup>1</sup></p> <p>Mindspace REIT's share of Leasable area– 809,794 sq. ft. (As informed by the client)</p>	

### MARKET VALUE OF THE SUBJECT PROPERTY BASED ON

Component	Market Value as on	In Figures	In Words
Completed Buildings	30 September 2020	INR 6,204 Million	India Rupees Six Billion Two Hundred and Four Million Only

*This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.*

<sup>1</sup> From Architect's Certificate shared by the client

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**From:** Shubhendu Saha, MRICS  
IBBI Registered Valuer (L&B)  
(IBBI/RV/05/2019/11552)

**To:** K Raheja Corp Investment Managers LLP

**Property:** IT Park named “Commerzone Porur”  
located at Porur, Chennai

**Report Date:** 03<sup>rd</sup> November 2020

**Valuation Date:** 30<sup>th</sup> September 2020

## **A REPORT**

### **1 Instructions**

**K Raheja Corp Investment Managers LLP** (hereinafter referred to as “Client”), in its capacity as the Manager of the **Mindspace Business Parks REIT** (Mindspace REIT) has appointed Mr. Shubhendu Saha, MRICS, registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of the Companies (Registered Valuers and Valuation) Rules, 2017 (hereinafter referred as the Valuer) in order to undertake the valuation of properties comprising commercial office real estate assets located across Mumbai, Hyderabad, Pune and Chennai as well as affiliated facilities including a facility management business and power distribution facility (together herein referred as Subject Properties across the report), for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange. The property and interests valued as part of this valuation exercise are detailed in Part C of this report. The exercise has been carried out in accordance with the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The extent of professional liability towards the Client is also outlined within these instructions.

### **2 Professional Competency of the Valuer**

Mr. Shubhendu Saha, the Valuer for the Subject Property is registered as a valuer with the Insolvency and Bankruptcy Board of India (IBBI) for the asset class Land and Building under the provisions of The Companies (Registered Valuers and Valuation) Rules, 2017 since 15 May 2019. He completed his Bachelor in Planning from the School of Planning and Architecture, New Delhi in 1997 and Master’s in Management Studies from Motilal Nehru National Institute of Technology, Allahabad in 1999.

Mr. Saha has more than 20 years of experience in the domain of urban infrastructure and real estate advisory. He was the national practice head of Valuation Advisory services of DTZ International Property Advisers Private limited (now known as Cushman and Wakefield Property Advisers Private Limited), a leading International Property Consulting firm in India, from 2009 to 2015. He also led the business solutions and consulting services for the property management business of Cushman and Wakefield India Private Limited from 2015 to 2017. In early part of his career he worked with renowned organisations like ICRA Limited, Copal Research (now known as Moody's Analytics) and National Council of Applied Economic Research. His last employment was with PwC as Director Real Estate Advisory before he started his practice as an independent valuer.

As the leader of valuation services business at DTZ, Mr. Saha authored India specific guidelines of the RICS Valuation Standards ("Red Book") for financial accounting, taxation and development land, which became part of the 7th edition of Red Book. He undertook valuation of India's first listed portfolio of healthcare assets at Singapore Stock Exchange as a Business Trust and led numerous valuation exercises for multiple private equity/real estate funds, financial institutions, developers and corporates across asset classes of commercial, retail, residential and hospitality. His clientele included Air India, HDFC, Religare Health Trust, Duet Hotels, DLF, RMZ, Embassy Group, Citibank, Tishman Speyer, IL&FS, HSBC, IDFC, Ascendas India etc.

### **3 Independence and Conflicts of Interest**

The Valuer confirms that there are no conflicts of interest in so far as discharging his duties as a valuer for the subject property is concerned and has undertaken the valuation exercise without the presence of any bias, coercion, or undue influence of any party, whether directly connected to the valuation assignment. There has not been any professional association with the Client or the Subject Properties in past five years from his engagement as the valuer, except as valuer under the SEBI (REIT) Regulations, 2014.

### **4 Purpose of Valuation**

The purpose of this valuation is to estimate the value of the Subject Property as part of the portfolio of Mindspace REIT for the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purpose. In addition, other documents in relation to the regulatory filings such as publicity material, research reports, presentations and press releases will also be prepared, wherein copies, summary or extracts of the valuation report are intended to be included.



## 5 Basis of Valuation

It is understood that the valuation is required by the Client for the disclosure of valuation of assets, part of the portfolio of Mindspace REIT, in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, as amended, together with clarifications, guidelines and notifications thereunder in the Indian stock exchange and for accounting purposes. Accordingly, the valuation exercise has been carried out to estimate the "Market Value" of the Subject Property in accordance with IVS 104 of the IVSC International Valuation Standards issued on 31 July 2019, effective from 31 January 2020

Market Value is defined as 'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

## 6 Valuation Approach & Methodology

The basis of valuation for the subject property being Market Value, the same may be derived by any of the following approaches:

### Market Approach

In '**Market Approach**', the subject property is compared to similar properties that have actually been sold in an arms-length transaction or are offered for sale (after deducting for value of built-up structure located thereon). The comparable evidence gathered during research is adjusted for premiums and discounts based on property specific attributes to reflect the underlying value of the property.

### Income Approach

The income approach is based on the premise that value of an income - producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of the income approach in real estate valuation namely, direct capitalization and discounted cash flow (DCF).

#### Income Approach - Direct Capitalization Method

Direct capitalization involves capitalizing a 'normalized' single - year net income estimated by an appropriate yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

### **Income Approach - Discounted Cash Flow Method**

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present-day value (valuation date) at an appropriate discount rate. A variation of the Discounted Cash Flow Method is illustrated below.

### **Income Approach - Discounted Cash Flow Method using Rental Reversion**

The market practice in most commercial/ IT developments involves contracting tenants in the form of pre-commitments at sub-market rentals to increase attractiveness of the property to prospective tenants typically extended to anchor tenants. Additionally, there are instances of tenants paying above-market rentals for certain properties as well (primarily owing to market conditions at the time of contracting the lease). In order to arrive at a unit value for these tenancies, we have considered the impact of such sub/above market leases on the valuation of the subject property.

For the purpose of the valuation of Subject Property, Income Approach - Discounted Cash Flow Method using Rental Reversion has been adopted.

## **7 Assumptions, Departures and Reservations**

This valuation report has been prepared on the basis of the assumptions within the instructions (Caveats & Limitations) detailed in Annexure 8 of this report. The development mix, built up area, land area and lease details such as lease rent, lease commencement and lease end date, lock – in period, escalation terms, etc. pertaining to the subject properties is based on the appropriate relevant documents which has been provided by the Client and the same has been adopted for the purpose of this valuation.

## **8 Inspection**

The Property was inspected by the Valuer and his authorized representatives but no measurement or building survey has been carried out as part of the valuation exercise. The Valuer has relied entirely on the site areas provided by the Client, which has been assumed to be correct. Based on the discussions with the client it has been assumed that no material change in the condition of the property has taken place except for the progress of construction work in accordance with the information shared.

## **9 General Comment**

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made

by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and thus the valuation of the subject property herein could differ significantly if the date of valuation was to change.

This report should not be relied upon for any other purpose other than for which this valuation exercise has been undertaken for.

## **10 Confidentiality**

The contents of this Report are intended for the specific purpose stated. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents except as maybe required in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, under the applicable law.

## **11 Authority**

Client acknowledges and agrees that the valuation exercise undertaken (including, without limitation, the Reports itself and the contents thereof) is solely for the purpose set out in paragraph 4 herein. If Client desires to use the Report in any offering or other investment material for purpose other than as mentioned in the paragraph 4 herein, then (a) with the Valuer will require, and Client must provide or cause to be provided, an indemnification agreement in his favor, given by parties reasonably satisfactory to him, and (b) Client will obtain his consent to the references in such materials to the Report.

## **12 Reliant Parties**

The reliance on the Valuation Reports prepared as part of this engagement is extended to the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit for the purpose as highlighted in this report (valuation). The Valuer, however, would extend no liability to such reliant parties save and except for gross and wilful negligence.

The valuation exercise is conducted strictly and only for the use of the parties as stated above who need to rely on such valuation ("Reliant Party") and for the Purpose specifically stated. The Instructing Party shall make all reliant parties aware of the terms and conditions of the agreement under which this exercise is being undertaken and take due acknowledgements to the same effect

### 13 Limitation of Liability

- The Valuer has provided the services exercising due care and skill but does not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the Valuer shall not accept liability for any errors, misstatements, omissions in the report caused due to false, misleading or incomplete information or documentation provided to him by the Instructing Party.
- The Valuer's maximum aggregate liability for claims arising out of or in connection with the Valuation, under this contract shall not exceed the professional indemnity insurance obtained by him. As on the date of this report, the professional indemnity insurance maintained by the Valuer is for INR 50 Million (Indian Rupees Fifty Million Only).
- In the event that any of the Manager, REIT and other parties including the trustee of REIT, debenture trustee(s), stock exchanges, unitholders of REIT, Securities and Exchange Board of India ("SEBI"), credit rating agencies, lenders of the REIT and/or its special purpose vehicles or any other person within or outside India as the Manager may deem fit in connection with the disclosure of valuation of assets, forming part of the portfolio of Mindspace REIT, be subject to any claim ("Claim Parties") in connection with, arising out of or attributable to the Valuation, the Claim Parties will be entitled to require the Valuer, to be a necessary party/ respondent to such claim and the Valuer shall not object to his inclusion as a necessary party/respondent. However, the legal cost with respect to appointment of lawyers by the Valuer as a respondent/defendant shall be borne by the Client. If the Valuer, as the case may be, does not co-operate to be named as a necessary party/ respondent to such claims or co-operate in providing adequate/ successful defence in defending such claims, the Claim Parties jointly or severally will be entitled to initiate a separate claim against the Valuer in this regard and his liability shall extend to the value of the claims, losses, penalties, costs and liabilities incurred by the Claim Parties.
- The Valuer will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc

### 14 Disclosure and Publication

The Valuer must not disclose the contents of this valuation report to a third party in any way, except as allowed under the Securities Exchange Board of India (Real Estate Investment Trust) Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars. As per the terms and regulation 2(1) of the Securities Exchange Board of India (Real Estate Investment Trust)

Regulations, 2014 along with SEBI (Real Estate Investment Trusts) (Amendment) Regulations 2016 and subsequent amendments and circulars, it may be noted that the Valuation report is prepared in accordance with said REIT regulations.

## **15 Anti-Bribery & Anti-Corruption**

Both Parties represents, warrants and undertakes that:

They are familiar with applicable Anti-Corruption Laws under this Agreement including but not limited to Prevention of Corruption Act 1988 and will ensure that neither it nor any of its officers, directors, shareholders, employees and agents or any other person acting under its implied or express authority will engage in any activity, practice or conduct which would constitute an offence under, or expose or potentially expose either Party to any direct or indirect liability, under Applicable Anti-Corruption Laws;

It is further agreed that breach of any of the above undertakings shall be deemed to be a material breach of the Agreement and in case the Valuer is insisted upon or asserted by Client to violate any of the above said undertakings including Anti-Corruption regulations in any form or manner, on pretext of business relationship or otherwise, The Valuer shall have a discretionary right to terminate this Agreement without any liability or obligation on his part.

Such termination of this Agreement shall not in any way prejudice the rights and obligations (including payment for the services delivered under this Agreement) already accrued to the Valuer, prior to such termination.

## **B CHENNAI MARKET REPORT**

For the purpose of the valuation exercise, reliance has been made on the market report prepared by Cushman & Wakefield India Private Limited (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report.

## 1 Chennai City

Particulars	Chennai	CBD	Off CBD	Suburban South	Peripheral South	*South West	Peripheral South West	North West
Total completed stock Q3 2020 (msf)	51.0	2.7	0.5	16.5	11.9	11.9	4.3	3.2
Current occupied stock Q3 2020 (msf)	46.3	2.3	0.4	15.9	9.8	11.4	4.0	2.5
Current Vacancy Q3 2020 (%)	9.1%	13.9%	31.2%	3.4%	17.2%	4.2%	6.9%	22.3%
Avg. Annual Absorption - 2015 – Q3 2020 (msf)	2.0	0.1	0.01	0.5	0.5	0.4	0.2	0.2
Future Supply - 2020 – 2022 (msf)	8.3	0.4	0.05	1.8	0.0	2.6	3.6	0.0
Market Rent – Q3 2020 (INR psf / month)	69	80	83	85	51	76	50	43

Source: Cushman & Wakefield Research

Note: \*Mindspace REIT Micro Market

Chennai has emerged as a favoured investment destination for Manufacturing, Technology and Logistics by virtue of its strategic location and government subsidies, making it one of the most lucrative locations in the country. Demand for commercial office is mainly dominated by Technology, BFSI (Banking, Financial Services & Insurance) and Healthcare & Pharmaceutical sectors. Commercial offices in the city can be broadly divided into IT/ITES (Information Technology / Information Technology Enabled Services) & Commercial offices (Non-IT).

The key demand drivers for office space in Chennai are as follows:

- **Skilled talent pool and established institutions:** Presence of top educational institutions, such as the Indian Institute of Technology (IIT—Chennai), Anna University etc. contribute to the pool of skilled workforce in the city.
- **Growing Technology and BFSI industry:** The City has become one of the preferred destinations for office space for global companies. It is home to technology majors like Infosys, Wipro, Accenture, TCS, Cognizant, etc. Also, under BFSI category the city houses companies like American Express, Fidelity, Royal Bank of Scotland etc. who have their GICs in Chennai.
- **Well-developed social infrastructure:** Adequate presence of high-quality large-scale townships, residential developments, schools, established education institutions, hospitals, hotels and retail malls makes the city lucrative destination for the occupiers.
- **Well-developed physical infrastructure:** With the existing roads, port connectivity, rail (metro and Mass Rapid Transit Systems) and air connectivity, Chennai has a good infrastructure network.

Chennai has good connectivity through all the three modes (rail, road and air) to other major cities in India. Infrastructure initiatives undertaken by the such as such as Metro Rail Project Phase II, Outer Ring Road, Chennai – Bangalore Industrial Corridor, New International Airport etc. are planned in the city. These infrastructure initiatives will provide the commuter with ease of travelling to various commercial nodes and reduce the traffic congestion on the roads as well.



## 2 Mindspace REIT's Micro Market – South West

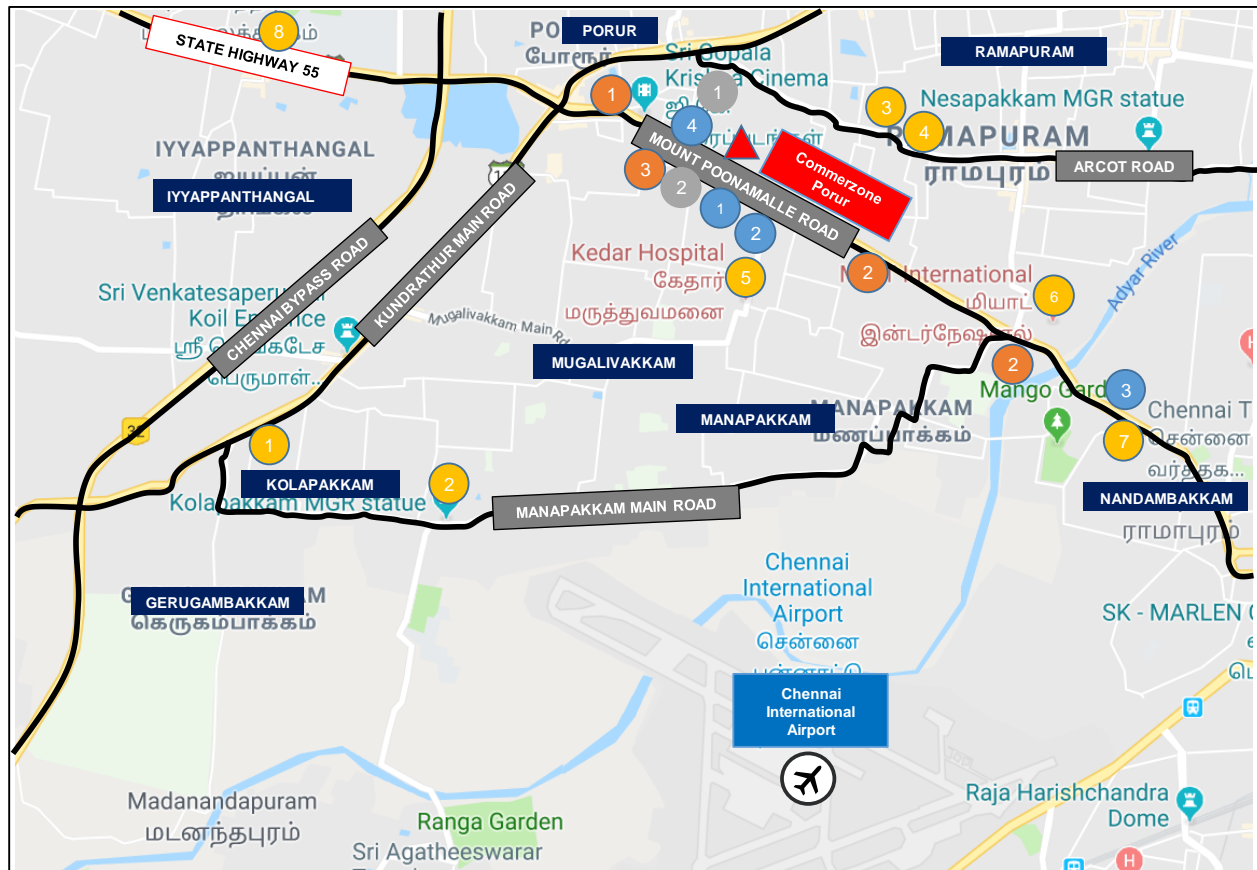
Mindspace REIT has a completed building christened as “Commerzone Porur” is located in the South West micro market. The South west market has emerged as one of the prominent markets in Chennai due to its closeness to the International airport, residential catchment and good metro connectivity to other parts of the city. Mindspace REIT are strategically positioned in Porur with proximity to Guindy industrial estate, Olympia Tech park, CBD, Guindy Railway station and Alandur Metro Station. The building amenities are designed to cater to the needs of the tenants and their employees and include food plazas, childcare facilities, parking spaces and several health and recreation facilities such as cafe and gym

### 2.1 Overview

The South West micro market is one of the major real estate vectors which encompasses areas such as Guindy, Porur, Manapakkam, Vadapalani and Ekkaduthangal. Inner ring road and Mount Poonamalle High road mark the prime connecting roadways in the South West micro market. South west Micro market is one of the best performing micro markets in the city. Chennai Metro Rail line 2 starting from St. Thomas Mount to Chennai Central is routed via this micro market enabling easier access to commuters in turn boosting the overall real estate scenario in the South West region. The Metro stations in the line are CMBT Metro Station, Arumbakkam station, Vadapalani Station, Ashok Nagar Station, Ekkattuthangal Station and Guindy Station. The presence of Guindy & Alandur Metro stations and Guindy MRTS railway station is an added advantage.

South West micro market has attracted several office establishments owing to the presence of strong infrastructure facilities, closeness to the CBD and the Chennai International airport. The office establishments are a mix of IT and non-IT parks. DLF IT SEZ which is the largest IT park in Chennai is located in this micro market. Some of the other IT Parks like Jayanth Tech Park and L&T Infopark are also located in the nearby vicinity. The micro market with its well-developed residential catchments is a preferred destination for various IT Majors like IBM, Cognizant etc. to set-up their base. Several firms such as Ernst and Young and Transunion have also established their presence in the micro market. The South West micro market also houses several financial institutions such as BNY Mellon, Barclays etc.

The micro market also has mid end residential catchment located along either sides of Mount Poonamallee Road and Arcot road. Profile of the buyers include businessmen, professionals and investors. Other support infrastructure in the micro market include Chennai Trade Centre, hospitals like Sri Ramachandra Medical College & Research Institute, MIOT Hospital and educational institutes like SRM University and Easwari Engineering College.



(Map not to Scale)

● Key Office Developments
 ● Social Infrastructure
 ● Lifestyle Infrastructure
 ● Proposed Development

Key Commercial Developments	Social Infrastructure	Lifestyle Infrastructure	Proposed Commercial Development
1. DLF IT SEZ Park	1.PSBB School	1.Saravana Stores	Commerzone Porur
2. L&T Construction HQ	2.Velammal School	2.Lemon Tree Hotel	1.RMZ One paramount Block 20 and 30
3. Jayant Tech Park	3. SRM Dental College	3. FBB (Future Retail)	2. ASV Husaini
4. RMZ One paramount	4.SRM Eswari College		
	5.Kedar Hospital		
	6.MIOT International School		
	7. Chennai Trade Centre		
	8.Sri Ramachandra Hospital		

## 2.2 Key Statistics

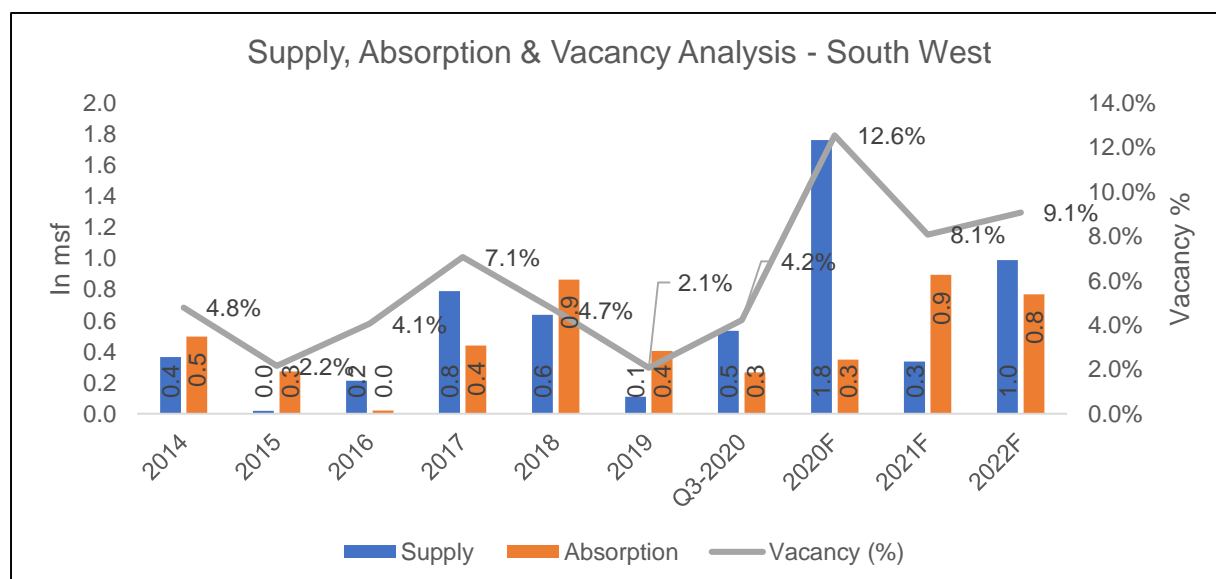
Particulars	Details
<b>Stock (Q3 2020)</b>	Approximately 11.4 msf
<b>Current Occupied stock (Q3 2020)</b>	Approximately 11.4 msf
<b>Current Vacancy (Q3 2020)</b>	Approximately 4.2%
<b>Avg Annual Absorption (2015 – Q3 2019)</b>	Approximately 0.4 msf
<b>Future Supply (2020 – 2022)</b>	2020: Approximately 1.2 msf (3.5% of the supply is pre-leased) 2021: Approximately 0.3 msf (56.2% of the supply is pre-leased) 2022: Approximately 1.0 msf (37.2% of the supply is pre-leased)

Source: Cushman and Wakefield Research

## 2.3 Supply, Absorption & Vacancy

Due to the strong connectivity and well-developed social infrastructure, tenant demand is expected to remain stable in this South West sub-market. Absorption is largely driven by Technology, BFSI and Flexible work space sectors. Given the market dynamics and very limited developable land, there has been limited supply in the past few years. Continuing demand and limited supply resulted in vacancy levels declining from 7.1% in 2017 to 4.2% in Q1 2020.

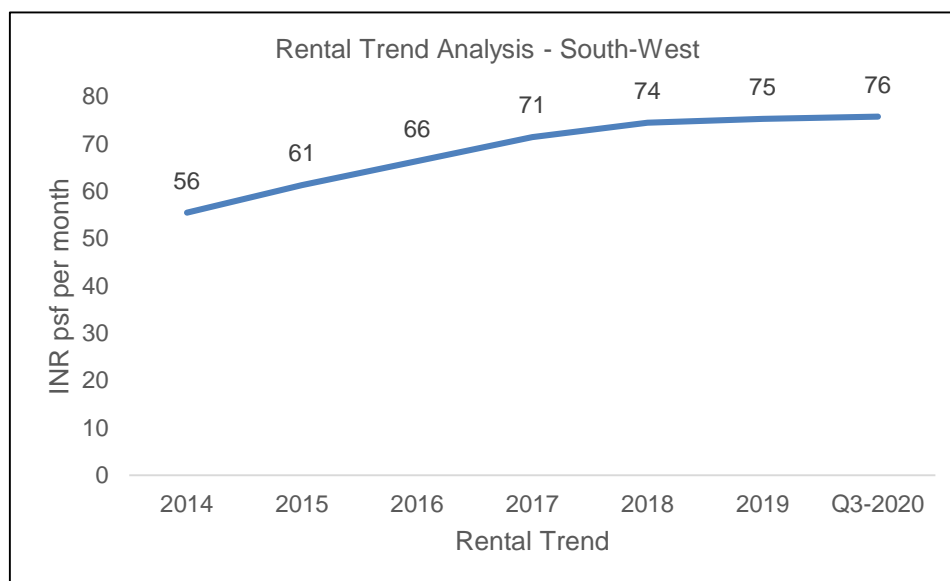
There is a supply of 2.6 msf which is under various stages of construction. With significant supply expected to enter the micro-market with demand remaining steady, the vacancy is expected to increase in short term and remain elevated till 2022. The total pre-commitments in the micro market is 0.6 msf.



Source: Cushman & Wakefield Research

*Note: Absorption refers to the Net absorption. The Net absorption value refers to the net additional leasing activity which has occurred in the year. This does not include any pre-commitments, renewals etc. The pre-commitments are recorded as absorption in the year in which the tenant occupies the building*

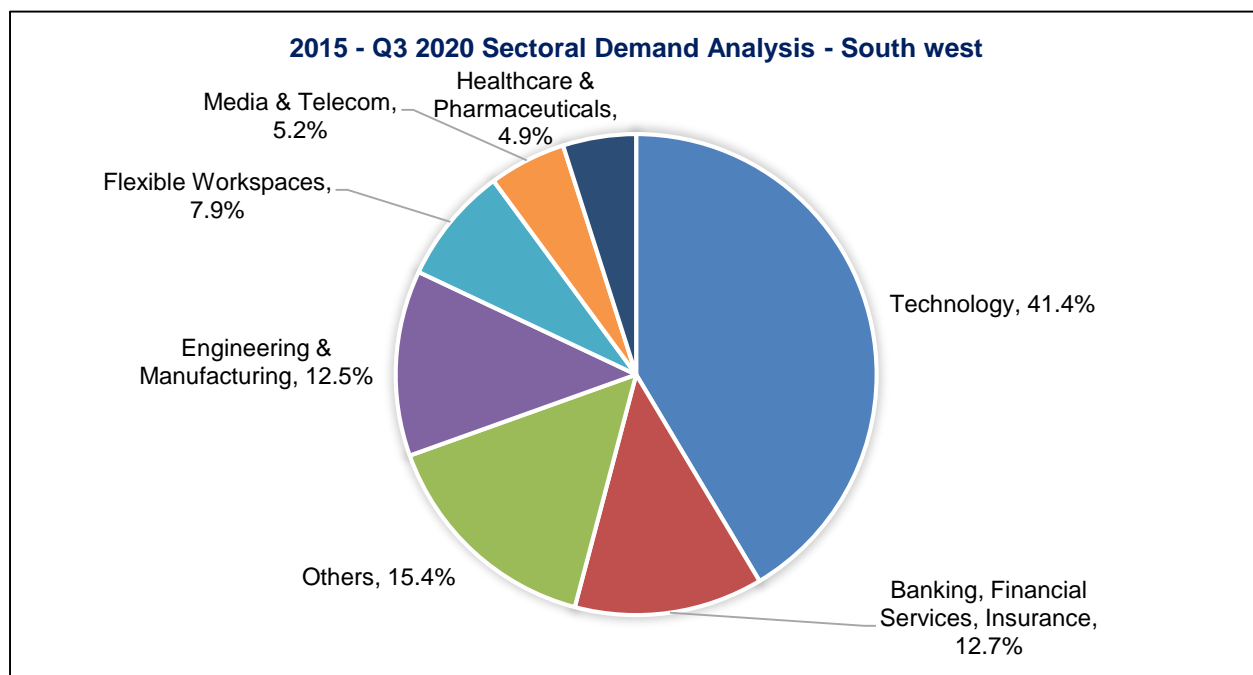
## 2.4 Rental Trend Analysis



Source: Cushman and Wakefield Research

The South West rents have been increasing since 2015 with a CAGR of 3.7% and now stands at INR 70 – 75 psf / month on leasable area. The weighted average rentals in the South west micro market is INR 75 psf / month. This includes areas of Guindy, Manapakkam and Porur. However, when we consider the quoted average rentals in Porur submarket (within the subject micro market), the rentals are in the range of INR 60 - 70 per sq ft/month. The South West micro market is expected to witness increased demand for office space in the medium term due to its strategic location, superior social and physical infrastructure and existing tenant base. However due to the current demand disruption and impact of Novel Coronavirus (COVID 19) the rentals in the micro market is expected to remain at current levels for the next 18 months

## 2.5 Sector Demand Analysis



Source: Cushman and Wakefield Research

*Note: Others include FMCG, Logistics, Shipping, etc. The sectoral absorption analysis is based on gross absorption activity of the city / micro market i.e. including any relocations, consolidations etc*

The IT/ITeS has a higher share of office take up between the years 2014 – Q3 2020 with 41.5% of the leasing activity contributed by the sector. The next major contributor of demand in the south west has been the banking, financial services, insurance contributing 17.0% of the space in the last five years. Flexible workspaces continued to expand, contributing to 7.8% of leasing activity during 2014-Q3 2020. Major tenants who have taken space in this period include Infosys, Smartworks, Transunion, Barclays etc. Major tenant names in the micro market include IBM, L&T infotech, Access Healthcare, Astra Zeneca, Bank of New York Mellon and Transunion.

## 2.6 Market Outlook

With a total of about 2.6 Million sq. ft. of upcoming supply between 2020 - 2022 and because of the subject micro-market's proximity to airport, with improved infrastructure such as commencement of metro and good residential catchment in the micro market, it is expected to witness a steady demand for occupiers planning to expand their office space at Chennai. The under-construction projects are expected to be absorbed by end of year 2022. Average historical absorption in the micro market has been 0.4 Million sq. ft. over the last 5 years.

Novel Coronavirus disease (Covid-19) has been declared as a pandemic by the World Health Organization (WHO). Measures adopted by governments across the globe in form of lockdowns, restricting economic activities, people movement, etc. have disrupted businesses and economies. In India as well, the government has adopted similar measures to contain the spread of Covid-19 which has caused business disruptions and slowdown in economic activity. Real estate sector like many other sectors is going through challenges posed by Covid-19 disruptions. Though the magnitude of the pandemic and its future impact on businesses is difficult to predict due to the uncertainties caused by Covid-19, the commercial real estate sector has so far shown reasonable resilience to the disruptions caused by Covid-19 and therefore we expect Covid-19 pandemic to have a short term impact on the demand for commercial real estate. We expect the long term demand for commercial real estate to remain intact and therefore our valuation assumptions reflect our long term expectation, while taking into account any short term impact.

Hence, we foresee, stagnant rents and slightly longer time frame for leasing of available spaces in near future arising out of temporarily suppressed demand for the micro-market over the upcoming 18 months before the commercial real estate markets are likely to attain its long-term growth trajectory.

## **C      PROPERTY REPORT**

## 1 Address, ownership and title details of Subject Property

Address:	No. 111/168, Mount Poonamalle Road, Porur, Chennai - 600116
Ownership & title details:	Subject property is a freehold property and the 78% of the assets owned by the Horizonview Properties Private Limited. Mind Space Business Parks REIT (Mindspace REIT) holds 100% ownership of the Horizonview Properties Private Limited

Source: Client information

### 1.1 Encumbrances

Unless disclosed and recorded in the Property Report – Part C, it the Subject Property is considered to possesses a good and marketable title, and is free from any unusually onerous encumbrances with no option or pre-emption rights in relation to the assets except for those created in favour of the lenders, based on the information given in the Title Reports prepared by Hariani & Co.(hereinafter referred to as “Legal Counsel”). We have not checked and verified the title of the Subject Property.

### 1.2 Revenue Pendencies

On the basis of the Title Reports prepared by the Legal Counsels and discussion with the Client, there are no revenue pendencies including local authority taxes associated with the Subject Property or any compounding charges. No independent verification of this has been made from revenue authorities and reliance has been made on the Client information for the same.

### 1.3 Material litigation

Based on discussions with the Client and title reports shared, there are no material litigation including tax disputes other than the litigations disclosed in the Offer Document filed with SEBI in July 2020, relating to the Subject Property or any compounding charges.

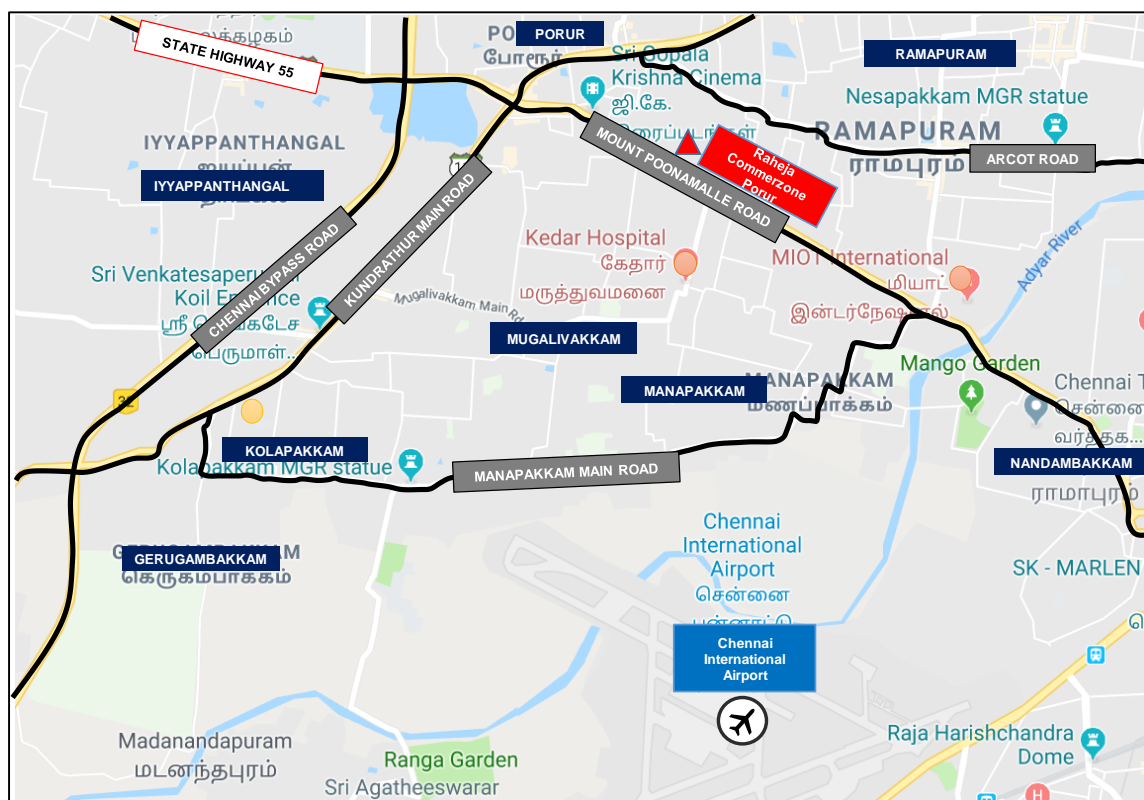
## 2 Location

### 2.1 General

Subject property comprises of completed buildings Tower A & B (herein referred to as Subject Property), which are part of Commerzone Porur located in Porur, Chennai. Commerzone Porur is spread over 6.13 acres comprising IT office space. It enjoys good accessibility and connectivity with other parts of the city. Commerzone Porur is accessible through mount poonamalle road. Prominent developments in the vicinity of the IT park are DLF IT SEZ, RMZ one Paramount, Jayanth Tech park, L&T infopark Saravana Stores, Lemon Tree hotel etc. It houses prominent tenants like IBM, Cognizant, Ernst & Young, Transunion, BNY mellon, Barclays etc.



The location map of the Subject Property is set out below:



The subject property is spread out over 6.13 acres of land located along Mount-Poonamalle road, the Subject Property enjoys good frontage and has a relatively flat topography with no significant variations in the height of the land.

## 2.2 Accessibility

The Subject Property is well connected to major locations in the city via road network. The distance of the Subject Property from major landmarks in the city is as follows:

- Approximately 2-3 kms from MIOT International Hospital
- Approximately 11-12 kms from Chennai International Airport
- Approximately 7-8 kms from Guindy Metro Station
- Approximately 22-23 kms from MGR Central Railway station

The property photographs of the Subject Property are attached in Annexure 3.

## Subject Property Infrastructure & connectivity

The Subject Property is well accessible to other parts of the city. It also has access to basic urban infrastructure in terms of power, water supply and municipal sewerage system.

## 2.3 Ground Conditions

Based on visual inspection, there were no evidence of adverse ground conditions at the property or immediate vicinity.

## 2.4 Environmental Considerations

No investigations or tests have been carried out or supplied with any information from Client or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water).

For the purpose of assessing the vulnerability of the Subject Property to any natural or induced disaster the location of the property with respect to risks pertaining to earthquakes, high winds/cyclone and flooding was studied. Chennai where the Subject Property is located falls in Seismic Zone III with moderate risk. The city faces low risk in terms of high winds or cyclones too. The Subject Property is not likely to face any higher risk than the overall risk profile of the city. No hazardous activity was noted in the vicinity of the Subject Property which may expose it for any induced disaster.

The micro-market of the Subject Property is classified as a flood prone area with high vulnerability. Tamil Nadu State Disaster Management Authority (TNSDMA) carried out an assessment after the December 2015 Chennai floods and classified areas with water level more than 5 feet due to heavy rains as high vulnerability areas. Porur and Valasaravakkam falls under the high vulnerability areas. However, the Subject Property is located at relatively higher elevation according to the topographical profile of the city and it is given to understand that the following measures have been undertaken to mitigate the risks from any potential flooding:

- The transformer service yards have been placed 3 feet above the ground level thus avoiding any damage
- Storm water drains with connected recharge wells for the purpose of Rain water harvesting and minimising discharge
- Further to add to the benefit of the Subject Property the Corporation has also increased the width of the storm water drains along the subject property compound to avoid any waterlogging.

## 2.5 Town Planning and Statutory Considerations

General reliance has been made on readily available information to general public with respect to town planning norms. This report is based on the current use/state basis of the property and no consideration has been made to any potential government proposals for road widening or compulsory purchase/ acquisition, or any other statute in force that might affect the Subject Property.

### 3 Subject Property - Asset Description

Commerzone Porur forming part of Horizonview properties private limited located in Porur comprises of two towers namely Tower A and Tower B

#### Completed Buildings – Tower A and B

Tower A and Tower B which is recently got completed and has received occupancy certificate admeasures 1,038,197 sq ft. of leasable area. The economic interest of the Mindspace REIT in the Subject property is to the extent of 809,794 sq ft.

#### 3.1 Key Asset Information

##### Completed Buildings

Particulars	Details
Interest owned by Mindspace REIT (%):	Subject Property is 78% owned by Horizonview Properties Private Limited which is 100% owned and controlled by the Mindspace REIT
Age of building based on the date of occupancy certificate:	Less than a year
Sub Market	Chennai South West
Asset type:	IT Park
Approved Usage:	Commercial office
Site Area (acres)	6.13
Freehold/Leasehold:	Freehold
Leasable Area:	0.8 Million sq. ft. (Share of Mindspace REIT)
Status of construction:	Finishing work is under progress
Occupied Area:	-
Occupancy (%)	-
Committed Occupancy (%)	5.3%
Number of Tenants	-

Source: Client information

Notes:

1. Refer company structure set out in Annexure 1

#### 3.2 Property Inspection

The Subject Property was inspected by the valuer and his authorized representatives.

Currently the finishing work is under progress

The visual inspection of the buildings did not reveal any cause of concern with no visible signs of any disrepair. No instances of any major logging or water accumulation was observed during the inspections. The utility areas also appeared well maintained, visually. The property inspections did not comprise any structural survey, technical/engineering review or safety audit and the assessment of the condition of the building, its utilities and campus infrastructure is based completely on visual survey.

### **3.3 Investigation and nature and source of information**

The Valuer undertook physical visits of the Subject Property wherein the buildings and related assets were visually inspected to assess the condition of the buildings and the apparent state of its maintenance/upkeep.

Information related to state and structure of the relevant real estate market for the Subject Property was sourced from the industry and market report prepared by Cushman and Wakefield who were appointed by the Client to undertake market research and portfolio analysis of the properties proposed to be part of the REIT.

The Valuer relied on the following information and documents shared by the Client with respect to the Subject Property:

Title certificates prepared by the legal counsel of the Client covering the type of ownership interest enjoyed and information on ongoing litigation with respect to the Subject property

- a. Architect's certificates mentioning site areas and property areas
- b. Relevant approval documents from competent authorities regarding occupancy, operations and fire safety with respect to specific buildings in the subject property
- c. Masterplan/ Development plan applicable in the jurisdiction of the Subject Property
- d. Management representation regarding the following:
  - i. Major repairs undertaken and proposed in the Subject Property
  - ii. Statement of Assets
  - iii. Revenue pendency, if any
  - iv. Options or rights of pre-emption and any other encumbrances concerning or affecting the property.

## **4 Valuation Approach & Methodology**

### **4.1 Asset-specific Review:**

Since the real estate industry is dynamic and is influenced by various factors (such as existing supply, tenants looking at spaces, quality of spaces available in the market, overall health of the economy, existing rentals, future growth plans, etc.) at a particular point in time, negotiated rents may tend to move away from the prevalent market rents over a period of time. It has also been witnessed that the market rents for some properties or sub markets increase or decrease at a rate significantly different from those agreed to in initial leases. These factors reinforce the need to review each of these leases in isolation to assess the intrinsic value of the property under review.

1. As the first step to the valuation of the asset, the rent rolls (and the corresponding lease deeds on a sample basis) were reviewed to identify tenancy characteristics for the asset.
2. For anchor/large tenants, adjustments on marginal rent or additional lease-up timeframe have been adopted upon lease reversion.
3. Title certificates, architect certificates and other related documents as mentioned in earlier sections of the report were reviewed for validation of area details, ownership interests of the Subject Property.
4. Physical site inspections were undertaken to assess the current status of the Subject Property.

### **4.2 Micro-market Review:**

For the purpose of the valuation exercise, reliance has been placed on the market report prepared by the Cushman & Wakefield (CWI), who has been appointed by the Client as an independent consultant to carry out industry and market report. Accordingly, the review was carried out in the following manner:

1. An assessment of the site and surroundings has been undertaken with respect to the prevailing activities, market dynamics impacting the values and the current use of the respective properties vis-à-vis its locational context, etc. Analysis of the micro-market was undertaken primarily based on the findings of the industry/market report prepared by Cushman & Wakefield and readily available information in public domain to ascertain the transaction activity of commercial/IT office space. The analysis entailed review of comparable assets in terms of potential competition (both completed and under-construction/planned assets), comparable recent lease transactions witnessed in the micro-market along with the historical leasing and re-leasing history within the micro market over the last 2-3 years, if available. This was undertaken to assess the market rent (applicable rental for the micro-market where the asset is located) and achievable market rent (The Valuer's view on achievable rent for the subject properties for leasing vacant spaces as well as upon re-leasing).
2. The achievable rent for the subject property has been benchmarked against the prevailing rent in the micro market at the time of leasing factoring appropriate time and cost for marketing.

### 4.3 Cash Flow Projections:

1. The cash flows for the operational and under-construction/future development area has been projected separately to arrive at their respective value estimates.
2. Net operating income (NOI) has primarily been used to arrive at the value of the subject properties. The following steps were undertaken to arrive at the value for operational and under-construction/future development areas respectively.

The projected future cash flows from the property are based on existing lease terms for the operational area till the expiry of the leases or re-negotiation, whichever is earlier, following which, the lease terms have been aligned with market rents achievable by the subject properties. For vacant area and under-construction/ future development area, the achievable market rent-led cash flows are projected factoring appropriate lease-up time frame for vacant/under-construction/future development area. These cash flows have been projected for 10-year duration from the date of valuation and for 11th year (for assessment of terminal value based on NOI). These future cash flows are then discounted to present-day value (valuation date) at an appropriate discount rate.

For each lease, principally, the following steps have been undertaken to assess the rent over a 10-year time horizon:

**Step 1:** Projecting the rental income for identified tenancies up to the period of lease expiry, lock-in expiry, escalation milestones, etc. whichever is applicable. In the event of unleased spaces, market-led rent is adopted with suitable lease-up time

**Step 2:** Generating a market led rental income stream for identified tenancies for the time period similar to the cash flows drawn in the aforementioned step

**Step 3:** In the event the escalated contracted rent is higher than the achievable market rent by 15%, the contracted terms are ignored, and the terms are reverted to market. In the event the escalated contracted rent is below 115% of the achievable rent, the contracted terms are adopted going forward until the next lease review/ renewal. Intent of this step is to project the rental income for respective leases until lease expiry as well as post expiry.

**Step 4:** Computing the monthly rental income projected as part of Step 3 and translating the same to a quarterly income (for the next 10 years and NOI of the 11th year – considered for calculation of terminal value).

3. Recurring operational expenses, fit-out income (if any – the same has not been included in the NOI for the purpose of arriving at the terminal value by capitalisation) and vacancy provision have been adopted in-line with prevalent market dynamics. In addition, appropriate rent-free periods have been adopted during lease roll-overs to consider potential rent-free terms as well as outflows towards brokerage. For all assets, operational revenues and expenses of the respective assets are reviewed to understand the recurring, non-recurring, recoverable and non-recoverable

expenses and accordingly estimate the margins on the common area maintenance income which accrues as cash inflows to the Subject Properties.

4. The net income on quarterly basis have been projected over the next 10 years and the one year forward NOI (for 11th year) as of end of year 10 has been capitalized to assess the terminal value of the development. The quarterly net cash flows over the next 10 years along with the terminal value estimated at the end of year 10 have been discounted at a suitable discount rate to arrive at the net present value of the cash flows accruing to the Subject Properties through this approach.

## 5 Assumptions considered in Valuation

The following assumptions have been made to arrive at the market value of the Subject Property as on 30<sup>th</sup> September 2020:

Cashflow Period	Unit	Details
Valuation Date		30-Sep-20
Cashflow period	Years	10
Cashflow exit period	End date	30-Sep-30

### Capital Expenditure Remaining

Capital Expenditure Remaining	Unit	Details
Start date of construction		01-Jun-17
End date of construction		01-Jun-20
Total Capital Expenditure	INR Million	4,327
Capital Expenditure incurred till date	INR Million	3,742
Capital Expenditure to be incurred	INR Million	585

### Property Details

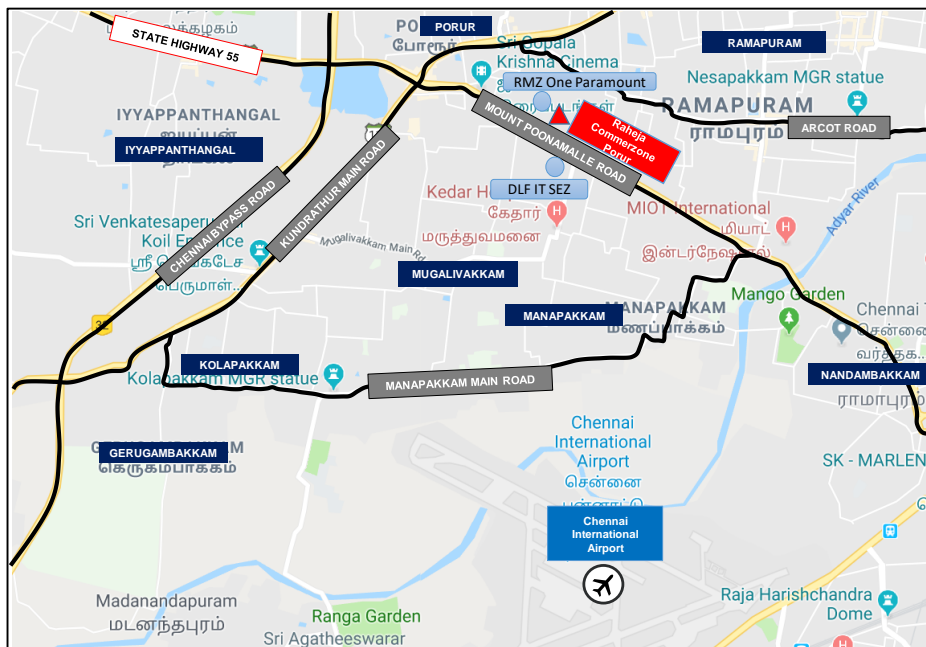
Operating Parameters	Unit	Details
Total Leasable Area	sq.ft.	809,794
Vacancy	%	94.7%
Stabilized Vacancy	%	2.0%
Further leasing	Sq. ft.	751,031
Existing Lease rollovers	%	98.0%
Rent Free Period-Existing Lease Roll Overs	Months	2.0
Rent Free Period- New Lease	Months	3.0
Estimated leasing period	No. of quarter	4

- **Rent-free period:** In accordance with market benchmarks for Grade A property, rent-free period of two months has been considered for existing lease rollovers and three months for new leases.
- **Future absorption:**
  - Over 2014 – Q3 2020, the south west micro market has witnessed an annual absorption of approximately 2.8 Million sq. ft. The micro-market has a history of robust pre-commitments and highest absorption was witnessed in the year 2018 which also experienced highest supply. Given the increase in vacancy levels in the micro-market, majority of the upcoming supply is expected to be absorbed within next two to three years
  - The micro market is expected to witness an average annual demand of approximately 2.0 Million sq. ft. between 2020 - 2022. Considering the share of the Tower A & B in the Subject Property (100%) in the supply of year 2020, annual leasing of about 0.4 – 0.5 Million sq. ft. can reasonably be assumed for next two years
  - We also expect that some portion of the property is expected to be pre-leased. The same has been apportioned in line with the reasonable absorption velocity stated above, the available time period for good market exposure during construction.
  - Competition for the Subject Property in the near future would primarily arise from recent relevant deliveries in the market with high vacancies and new supply; namely,



- Future Supply – DLF IT Park with 0.2 Million sq. ft. and is expected by delivered by 2021
- Future supply – RMZ one paramount with 1.0 Million sq. ft. and which is expected to be delivered by 2022

### Subject Property and Relevant Existing/Upcoming Supply



- Considering the above, it would be reasonable to believe that the buildings in the Subject Property shall be able to achieve the following leasing schedule:
  - With the current leasing activity in the micro market we have considered approx. 0.3 Million sq. ft. of leasable area in Q1 2021, and 0.4 Million sq. ft. of leasable area in Q4 2021
- We have taken a 2% stabilized vacancy which is in line with the market trend.

**Capital Expenditure Remaining**

Capital Expenditure Phasing		31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21
Capital Expenditure Phasing	%	8%	4%	0.5%	0.5%
Cost to be Incurred	INR Million	330	110	19	19
General Development	INR Million	60	46		

**Revenue Assumptions**

Revenue Assumptions	Unit	Details
Achievable Market Rent	Per sq.ft./month	INR 63.00
Market Rent growth rate	% p.a.	5.0%
Parking income growth rate	% p.a.	5.0%
Normal Market lease tenure	years	9 years
Normal market escalation at end of every	years	3 years of lease tenure
Market escalation at end of escalation period	%	15%
CAM/O&M Income prevailing in the market	Per sq.ft./month	12.00

- **Market rent - office:** Achievable market rent for the subject property has been considered in line with the market rent trends. In 2019 & Q3-2020, approximately 1.0 Million sq. ft. was leased in the rental range of INR 60-70 psf / month. Some of the lease transactions in 2019 & 2020 have been detailed in the table below

**Lease Transactions 2019-20:**

Tenant	Year	Area Leased (sq. ft.)	Rent (INR psf)
IDPE	2019	41,072	72
ELI Global	2019	10,537	65
Touch 2 Success	2019	51,000	75
Fourkites Inc	2019	14,800	75
Smart Works	2019	80,298	70
Koenig Solutions	2019	13,000	65
FLDEC systems	2019	26,000	65
Amplexor	2019	12,000	60
T2S Software	2019	15,000	75
L&T	2019	22,056	75
Ernst & Young Global	2019	44,170	53
Oyo Business Centre	2019	23301	75
Maladi Pharma	2019	15534	72
Alight	2019	13000	62
Yokogawa	2019	7170	70
Cooper Standard	2019	7767	70
Visionary RCM	2020	43644	75
Work EZ	2020	65000	68
Hochtief	2020	26000	75
CBTS Technology	2020	21766	65
Central Square	2020	9000	105
Visionary RCM	2020	43644	75

- **Market rent growth rate:** The rentals in the micro market had a CAGR of 3.7% between the years 2015 – Q3 2020. Approximately 2.6 Mn sq. ft. of new supply is coming in the micro market between 2020 - 2022. Rentals are expected to grow in the range of 3-5% in the medium to long term with the upcoming supply and expected absorption. However, due to current market condition we have not assumed any rental escalation for next 18

months and there after i.e. from April 2022 onwards considered annual rental growth rate of 5% for the Subject Property.

### Cost Assumptions

Cost Assumptions	Unit	Details
Brokerage cost (New Lease)	INR	2 Month Rent
Brokerage cost (Renewal/Release)	INR	1 Month Rent
CAM Margin – FY21	Per sq.ft./month	INR 2.90
Normalized CAM Margin	Per sq.ft./month	INR 2.10
Current CAM/ O&M cost	Per sq.ft./month	INR 6.50
Property Tax	Per sq.ft./month	INR 2.40
Insurance	Per sq.ft./month	INR 0.20
CAM Escalation	% p.a.	5%
Cost escalation	% p.a.	3%
Transaction cost on sale	% of Terminal Value	1.0%
Other Operating Expenses	% of Lease Rentals	2.0%
Property Management fees	% of Lease Rentals, Parking income, Other operating income and fit out income	3.5%

- **Brokerage:** In accordance with the market benchmarks for Grade A property, brokerage expenses amounting to two months for new leases and one month for existing lease rollovers has been assumed.
- **CAM margin:** Normalized CAM margin being earned by the Subject Property has been assumed to be at INR 2.1 per sq. ft., per month (at current cost, duly adjusted for inflation till the stabilisation year post completion) and thereafter escalated at the assumed inflation rate. The escalation is effective 1st April of every year.
- **Property tax and insurance cost** have been benchmarked at similar properties in the portfolios in identical municipal or local jurisdictions as on the date of valuation
- **Other operating expenses** and have been assumed at 2% of the lease rentals.
- Based on information received from the Client, **property management fees** have been assumed at 3.5% of lease rentals, parking income, other operating income and fit out income.
- **Transaction cost** has been assumed at 1% of the terminal value and is expected to be incurred towards brokerage, transaction fees, etc.

**Capitalisation and Discount rate assumptions**

Discounting Assumptions	Unit	Details
Terminal Year Capitalisation rate	% of Net Operating Income	8.00%
Discount Rate	%	11.75%

- Capitalisation Rate:**

Capitalisation rate ("Cap rate") is a real estate industry metric referring to the ratio of the Net Operating Income (NOI) arising rental income to their gross asset value indicating the expected income yield of the investor from concerned property. It reflects the expectation of the investor on stability of rental income driven by the asset quality, tenant profile, market demand-supply dynamics and macro-economic expectations on prevailing risk free/low risk interest rates.

In order to arrive at the capitalization rate for the property, relevant parameters of some key investments in comparable properties of similar quality, use, tenant profile made by institutional real estate investors were perused. Further, considering that these investments have been made through private equity and the subject valuation is being carried out for a potential public listing with better liquidity/marketability of ownership interest, the cap rate for the subject properties has been assumed to be 8% in line with the available market information applied on the one year forward NOI in the terminal year.

Name of Seller	Name of Buyer	Location	City	Name of Building	Type of Building	Year of Transaction	Area (Sq.Ft.)	Deal Size (INR Mn)	Capitalization Rate
Tishman Speyer -GIC	Shapoorji Pallonji-Allianz	Gachibowli, Hyderabad	Hyderabad	Waverock	Commercial	2019	23,00,000	18,000	~8%
Radius Developers	Blackstone	Bandra, BKC	Mumbai	One BKC	Commercial	2019	7,00,000	25,000	8%-8.25%
Essar Group	Brookfield Asset Management	Off BKC, Mumbai	Mumbai	Equinox Business Park	Commercial	2018	12,50,000	24,500	~8.5%
Indiabulls Real Estate	Blackstone	Ambattur, Chennai	Chennai	One Indiabulls	Commercial	2018	18,80,000	9,000	8.33%
JV of Shapoorji and CPPIB	Mapletree	Perungudi Chennai	Chennai	SP Infocity	Commercial	2018	27,00,000	24,000	7.75%-8%

Source: Secondary Market Research

Note: The above information is based on information published in public domain and discussions with various market players

- Discount Rate**

This discount rate applied to the available cash flows reflect the opportunity cost to all the capital providers, namely shareholders (Cost of Equity) and creditors (Cost of Debt), weighted by the relative contribution to the total capital of the company (WACC). The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

For the purpose of arriving at the Cost Equity, a peer group of listed comparable were studied and suitable adjustments made therein to reflect the specific opportunities and characteristics of the Subject Property as part of a listed portfolio. The Cost of Debt is assumed on the basis of the marginal cost of debt that the SPV owning the Subject Property has been able to avail and the general borrowing rates of similar assets. The Weights attributed to equity and debt were benchmarked against similar portfolios/properties in the market.

The derived discount rate of 11.75% was then compared against the publicly available example of Embassy Office Parks REIT to check its reasonableness and was found to be aligned with the expectations of international investors investing in similar assets.

## 6 Market Value

The Valuer is of the opinion that subject to the overriding stipulations contained within the body of this report and to there being no onerous restrictions or unusual encumbrances of which he has no knowledge, the opinion of value of the complete ownership interest in the Subject Property comprising land and improvements thereon, as explained above, on the below mentioned dates, is as follows,

Component	Market Value as on	In Figures	In Words
Completed Building	30 September 2020	INR 6,204 Million	Indian Six Billion Two Hundred and Four million only

### Ready reckoner rate

The ready reckoner rate as published by the Government of Tamil Nadu for the jurisdiction of the Subject Property's location is

Component	Rate
Land/FSI	INR 3,350 per sq ft

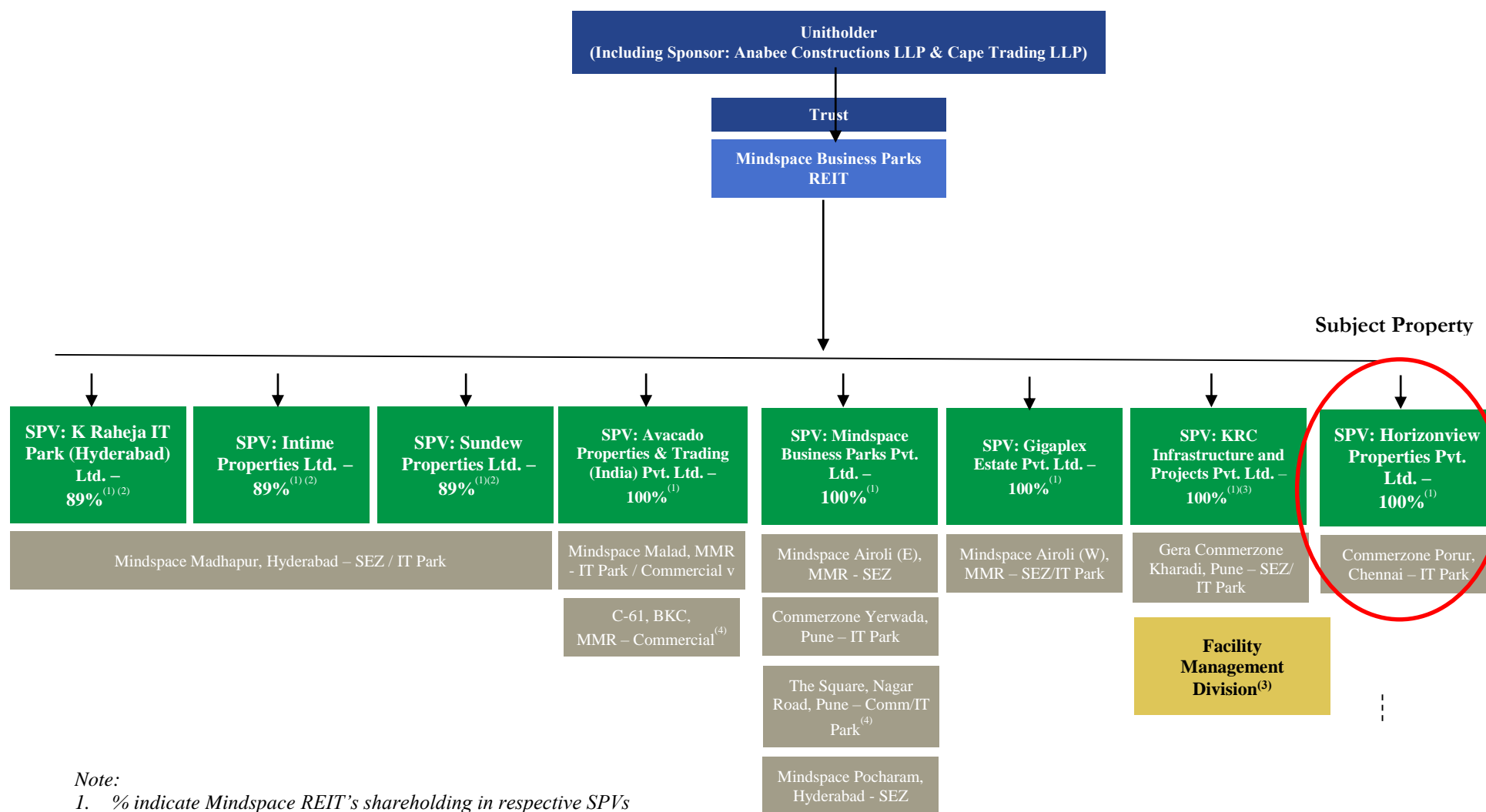
I, Shubhendu Saha, the Valuer for the Subject Property, hereby declare that:

- I am fully competent to undertake the valuation,
- I am independent and have prepared the report on a fair and unbiased basis, and
- I have valued the properties based on the valuation standards as specified under sub-regulation 10 of regulation 21 of Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

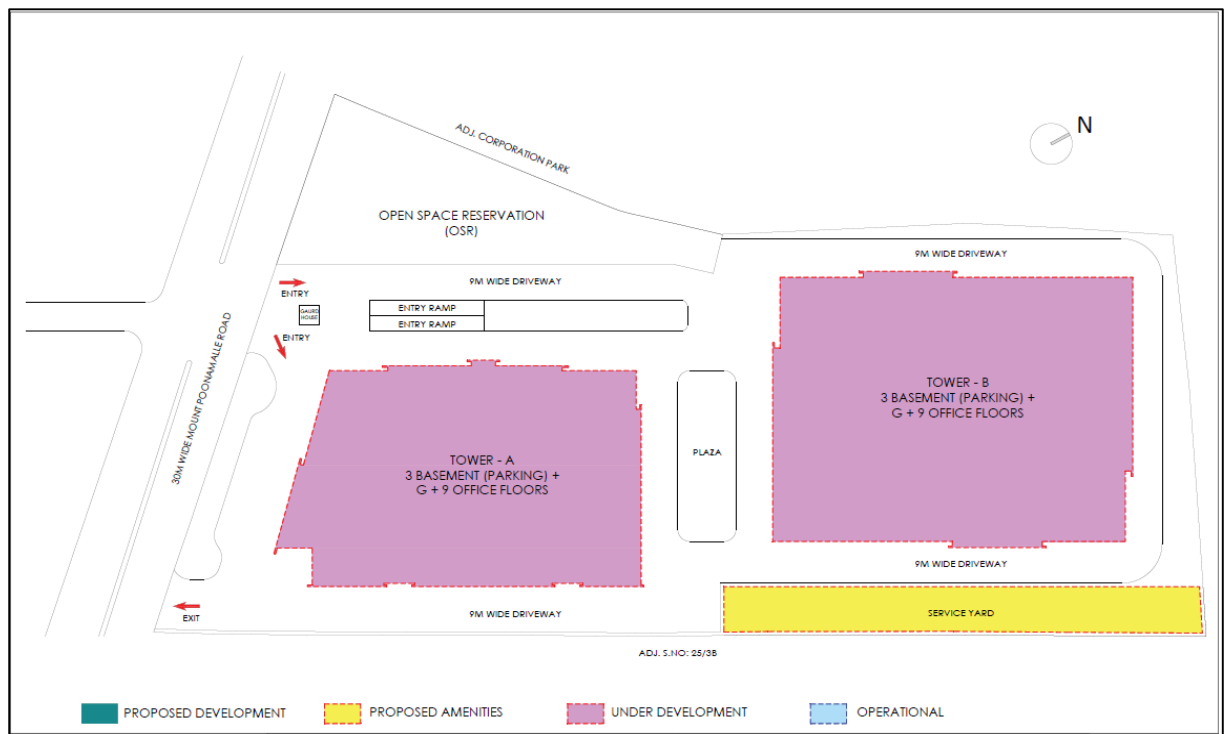
Prepared by



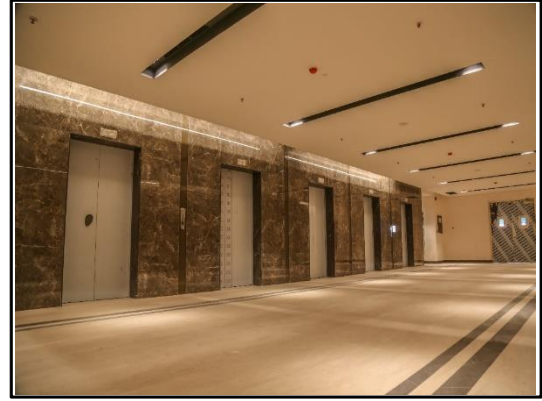
(Shubhendu Saha)  
IBBI/RV/05/2019/11552

**Annexure 1: Ownership Structure of Subject Property****Note:**

1. % indicate Mindspace REIT's shareholding in respective SPVs
2. 11% stake in these SPVs is held by Telangana State Industrial Infrastructure Corporation Limited
3. Facility Management Division is housed in KRC Infrastructure and Projects Pvt. Ltd.

**Annexure 2: Site Layout**

**Annexure 3: Property Photographs**



View of the Subject Property



View of the floor plate at the site



View of the Subject Property



**Annexure 4: Statement of assets**

Building	No./Name	Tower A	Tower B
<b>Floor</b>	Nos	3 Basements + GF + 9 Office Floors	3 Basements + GF + 9 Office Floors
<b>No of DG / Capacity</b>	No. / KVA	DG Set Capacity - 4 Nos 1750 KVA (3 working + 1 standby),	DG Set Capacity - 4 Nos 2000 KVA (3 working + 1 standby),
<b>No of Transformers / Capacity</b>	KVA	Transformer Capacity - 2 Nos x 2500KVA	Transformer Capacity - 3 Nos x 2000KVA
<b>Chiller Rating</b>	TR	Water cooled chiller - 500TR x 2Nos Air cooled chiller - 250TR x 2Nos (Standby)	Water cooled chiller - 600TR x 2Nos Air cooled chiller - 300TR x 2Nos (Standby)
<b>Cooling tower</b>	BTU/hr	Capacity - 75,00,000 BTU/hr Qtyx2Nos	Capacity - 90,00,000 BTU/hr Qtyx2Nos
<b>FF System (Pumps) &amp; Engine</b>	LPM	Jockey Pumps - 2Nos (180LPM) Electrical Pumps - 2Nos(2850LPM) Diesel Pump - 1No(2850LPM) Water Curtain - 1No(2850LPM) Terrace Booster Pump - 1No(900LPM)	Jockey Pumps - 2Nos (180LPM) Electrical Pumps - 2Nos(2850LPM) Diesel Pump - 1No(2850LPM) Water Curtain - 1No(2850LPM) Terrace Booster Pump - 1No(900LPM)
<b>Water pumping system (Domestic &amp; Flushing)</b>			
<b>STP Rating</b>	<b>KLD</b>	<b>370KLD (20hrs Operation)</b>	
<b>Warm Shell / Bare shell</b>		Warm shell	

**Annexure 5: List of sanctions and approvals**

List of one-time sanctions/approvals which are obtained or pending

**Approvals Received**

- a) Building/Planning Permit
- b) Commencement Certificate
- c) Height clearance NOC from AAI
- d) Planning Permit
- e) Approval from ELCOT
- f) Building Permission
- g) Occupancy Certificate
- f) Lift NOC

**Annexure 6 Cash Flow – Completed Buildings**

Particulars	Unit	1	2	3	4	5	6	7	8	9	10
		01-Oct-20	01-Oct-21	01-Oct-22	01-Oct-23	01-Oct-24	01-Oct-25	01-Oct-25	01-Oct-27	01-Oct-28	01-Oct-29
		30-Sep-20	30-Sep-21	30-Sep-22	30-Sep-23	30-Sep-24	30-Sep-25	30-Sep-26	30-Sep-27	30-Sep-28	30-Sep-30
<b>OPERATING INCOME</b>											
Lease Rentals	INR Million	95.5	498.6	600.9	616.1	686.0	691.0	708.5	788.8	790.7	693.8
Parking Income	INR Million	4.0	18.6	20.8	21.9	22.9	24.1	25.3	26.6	27.8	30.0
O & M income	INR Million	26.3	84.1	92.7	97.9	102.4	107.3	113.3	118.5	123.4	128.1
Other Operating Income	INR Million	1.0	5.0	6.0	6.2	6.9	6.9	7.1	7.9	7.9	6.9
Cafeteria Income	INR Million	-	-	-	-	-	-	-	-	-	-
<b>Total Income</b>	<b>INR Million</b>	<b>126.8</b>	<b>606.3</b>	<b>720.4</b>	<b>742.0</b>	<b>818.2</b>	<b>829.3</b>	<b>854.2</b>	<b>941.8</b>	<b>949.8</b>	<b>858.8</b>
<b>Total Income from occupancy</b>	<b>INR Million</b>	<b>126.8</b>	<b>606.3</b>	<b>720.4</b>	<b>742.0</b>	<b>818.2</b>	<b>829.3</b>	<b>854.2</b>	<b>941.8</b>	<b>949.8</b>	<b>858.8</b>
<b>OPERATING COSTS</b>											
O & M cost	INR Million	(24.5)	(46.8)	(67.0)	(74.9)	(78.7)	(82.6)	(86.8)	(91.1)	(95.7)	(100.4)
Insurance Cost	INR Million	(1.5)	(2.0)	(2.1)	(2.1)	(2.2)	(2.3)	(2.3)	(2.4)	(2.5)	(2.6)
Property Taxes	INR Million	(17.8)	(24.4)	(25.1)	(25.9)	(26.6)	(27.4)	(28.3)	(29.1)	(30.0)	(30.9)
<b>Total Operating Costs</b>	<b>INR Million</b>	<b>(43.8)</b>	<b>(73.2)</b>	<b>(94.2)</b>	<b>(103.0)</b>	<b>(107.5)</b>	<b>(112.3)</b>	<b>(117.4)</b>	<b>(122.6)</b>	<b>(128.1)</b>	<b>(133.9)</b>
<b>Net operating Income</b>	<b>INR Million</b>	<b>83.0</b>	<b>533.0</b>	<b>626.2</b>	<b>639.1</b>	<b>710.7</b>	<b>717.0</b>	<b>736.8</b>	<b>819.2</b>	<b>821.7</b>	<b>724.9</b>
Terminal Value	INR Million	-	-	-	-	-	-	-	-	-	10,420.7
Transaction Cost	INR Million	-	-	-	-	-	-	-	-	-	(104.2)
Fit Out Income	INR Million	-	-	-	-	-	-	-	-	-	-
<b>Total Net income</b>	<b>INR Million</b>	<b>83.0</b>	<b>533.0</b>	<b>626.2</b>	<b>639.1</b>	<b>710.7</b>	<b>717.0</b>	<b>736.8</b>	<b>819.2</b>	<b>821.7</b>	<b>11,041.4</b>
Property Mangement Fees	INR Million	(3.5)	(18.3)	(22.0)	(22.5)	(25.1)	(25.3)	(25.9)	(28.8)	(28.9)	(25.6)
Other Operating Expenses (R&M, Legal, Professional, Bad Debts and Rates and Taxes)	INR Million	(2.0)	(10.3)	(12.4)	(12.8)	(14.2)	(14.3)	(14.7)	(16.3)	(16.4)	(14.5)
Brokerage Expenses	INR Million	(47.3)	(47.3)	-	-	-	-	-	-	-	(36.7)
<b>Net Cashflows before construction cost</b>	<b>INR Million</b>	<b>0</b>	<b>30</b>	<b>457</b>	<b>592</b>	<b>604</b>	<b>671</b>	<b>677</b>	<b>696</b>	<b>774</b>	<b>10,965</b>
Construction Cost	INR Million	(478)	-	-	-	-	-	-	-	-	-
Project support services cost	INR Million	-	-	-	-	-	-	-	-	-	-
General Development	INR Million	(106)	-	-	-	-	-	-	-	-	-
<b>Net Cashflows</b>	<b>INR Million</b>	<b>0</b>	<b>(554)</b>	<b>457</b>	<b>592</b>	<b>604</b>	<b>671</b>	<b>677</b>	<b>696</b>	<b>774</b>	<b>10,965</b>

## Annexure 7 Ready Reckoner Rate

**Search Criteria :**

Zone: Chennai  
Guideline Village: IYYAPPANTHANGAL  
Revenue District: KANCHEEPURAM

Sub Registrar Office: Chennai South Joint I  
Revenue Village: AYYAPPAN THANGAL  
Revenue Taluka: PALLAVARAM

Below Search results are as on 26-Aug-2019 04:56 PM

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5 6 7 8 9 0 [List all Street](#)

9 items found, displaying all items.

Sr.No.	Street Name	Guideline Value (₹) (British Value)	Guideline Value (₹) (Metric Value)	Land Classification
1	MADURA NAGAR	1206/ Square Feet	12985/ Square Metre	Residential Class III Type - I
2	MARIAMMAN KOIL STREET	804/ Square Feet	8660/ Square Metre	Residential Class IV Type - II
3	MARUTHI NAGAR	1340/ Square Feet	14430/ Square Metre	Residential Class II Type - I
4	METTIU COLONY	1005/ Square Feet	10825/ Square Metre	Residential Class IV Type - I
5	METTIU COLONY 1ST STREET	1005/ Square Feet	10825/ Square Metre	Residential Class IV Type - I
6	METTIU COLONY 2ND STREET	1005/ Square Feet	10825/ Square Metre	Residential Class IV Type - I
7	METTIU STREET (VANNIYA)	1340/ Square Feet	14430/ Square Metre	Residential Class II Type - I
8	M.G.R.STREET (SLUM BOARD)	670/ Square Feet	7215/ Square Metre	Residential Class IV Type - III
9	MOUNT POONAMALLEE ROAD	3350/ Square Feet	36070/ Square Metre	Commercial Special Type - I

[Go Back To Main Menu](#)

**Annexure 8      Caveats & Limitations**

1. The Valuation Report (hereafter referred to as the “Report”) covers specific markets and situations that are highlighted in the Report based on independent market report prepared by Cushman and Wakefield and does not entail any comprehensive analysis of the market and the industry given the nature of the scope of the assignment.
2. The opinions expressed in the Report are subject to the limitations expressed below.
  - a. The valuation method adopted is based on the Valuer’s expertise and knowledge taking into account the forecasts on demand, supply and pricing as undertaken by Cushman and Wakefield as part of an independent market/ industry research and considered to be relevant and reasonable at that point of time. The Report and the opinions therein do not constitute any recommendation to **K Raheja Corp Investment Managers LLP**. (or “the Client”) or its affiliates and subsidiaries or its customers or any other party to adopt a particular course of action. The use of the Report at a later date may invalidate the assumptions and bases on which these opinions have been expressed and is not recommended as an input to any financial decision.
  - b. It should be noted that the valuation is based upon the facts and evidence available at the time of conduct of the valuation and applicable on the date of valuation. It is therefore recommended that these valuations be periodically reviewed.
  - c. Changes in socio-economic and political conditions could result in a substantially different situation than those presented herein. The Valuer assumes no responsibility for changes in such external conditions.
  - d. The Valuer has relied on the independent market report prepared by Cushman and Wakefield and his own macro understanding of the market through readily available information in public domain. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis herein.
  - e. The services provided is limited to valuation of the Subject Property primarily comprising Land and Building and any part thereof and does not constitute any audit, survey, due diligence, tax related services etc. Accordingly, no opinion has been expressed on the financial information of the business of any party, including the Client and its affiliates and subsidiaries. The Report is prepared solely for the purpose stated, and should not be used for any other purpose.
  - f. While the information included in the Report is accurate and reliable to the best of the knowledge of the Valuer, no representations or warranties, expressed or implied, as to the completeness of such information is being made. The Valuer shall not undertake any obligation to update or supplement any information contained in the Report save as provided for in the Agreement.
  - g. Apart from the sources already mentioned in the report, the Valuer has relied on readily available public information for the purpose of preparing this report.

3. The Report reflects matters as they currently exist. Any changes thereon may materially affect the information contained in the Report.
4. All assumptions made in order to determine the valuation of the Subject Property is based on information or opinions as current. In the course of the analysis, the Valuer has relied on information or opinions, both written and verbal, as obtained from the Clients as well as from third parties provided with, including limited information on the market, financial and operating data, which has been accepted as accurate in bona-fide belief. No responsibility is assumed for technical or specialised information furnished by the third-party organizations and this is believed bona-fide to be reliable.
5. No investigation of the title of the assets has been made and owners' claims to the assets is assumed to be valid unless anything contrary is mentioned in the main report. No consideration is given to liens or encumbrances, which may be against the Subject Property or assets. Therefore, no responsibility is assumed for matters of a legal nature.
6. The Valuer's total aggregate liability to the Client including that of any third party claims, in contract, tort including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the services is limited to an aggregate sum as agreed in the LOE. The Valuer shall not be liable for any pure economic loss, loss of profit, loss of business, depletion of goodwill, in each case whether direct or indirect or consequential or any claims for consequential loss compensation whatsoever which, arise out of or in connection with services provided under this engagement.
7. The Client including its agents, affiliates and employees, must not use, reproduce or divulge to any third party any information it receives from the Valuer for any purpose except as set out therein.
8. This engagement shall be governed by and construed in accordance with Indian laws and any dispute arising out of or in connection with the engagement, including the interpretation thereof, shall be submitted to the exclusive jurisdiction of courts in New Delhi.