"Mindspace Business Parks REIT Q2 FY '24 Earnings Conference Call"

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(This document has been edited for clarity and accuracy wherever required)

Moderator: Ladies and gentlemen, good day and welcome to the earnings call for Q2 FY 2024 Financial Results for Mindspace Business Parks REIT Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Garewal. Thank you and over to you, sir.

Nitin Garewal: Good afternoon everyone and thank you for joining this second quarter financial year 2024 earnings call of Mindspace Business Park's REIT.

At this point, we would like to highlight that the management may make certain statements that may be forward-looking in nature. Please be advised that our actual results may differ materially from these statements. Mindspace REIT does not guarantee these statements or results and is not obliged to update them at any point of time.

I would now like to welcome our new CEO, Ramesh Nair, who joined us last month and our CFO, Preeti Chheda. They will first walk you through the business update and the financial performance during the quarter gone by.

We will then open the call to Q&A. I now hand over the call to Ramesh. Over to you.

Ramesh Nair: Thanks Nitin. Hello everyone. Thanks for joining us for Mindspace REIT's Q2 FY24 earnings call. I am Ramesh Nair, and this is my first interaction with you as the new CEO. I took over from Vinod two months back and I'm excited to continue the great work Vinod started in this organization. Vinod continues to support me as a mentor, as a senior colleague in the KRC overall group, and also as a board member of the Mindspace REIT. We are in a very exciting phase of growth, and I look forward to carry on the legacy of this fantastic organization going forward.

Now let's have a look at the macro picture. Globally there are some challenges like high interest rates, inflation, but things are looking definitely better in India. Last IMF prediction on our GDP growth was 6.3% for financial year '24. India has been seeing a strong growth, a lot of business-friendly policies, and lots of global companies looking at us and also the benefits which come from the China plus one strategy.

As per comments made by a few IT majors which was carried in the media in the last one month a lot of companies are asking employees to come back to their offices in India. And this is quite different from what we are seeing in western economies.

This is definitely creating a demand for good office spaces, especially grade A ones, the types which we develop. We are also seeing demand from GCCs has increased and domestic organizations, a lot of Indian organizations especially BFSI are preferring to move towards grade A assets which is again helping us.

Reports suggest that the amount of office space being rented this year will be similar to last year. That could be somewhere in the 37 to 40 million square feet, and everyone wants to be in a better office building. Despite some of the short-term challenges we remain positive about the future, and we are focusing on adding top notch assets to our portfolio. Now let's dive into our recent performance.

We leased about 0.8 million square feet during the quarter, 0.6 million square feet of re-leasing and 0.2 million square feet of new and vacant area leasing. We also achieved a re-leasing spread of around 9.7%. Our committed occupancy is around 86.5%. This is lower sequentially due to we acquired a property in Chennai of 0.24 million square feet which is not fully leased, and some tenant exits which we are working on to re-lease the same.

We achieved an average rent of 75 per square feet per month for the leases during the quarter which increased our in-place rent to 67 per square feet per month as of 30th September recording a growth of 6.4% year on year. PDG, a data center operator which currently has their facility in Airoli West have given us a go ahead for commencement of construction of the second data center block of 0.3 million square feet. We are working towards early delivery of this asset.

We have also received board approval for entering a revised MOU with Chalet Hotels. We will be developing a mixed-use asset in Airoli East combining offices of 530,000 square feet and a hotel of 280,000 square feet creating a nice mixed use ecosystem. We will then lease the hotel to Chalet. This helps us develop 500,000 square feet of non-SEZ IT offering at a park which is currently entirely SEZ. This also gives us the ability to continue our leasehold ownership of the land and along with the upcoming high street this is expected to create a halo effect for the business park.

Our operating performance has led to good financial growth. Our revenue from operations in Q2 FY '24 grew by 20.6% year-on-year to 5,997 million. NOI grew by about 17.7% year-on-year to INR4,912 million. Our distributions for the quarter stood at INR2,841 million or INR4.79 per unit. Regarding acquisitions, we acquired a 0.24 million square feet project park in Commerzone Porur, Chennai for 1,816 million. Now we own 100% of the asset and have full control of the entire park.

On the development side, we are constructing 2.9 million square feet of new buildings. We are getting building 7 and 8 in Madhapur ready for redevelopment. Some of you would have recently heard about how we used the implosion technology to knock down these buildings quickly and efficiently. It took only 8 seconds. Typically, this takes around 3 to 4 months for a regular demolition. We are going to build a best-in-class building covering close to 1.6 million square feet at this site. It will be of the highest quality and will be a great place for business. We are going in for LEED Platinum and also WELL certification standards for this project. We will be finishing this building by the first quarter of financial year 27 and it's probably going to be the best building in our portfolio when it's done.

These developments are again as per our plan to make our business parks better. We want to be modern, we want to leave a big impact, and we want to be good for the environment. These we believe are key for organic growth over the next few years. We will continue to look for growth opportunities within and outside our portfolio. On the sponsor side, new developments are happening in key micro-markets of the cities we are present in. These can potentially add to the REIT growth pipeline in the future.

We conducted multiple entertainment and recreational activities across the parks. These events attracted massive participation from employees across the parks. Parks events like these help us develop healthy, long-term business relationships with our tenants and employees of our tenants.

On the ESG front, in 2023, GRESB rating, Mindspace REIT became the first Indian commercial real estate entity to receive 100 out of 100 in Office Development Benchmark with the coveted title of Global Listed Sector Leader. We were ranked first in Asia in the Listed Companies category for commercial business development. We received five-star GRESB rating for the second consecutive year and we scored 91 out of 100 in the Standing Investment Benchmark ranking as sixth amongst real estate peers across Asia again with a five-star rating. We truly believe that ESG is very integral to our business and this award shows our dedication to grow in a sustainable way. We are committed to doing even better in the future and we will work closely with tenants, our partners and communities on sustainability projects.

On the SEZ front, the proposed denotification of SEZ units flow-wise shall be a very positive reform from the government side and it will help the industry to make most of SEZ office space in the country. We look forward to the announcement of this amendment as it will unlock idle workspace and capture demand.

Now I will hand it over to Preeti, our CFO for financial updates during the quarter. Over to you, Preeti.

Preeti Chheda: Thank you, Ramesh. Good afternoon, everyone.

I am happy to present our financial performance for the second quarter of the FY 2024.

We closed the second quarter with revenue from operations of INR6 billion, registering a growth of 20.6% year-on-year. Our net operating income stood at approximately INR4.9 billion recording a strong 17.7% year-on-year growth**.** I would also like to highlight that the revenue and NOI for Q2 FY '24 include one-off being compensation from a tenant and scrap income from a building demolition at Mindspace Madhapur, both together totaling to INR120 million. Excluding these one-offs, revenue for Q2 FY '24 grew 18.2% and NOI grew 14.9% on year-on-year basis, respectively. Excluding the facility management business and distribution licensee business, the NOI margin stood at a healthy 87%.

We announced a distribution of approximately INR2.84 billion which is INR4.79 per unit for the quarter. The distribution comprises approximately 90% i.e. INR4.3 per unit of dividends which is not subject to tax in the hands of unit holders and approximately 10% which is INR0.49 per unit of interest.

Our cost of debt stood at 7.8% at the end of Q2 FY '24. We have constantly been optimizing the mix of our fixed and variable cost debt to reduce the overall interest cost. During the quarter, we raised INR5 billion through fixed coupon and CD at the REIT level. The issuance carried an effective coupon of 7.94% on a p.a.p.m. basis, taking our fixed cost debt to 56.1% out of our total outstanding debt. We continue to look at the alternative ways to help us reduce our debt cost. Our net debt as of 30, September 2023 was approximately INR56.7 billion. In addition, we have undrawn committed lines of approximately INR6 billion from financial institutions. Our LTV continues to remain low at 19.8%.

As regards to half yearly valuation of our portfolio, the gross asset value of our portfolio as valued by the independent valuers as of 30, September 2023 stood at INR287 billion recording a growth of 2.3% versus the valuation at March 31, 2023. Approximately, 92.1% of the value came from completed assets. Our NAV per unit at 30, September 2023 stood at INR369.6 per unit. It's a 6% drop versus March '23, mainly on account of changes by the valuer in assumptions of leasing and market rent in certain markets and increase in other liabilities.

As Ramesh mentioned, we shall continue to focus on execution of the on-going development within the portfolio. Our asset enhancement programs have helped make over the parks and re-energize them, which shall help long-term growth of NOI of the portfolio. The strength of our balance sheet gives us a headroom for both organic and inorganic growth of the portfolio.

As most of you are aware, the Indian REITs Association ('IRA') was launched in September. IRA's primary objective is to develop REITs market in India, set high standards of governance, and to protect the interests of REITs and unit holders. As founding members of IRA, all REITs are working closely on various stakeholder engagement initiatives to create larger awareness of the product amongst investors, especially domestic non-institutional investors. We expect this, together with progressive policy reforms, to provide the much-needed liquidity to this instrument.

With this backdrop, I hand over the call to the operator to open the floor for questions. Thank you.

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

Adhidev Chattopadhyay: Good evening, everyone. Thank you for the opportunity. The first question is on the SEZ denotification. Sir, by when do you expect this to come through? And when do you see the earliest possible implementation of the same? That's the first question.

Ramesh Nair: Hi, Adhidev. On the SEZ status, we believe we are nearly at the finish line. And that's what we've been hearing from different people in the market. I think it could happen sooner than later.

Adhidev Chattopadhyay: Okay. But is it something by March or what is it that we are looking at? Is it something in this financial year or is it something which will slip in the next year?

Ramesh Nair: I think it will happen sooner than that.

Adhidev Chattopadhyay: Okay. The second question is on the overall vacancy that was right obviously, we have done that acquisition in Chennai, we've seen a bit of exits. So here on, where do you see the overall committed occupancy trending for the portfolio, let's say, over a longer period of 12 months to 18 months time horizon, considering all things?

Ramesh Nair: So occupancy has gone down from 88.8% to 86.5%. That's a drop of 2.3%. Now, this 2.3%, 1.3% was in Madhapur. 0.7% was in Airoli and the 0.7% was the Porur addition which we spoke of. But there was also some extra leasing we did in Nagar Road and Yerwada for 120,000 square feet. So, we believe this will further improve. It will go up to around 88% towards the end of the financial year.

Adhidev Chattopadhyay: Okay. And, sir, with all the SEZ bill, if it comes through another whatever leasing by GCC, so any longer-term outlook you'd like to share? Directionally, I'm not asking for a number, but directionally, when do you expect to get back to three year, four years or something like that?

Ramesh Nair: Yes. So, after, if this asset SEZ de-notification happens, we'll be effectively left with around 2 million square feet. We're not including Pocharam, which we want to divest. And also, Gigaplex, where we have a 0.4 million square feet, building 5, which will get leased automatically, which leaves us with 2 million square feet, which is Airoli East, 0.8 million square feet, West, 0.9 million square feet, and Madhapur, 0.2 million square feet. All this is SEZ vacancy, which I was speaking about. We believe this will go within 18 months to 24 months.

We believe the Navi Mumbai market is around a 1 million square feet per annum market. Madhapur is around a 4.5 million to 5 million square feet market. So, we believe these vacancies would be done and dusted with around 18 months to 24 months.

Adhidev Chattopadhyay: Okay, fine, sir. Okay, sir, that was very helpful. That's it from my side and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwalla from Kotak. Please go ahead.

Murtuza Arsiwalla: Thank you. Welcome, Ramesh, to the team. Two questions from my side. One is, when I look at the rental, it's very encouraging to see the in-place rentals grow. But the gap between the in-place and market rental seems to be coming down. The trend that we've seen is through the course of the pandemic until now, the market rentals don't seem to have moved too much. Any sense of how we should think of that gap or whether the market rentals will move up? Or should we worry about contractual escalations given the gap is as little as it is?

And the second question is, regarding the arrangements on the hotel lease with Chalet as well as the data center. Can you give us some more indication on the commercials, etcetera? Will it be a fixed lease with Chalet or is it an revenue share? And with the data center, what are the kind of rentals and the tenure that we are looking at for the data center asset and the capex that will go in to build that asset?

Ramesh Nair: So, Murtuza, on the office rental part, I'll take the question. On the office rental part, what we have seen is in the last three years, four years, there's been a lot of supply coming in compared to demand. Post-COVID-19 was a great year. 2021, we all know what happened. '22, again, was a good year. But supply which came in 2021, 2022, supply coming in 2023, that kind of has gone up. And that, we believe, has been having an impact on the overall rentals.

The other thing to also remember is I was just checking both the CBRE data and the JLL data, this year, for the first nine months, demand is down around 14% as per JLL data. And as per CBRE data, the demand for the first nine months is down around 5%. This is why we believe the rentals haven't gone up significantly in all these markets.

Preeti, you want to talk about the hotel deal and the data center?

Preeti Chheda: Yes, sure. Hi, Murtuza. The hotel deal is we are renting the hotel area to Chalet. It's a long-term lease. There's no revenue share. It's going to be a pure rent, similar to what we are getting from the other tenants in the park.

In terms of the cost, the whole composite structure would be somewhere between INR600 crores to INR650 crores, which will be spent over the next three years. Data center, again, a long-term similar terms in terms of tenure, similar to the earlier one. Rentals, as we've always said, are much higher than the office rent. That's the reason these make a lot more sense to us. In terms of cost, it would be somewhere around INR150 crores, which will be spent over the next 18-odd months.

Murtuza Arsiwalla: Thank you.

Preeti Chheda: Thank you.

Moderator: Thank you so much. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for the opportunity. First question is on the expiry that we saw in Madhapur this quarter. By when should we expect that to be leased out, considering that SEZ demand has been stronger in Hyderabad? What's your view on this point?

Ramesh Nair: Hyderabad has been a very strong market for us in spite of having SEZ we've been getting good. of traction. I was there last week and was pleasantly surprised by the kind of RFPs, our brokerage partners were talking about. It's definitely going to be less than a year where this space will go.

The best thing for us is, it's undoubtedly not one of the best located parks in Hyderabad but the best located park in Hyderabad with the metro landing there, big business park low-rise business park kind of a feel, lot of greenery, shopping around, hotels around, residential around, so the concept of work, live and play that's possible there.

We are again upgrading all the older buildings. So, Hyderabad, we are quite comfortable and given the current demand in the market and some of the RFPs which we have seen in the last one month- two months, it's definitely less than a year.

Pritesh Sheth: Got it. Second question is on your NDCF lockdown, so we still saw higher debt versus the capex that we have spent, and we have been talking about removing the dividend support that we have been giving since last couple of years. So, this is just a quarterly imbalance that we should look at it or how should we see this income support going forward?

Preeti Chheda: Pritesh, firstly, there is no income support. If you look at the number and in fact, we put a note to that effect, the only reason why you are seeing this updation between capex and the debt is because fit out expenditure which we do is actually capex in nature because the way the NDCF has to be presented and more, so the cash flows have to be presented under Ind AS.

The fit-out cost that we incur actually gets clubbed with working capital. We have almost INR75 crores of capex that we have incurred for the tenants on fit out, which is sitting in working capital. So, if you pull that out, you are actually not having any income support and that is how, you will have to look at this one.

Pritesh Sheth: Okay, got it, fair enough and just last continuing to the Murtuza's question on market rentals, I saw in this valuation report for couple of our assets in Pune, Square Nagar and Yerawada, market rentals dropping by INR2- INR3, any particular reason?

Preeti Chheda: So, Pritesh, that is a call which the valuer takes based on what they see, the latest trends in the market. So that's purely the valuers call on how they are seeing the rentals and what they want to take for the assumption?

Pritesh Sheth: Okay, so does the MTM potential then, really depend on, that market trend or do you think that we can have a premium on whatever the rentals that market, the valuer have assumed?

Preeti Chheda: So generally, our rentals that we have been signing in commerzone, been around INR75, INR80, depending upon size of the deal that we are doing. So that's pretty much in line with those assumptions and of course it depends deal by deal as to what kind of tenant it is and how the negotiation goes but I would say broadly, it should be in that line.

Pritesh Sheth: And this is 100% leased asset, right?

Preeti Chheda: Yes.

Ramesh Nair: So here and there, when you are in the final negotiation table, you don't want to miss out on a client, so couple of rupees here and there doesn't matter in the bigger picture.

Pritesh Sheth: Sure. Got it, that's it from my side, thank you, all the best.

Preeti Chheda: Thank you.

Moderator: Thank you so much. The next question is from the line ofTanveer Sure, who is an individual investor. Please go ahead, sir.

Tanveer Sure: Yes, hi, thank you so much. So, I just had a question regarding the tenant mix, your peers have been reporting a lot of exits from the IT-ITES guys and we are I think now around 45% of our portfolio tenants are these IT guys. So just wanted to understand, are we having any plans to diversify more because Accenture and Cognizant together are around 8% of the contracted rental contribution, so anything, are we looking at diversification from a sector perspective?

Ramesh Nair: Great question. What we have seen is the GCCs are around 40% of the area paying around 50% of the rent for us. IT services firms, tech companies are around 30% of the area paying around

30% of the rent and others are around 30%, paying 20% of the rent. So obviously the focus today of everybody is to get GCCs in and what we have seen especially in Kharadi and in Madhapur, which are probably a lot of new buildings in these campuses. We have lots of tenants who are looking for low rise campus feel kind of buildings. We have the best ability to attract the GCC clients into our building. So going forward, we believe the percentage of GCCs in our portfolio will increase. The other trend which we are also seeing is a lot of domestic companies leasing space with us.

So, companies like Infosys just took up space with us in Airoli. We saw a company named HighRadius taking up a large space 3,50,000 square feet with us. So, there is a lot of domestic companies in the earlier part of the year, we have done, The HDFC bank transaction in Chennai.

So, there is good enough demand coming from domestic leasing also. So, domestic companies which used to be 16% of our portfolio before, today is 23% of the portfolio. So that's again a good sign for us.

Tanveer Sure: Okay, that's great. And how is the reading from guys like Accenture and Cognizant? Have they indicated anything on a few years down the line, they would still want to lease out or they still are – are they still strong enough to work from the office itself or do they want to get out? Any hints?

Ramesh Nair: Tanveer, **o**ne good thing is, we share a very strong relationship with these tenants. They were one of the earliest entrants into our parks. We are waiting and watching. We are also very closely looking at who are the tenants in our portfolio 210 tenants, who have less than 30% attendance in our parks.

Attendance in our parks is now close to 60%, which is a very healthy number. So, we are tracking that and engaging with them more proactively to make sure they are retained in our parks.

Tanveer Sure: Okay, great. So, am I hearing this right that domestic IT players are still in a better position than the global IT guys?

Ramesh Nair: See the thing is, our parks are quite cost effective. So, there's a good and that all the IT companies spend at least INR3,000, INR4,000, INR5,000, INR6,000 on their interiors, which is sometimes more than the money we spend on building the buildings. So that wackiness is there and obviously the business goes down, some of them may go out but given that the leasing market is reasonably robust, we would fill it up in our park.

Tanveer Sure: Okay. Thanks.

Moderator: Thank you so much. The next question is from the line of Satinder Singh Bedi from Eon Infotech Ltd. Please go ahead.

Satinder Bedi: Yes. Good afternoon. First my compliments Preeti for the NDCF walk-down clarification, so that blurb that you added helps understand it much better. And thanks for taking this feedback on board. Has the bottom been turned? Is it a fair assessment to say that in terms of occupancy, we've turned the corner and then occupancy should only look up going forward? As seen from the kind of inquiries that you might be seeing for new space take up against any risks of early exits? That's one question.

Ramesh Nair: Yes, Satinder, if you look at our vacancy, 78% of the vacancy is SEZ. Balance 22% is non-SEZ and out of this 78%, close to 85% is floor wise. So, which means, if the government de-notification rules come by, it makes our life easier.

It's tough to predict, if that's the bottom but on the positive side, when we talk to our IPC partners, they truly believe that next year is going to be a better year than this and we can clearly say that the bottom of attendance which is probably early, maybe five quarters- six quarters back and every quarter has been climbing since Jan of 2022, which is again positive.

So, a lot of demand which we are seeing right now is coming from companies, who thought their employees won't come back and suddenly employees started coming back and they have no space. So, they are in need to close the deal.

There are some deals where clients are coming and saying, can we close it in the next two months- three months also because of sudden pent up employees coming back and the companies didn't plan for it. So, bottom from an attendance is definitely there but from an occupancy point of view, it's tough to comment right now.

Satinder Bedi: You talked of the physical attendance So what's the physical attendance at our Hyderabad and Pune projects and how do we measure it because there seems to be a lot of subjectivity, so some people look at physical attendance as coming one day a week. So how do we -- what is it for our Hyderabad Bombay we understand will be high but for Hyderabad and Pune and how do we measure that?

Ramesh Nair: So, I just got the numbers overall from the team yesterday and the overall park – all the parks put together is around 59% is there attendance and in Madhapur it's 55% which is very close to the all India attendance average for us.

Satinder Bedi: Okay. And what about Pune?

Ramesh Nair: Pune, Gera commerce zone is very high, it's 87% and in other parts again it's quite high. Pune is done well, 87% Gera commerce zone which is our biggest project in Pune.

Satinder Bedi: And how do we measure it sir so when we say it is like 87% or 55% how do we measure it, okay?

Preeti Chheda: So, we broadly we are in constant touch with the admin teams of each of these tenants and we reach out to them to understand the occupancy at each of them and besides of course we also keep a track of the in's and out's at the park so we try to match the data and figure out what the occupancy levels are.

Satinder Bedi: Okay. And Preeti you say, our NOI this quarter was INR34 crores higher than the NOI for the immediately preceding quarter okay, while the flow through to the NDCF has not been there, okay. So, what do we attribute this to?

Preeti Chheda: So, two reasons for that. In the last quarter we had about INR15, INR20 crores of tax refund which is not there this quarter and then of course as I said working capital movements keep changing quarter-on-quarter. So, we've had a negative working capital of about INR15 crores this time besides the fit-out amount which is also seen in that line. So, I would say about INR15 crores in the tax refund and INR15 crores in working capital both put together around INR30 crores. So that's the reason why you're not seeing that INR35 crores translating to a similar increase in the NDCF?

Satinder Bedi: Is the working capital I thought was getting funded out of the new debt drawdown because the new debt drawdown almost equals the capex plus the working capital changes. So, I thought the working capital is getting funded out of the excess of debt drawdown over the capex?

Preeti Chheda: So, you also have items, you have to go a little below that because there are also items like your finance cost which is not on construction. So that also gets funded out of overall funds for operations. So, when we're looking at the funds from operations where working capital is a part of FFO, there are also needs to fund even the interest cost which is besides the interest cost that gets capitalized. So, if you account for that then you will not be left with anything beyond what we've discussed Thank you.

Satinder Bedi: Okay, fine. Thank you. One last question. So, Mr. Nair what is the key two, three concerns that you have at this point in time now that you have greater visibility on demand and physical attendance? So, what are the key two, three concerns that you would have as the leader of REIT?

Ramesh Nair: Instead of calling it concerns, I'll call it opportunities. I was working on a 25-point plan on what we could do in all the 10 parks. I put these 25 points into ChatGPT and asked that to summarize that in one line and it said the Lease rapidly, full sweetly, manage smartly and comply fully. So that's going to be our motto going forward. So, there's lots of opportunities. We need to finish buildings faster. We need to lease rapidly, there is competition. We need to manage smartly in terms of giving the right tenant experience. How can we give the kind of tenant experience which people get when they walk into a hotel. So those are the kind of things I want to focus on and obviously be number one in compliance like we have always been.

Satinder Bedi: Thank you very much and all the best. Thank you.

Ramesh Nair: Thank you.

Moderator: Thank you so much. The next question is from the line of Kunal from Bank of America. Please go ahead.

Kunal: Sure. Thank you. One question from me. Assuming that after denotification the leasing of SEZ assets picks up, I was just wondering what that might do to your realized rentals. Would it be fair to assume that after denotification the SEZ assets would command a market rent as well or given the amount of supply that could potentially be available for the prospects, they might still continue to command a discount versus some of the other normal assets. Thank you.

Ramesh Nair: Kunal, great question. Our parks are definitely the premium business parks in those respective cities. The other good point is Airoli where we have a lot of SEZ vacancy, we are probably the only SEZ vacancy there. There's only one nearby park to us, that vacancy is also a SEZ, so it is quite limited. So, we believe the SEZ vacancy in our parks, in Hyderabad, obviously we are the best business park in the city. And in Bombay, there is not much of supply hanging around that. So that's not a big worry at this time.

Kunal: Got it. Thank you.

Moderator: Thank you so much. The next question is from the line of Srinivas from PGIM India AMC. Please go ahead.

Srinivas: Hi, Ramesh. My question is on the office space. Given the current muted demand for the office space, are you seeing any changes in the supply dynamics across your key markets, especially in Hyderabad?

Ramesh Nair: Good question. Hyderabad, there are two parts of the market. So, one is the Madhapur side and the other is the Gachibowli side. Luckily, our park is in the Madhapur site where vacancy levels are much lower compared to the other sites. I was looking at the JLL data, we can see in spite of – I am looking at the All-India numbers, the top seven cities, vacancy has just marginally gone up. There's some good quality supply coming up but today, if you look at all the markets, the ability to fund a commercial building and take it to completion, not too many people have in the country today.

Maybe that number has dropped significantly post-COVID given that the financing environment also has not been that great for commercial developers. And I think that's definitely an area where we score much higher than our competition but given our ability, we are probably the most financially sound commercial developer in the country. So, I think these are – and all the learnings of having been in the business for so many years, we are kind of implementing it.

Our parks today in terms of amenities and when you get time, Srini you should come and see some of our parks. Previously, people would give things like convenience stores, salons, creches, bank ATMs. Those were the kind of typical things which were there or gymnasiums. Today, we are pushing the boundaries, whether it's jogging tracks, cycling tracks, cricket nets.

There's so much of amenities, so much of experiential retail which we are giving. I'm thinking of even opening some pet clinics in some places, physiotherapy clinics, a lot of recreational, a lot of restaurants in different price categories, cafe tiers, food courts, expanding our food courts. So, I think all these would be the differentiators for us when compared to other parks in those cities.

Srinivas: Okay. Thank you.

Moderator: Thank you so much. As there are no further questions, on behalf of Mindspace Business Park REIT, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you, everybody.