



“Mindspace Business Parks REIT Q1 FY'26 Earnings Conference Call”

August 04, 2025



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

Moderator: Ladies and gentlemen, good evening and welcome to the Q1 FY'26 Financial Results for MindSpace Business Parks REIT.

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 initial remarks from the management. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Govardhan Gedela – Head (Corporate Finance). Thank you and over to you, sir.

Govardhan Gedela: Thank you. Good evening, everyone and thank you for joining the earnings call for Quarter 1 Financial Year '26 of MindSpace Business Parks 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. We do not guarantee these statements or results and are not obliged to update them at any point of time.

I would now like to welcome our CEO & MD – Mr. Ramesh Nair and CFO – Ms. Preeti Chheda who will take you through the Business Update and the Financial Performance during the Quarter. They will then open the call to a round of Q&A.

I will now hand over the proceedings to Ramesh. Over to you, Ramesh.

Ramesh Nair: Thank you, Govardhan. Good evening, everyone and thank you for joining us on the call today.

I am pleased to report another strong quarter for MindSpace REIT. Our results demonstrate our robust performance during the quarter. We have been beneficiaries of favorable trends in the Indian commercial real estate and our performance highlights our REIT's capability to capitalize on this positive trend and also grow. Let me start with the overview and outlook of the industry. India's office market, like you have seen, has been breaking records quarter-on-quarter over the last couple of years despite global uncertainties. Net absorption for calendar year H1 2025 hit an all-time high of 24 million square feet. Vacancies across most micro markets today is in single digits. Rents rose in every city with core micro markets leading this upswing. Global occupiers want Grade A green certified campuses and are willing to pay top dollar for them.

I would like to share some highlights from various IPC and other reports. JLL reported that India's gross leasing hit nearly 40 million square feet in CY H12025. This is up 17.6% year-on-year despite global challenges. Global firms drove 61% of leasing, reinforcing India's role as a talent and operations hub. CBRE in the meantime highlighted a 63% quarter-on-quarter and 27% year-on-year jump in new supply. It added that GCCs absorbed 36% of space with BFSI driving



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44% of all GCC-led leasing. I also noticed from the Cushman and Wakefield report that there's been a 250 basis point quarter-on-quarter drop in vacancy in MMR region down to 11.2%, much of this driven by BFSI clients. The Cushman report also spoke about how average Hyderabad citywide rentals have increased 15% year-on-year with Madhapur driving the appreciation. Gachibowli continues to offer a cost advantage with rents being 25%-30% lower than Madhapur. Knight Frank also noted that Mumbai's prime office rents rose 7% year-on-year. I was checking the CRE Matrix report which said that Navi Mumbai's office demand rose 40% in 2024.

On the key announcements for Q1 FY'26, we delivered strong gross leasing of 1.7 million square feet in Q1 FY'26. Our portfolio's committed occupancy increased to 93.7%. This is the highest since listing. Our NOI grew by 24.2% year-on-year to Rs. 616 crores. Last quarter, we reported Rs. 539 crores and this quarter it's grown to Rs. 616 crores. This is again the highest growth since listing. We delivered a strong distribution growth for the quarter at 18% year-on-year. DPU grew by nearly 15% year-on-year to 5.79 per unit. 5 out of 11 assets have a committed occupancy of 100%. Two more parks have occupancies of more than 97%. Mindspace Airoli West now stands at 92% occupancy, crossing 90% occupancy for the first time ever. Since the demarcation rules came out in December 2023, Airoli West occupancy has increased from 72% to 92% and overall occupancy of Airoli has gone up from 76% to 85%. Lease rentals have also grown and with new deals happening at around Rs.70 in Airoli, this offers us upside to capture rental growth. Our focus now lies on Airoli East. With our new high street retail offering called Mindspace Fusion becoming operational, this public facing retail destination will bring lots of new energy to the park. We are also awaiting one final approval to begin the hotel development within the same campus. With ongoing upgrades, Airoli East will become an even more attractive destination for occupiers.

In terms of our operating and growth highlights, as mentioned earlier, we recorded gross leasing of 1.7 million square feet. We delivered a re-leasing spread of 29.5%. This is the highest since listing. We achieved healthy growth in rentals across our micro markets, especially Madhapur, Hyderabad. In-place rent today stands at Rs.73 per square foot per month for the entire portfolio. GCCs account for a healthy 55% of our portfolio occupancy. Foreign MNCs, excluding GCCs, another 20%. 3 out of 4 companies in our parks is either a GCC or an MNC. Our teams are actively working on an under-construction pipeline of around 3.7 million square feet.

On the portfolio growth front, as you are aware, strengthening our portfolio through strategic acquisitions remains a priority. We have successfully entered Hyderabad's financial district with a Rs. 512 crore value-accretive acquisition of Q-City. This is a 0.8 million square feet office asset. We acquired 100% equity shareholding in Mack Soft Tech Pvt. Limited. We are rebranding this to The Square, 110 Financial District. This is our first third-party acquisition outside our portfolio parks. The asset is spread across 6 acres. This expands our Hyderabad portfolio to over 16 million square feet. The acquisition happened at a discount of 11.6% to independent valuation. The asset provides us with strong foothold in an emerging micro-market,



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Financial district, poised to gain from the supply saturation in Madhapur. It is fully aligned with our strategy to strengthen presence in existing markets. We managed to acquire this at a very attractive cap rate of 9.9%. This transaction highlights the embedded value of the asset and supports sustained growth.

Further, the asset also offers a redevelopment opportunity in the near-to-medium term. Hyderabad financial district has matured. Hyderabad, like all of you know is already one of India's most vibrant GCC hubs. It is home to over 350 global capability centres. And it is also the country's fastest growing ecosystem for tech and BFSI innovation. This is fueled by a deep talent pool and very progressive state policy. The city continues to attract marquee global occupiers and the financial district, once a government led vision has evolved into a premium business corridor.

There is expressway connectivity, there is expanding metro access, there is world class infrastructure, also global leaders like Amazon, Google, Apple, Microsoft, Infosys, Wipro, TCS, Honeywell, all have anchored in this micro market. As demand shifts from zones like hi-tech city, Hyderabad's western corridor is firmly positioned for the next decade of GCC growth. This transaction is fully aligned with our REIT strategy of disciplined expansion within our core micro-markets.

Over the last six months, we have grown our portfolio size by over 4.3 million square feet. This is through a judicious mix of organic and inorganic growth strategies. Organically, we successfully constructed and leased 1.3 million square feet. Our inorganic growth strategy again included acquisition of a sponsor ROFO of 1.8 million square feet, a large external third party asset of 800,000 square feet and consolidation within our park of 400,000 square feet. Mindspace REIT again on the development side, we have stayed aligned with our development pipeline. We continue to roll out strategic portfolio wide upgrades. This is aimed at boosting rentals and increasing tenant satisfaction. These are feedback driven initiatives based on surveys, audits and tenant feedback. Capital is being deployed to modernize assets and enhance occupier retention, to enhance our urban green zones and open areas for a better experience.

On each of our projects at Mindspace Airoli East, we launched Mindspace Fusion, our retail and F&B hub at Mindspace Airoli East. This is growing into a vibrant zone, home to around 22 retail outlets. Some other popular brands that will be hosted include Barbeque Nation, Game Ranch, and Radio Bar. It is open to public and is strategically located on the Thane-Belapur road. This is designed to enrich the daily experience of professionals working in Mindspace East and West. It will also serve the wider Navi Mumbai population. Also building 1, building 9, 10, 11 and 12 and the clubhouse are currently in the design phase for planned upgrades and this will include upgrades of arrival lobbies, landscaping and facades. We are also planning terrace level sports and recreation amenities and it's been planned in multiple buildings in the campus.



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At Mindspace Airoli West, we are planning for upgrades in building 2 and building 3 and also the Central Food Court, currently this is at the design stage. At Mindspace Madhapur, within our 10 million square feet park, we have only 273,000 square feet of vacancy. Following the exit of a major healthcare MNC tenant at sub 50 rentals, we successfully released the space to a global consulting firm at Rs. 95 per square feet, so from 50 to 95. This demonstrates our ability to capture significant mark-to-market upside across our assets. The Pearl Club, our experience center and high-end club is on track for Q3 FY'26 completion. Building redevelopment is underway with B1 which is our 100% pre-leased ready for handover by Q1FY'27. Building B8 follows suit in Q4FY'27 and also on track. Phased enhancements are underway with a focus on infrastructure and ambience.

At Gera Commerzone Kharadi, our multi-purpose amenity center 'Revibe' was officially launched. Conveniences like a full-fledged gym, learning suites, nap pods, indoor game zones all are part of Revibe. Uptake is strong and our tenants use the space very regularly. Last quarter, we delivered R2 building to a GCC client fit outs are underway. We reviewed R2 to capture best practices and learning which we will use in future projects.

At Commerzone Yerwada, B7 is undergoing a phased lobby refresh. Work is progressing as per schedule. Facade and lobby upgrades are being planned for building B2, B3, B4 and B6. Building B1 is set for enhancements including a new food court, lobbies and facade upgrades. Refurbishment of the entrance portal is scheduled to commence soon. Plans are underway for terrace amenities and a revitalized central recreational garden. Shared outdoor zones are also being upgraded with enhanced features and design. All enhancements are focused on creating a livelier, more immersive campus experience for our tenants and their employees.

On the customer centricity side, we introduced the new MEP retirement policy to standardize all future property upgrades. We assess all assets to ensure they are benchmarked globally and nationally. Upgradation of key MEP systems is underway to ensure seamless operations and experience. We also added indoor sports, F&B outlets, pharmacies and convenience stores across our parks. Prioritizing safety for women, we have launched several safety measures across our portfolio. We also hosted our first client ESG advisory committee session in Pune. With this, we let our clients co-own the ESG vision with us. It saw very good participation and was very well appreciated. We also consciously invested in tenant experience tech.

Recent third-party survey results including our NPS and CSAT have been positive. We have conducted an NPS net promoter score survey and a CSAT customer satisfaction survey across our portfolio. External third-party client surveys include 172 clients out of 178 occupier clients and 2,566 employees of our tenants. This is further reiteration that focuses on non-monetary goals. This gives us valuable feedback and ability to implement interesting initiatives for our clients.



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We further made progress on our H23 Hotelization initiatives across our portfolio. These are basically a set of 23 measures designed to bring a hotel-like experience in our office parks. We executed 16 successful B2C events across six parks attracting thousands of employees to come and participate. To ensure client convenience, we have enhanced focus on design and space planning. Lobbies have been revamped into vibrant breakout zones with indoor games, music corners and cafe seating. Upcoming additions include terrace amenities, clubhouses and cupboard walkways for enhanced experience. Smart digital signages are now live and synced with the Mindspace app for seamless engagement. We launched our fourth ESG report for FY'25 of the Mindspace REIT.

We received the prestigious BEE 5-star rating for several buildings in Mindspace Madhapur, Hyderabad. This rating again reflects a strong focus on energy efficient building performance. Our performance on key KPIs including green certification, energy intensity and GHG emissions has now been fully third-party assured and we remain on track to meet all targets. TUV conducted a reasonable assurance audit of our BRSR core disclosures. They also conducted a limited assurance for our ESG report. This independent review reinforces the credibility and transparency of our sustainability reporting.

In conclusion, some of the concerns that were highlighted over the last few quarters and how they are being addressed. Last quarter, global uncertainties from the West posed concerns. Yet our performance reflects the business's strong resilience to global uncertainties. Cost of debt has reduced from 8.15% to 7.84% this quarter. This is aided by our proactive refinancing efforts and rate cuts. Last quarter, in-place rent growth again was slow but we have increased it. It was slow in the overall market but we have increased it to go up from INR 71 psf pm to INR 73 psf pm this quarter. Navi Mumbai vacancy, which was a key concern before. Today, Mindspace Airoli West stands at 92% occupancy. Leasing SEZ spaces was a challenge we closely monitored a while back. As of June 30th, 69% of our NPA converted space is successfully leased signalling strong recovery.

Before I conclude, I would like to share an update on our new board member. Mindspace REIT is delighted to welcome Mr. Sandeep Mathrani to the board of the manager. A veteran of more than three decades in US REITs, Mr. Mathrani has led some of the sector's most prominent platforms, having served as the CEO of General Growth Properties, GGP. He was also the global CEO of WeWork and also Vice-Chairman of Brookfield Properties Retail Group. Mindspace REIT will benefit from his extensive experience with large-scale REITs in the US. His valuable global insights will help us drive forward and help us with our growth strategy. This further strengthens our board, which now comprises 6 Independent Directors out of 10.

In conclusion, we have had yet another great quarter, renting out over 1.7 million square feet. We have achieved a committed occupancy of 93.7%. Our NOI grew by a robust 24.2% driven by our rising rents and growing occupancy. We delivered a strong quarterly distribution of Rs. 352 crores up 18% year-on-year. We remain confident in the long-term prospects of our



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portfolio, supported by the strength of our high-quality assets, tenant relationships and leasing strategy. Our commitment to strategy acquisitions and consistent development progress positions us for sustained growth over the long term. At Mindspace REIT, we continue to build loved workspaces and maximizing value.

Ramesh Nair:

Thank you all for your time. I will now hand it over to Preeti for further financial updates of the quarter.

Preeti Chheda:

Thank you, Ramesh. Good evening, everyone. I am pleased to present the financial results for the quarter ended June 30th, 2025. We delivered yet another quarter of robust operating and financial performance. Our NOI for Q1'26 grew 24.2% YOY to INR 6.2 billion. Even on a like-to-like basis, excluding the impact of the ROFO acquisition of Commerzone Raidurg, Hyderabad, NOI growth stood at a healthy 18.3%, reflecting the strength of our organic performance. Revenue from operations for Q1FY26' increased by 21.4% year-on-year to INR 7.5 billion. We recorded an 18% YOY growth in distribution for Q1FY26, totaling INR 3.5 billion. Our DPU grew 14.9% YOY to INR 5.79 per unit. Here again, if we exclude the impact of the ROFO acquisition, the DPU growth was still a healthy 11.2%. This double-digit growth was primarily driven by the strong operating performance.

As Ramesh mentioned, during the quarter, we completed our first external acquisition outside our existing parks. The asset was acquired for Rs. 5118 million, which we funded out of debt. We did this acquisition at an attractive pricing, implying a cap rate of 9.9% on stabilised NOI. Including this, we have now completed inorganic acquisitions of 3.1 million square feet, taking our total portfolio size to 38.1 million square feet. We will continue to explore external acquisition opportunities that align with our investment philosophy and growth strategy. As of June 30, 2025, our LTV was low at 25%. To this, even if we add the debt taken for Q-City acquisition after the quarter end, our LTV still remains a comfortable level of 26% providing enough headroom for future growth. Our cost of debt reduced by 30 bps during the quarter to 7.84% p.a.p.m. This was led by one, refinancing of debt of Hyderabad ROFO asset and two, reduction in interest rates for both existing borrowings and refinancing, pursuant to reduction in policy rates. During the quarter, we raised INR 14 billion through CPs as well as NCD issuance, both at competitive interest cost. With interest rate softening, we will work to convert some of our existing variable-cost borrowings to fixed-cost borrowings to help lock in lower coupons for longer tenures. Our strong development pipeline within the portfolio, renting of vacant spaces in Airoli, growing rentals at our parks which provide us with better MTM opportunity, strong ROFO pipeline, third-party acquisitions as we may undertake going along, falling interest rates, all of these will aid the growth of NOI and DPU going forward for Mindspace REIT.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Pritesh Sheth from Axis Capital. Please go ahead.



Pritesh Sheth: Thanks for the opportunity. First question is on the Q-City acquisition. So, committed occupancy right now is around 64%-65%. By when can one assume the leasing to reach 90% plus that we anyway see in our Madhapur asset? So, some thoughts on that. Again a second one. So, congrats for our first third-party acquisition. Going ahead, how should we see, this is more of an opportunistic or we are already seeing some more pipelines so as to see one acquisition every year? Yes, those would be my first two questions. Thank you.

Ramesh Nair: Actually Pritesh, great question. I think this is actually a mix of core, value-added and opportunistic investment style. Core, we are getting a 9.9% cap rate. Value-add, because there is an opportunity to kind of upgrade the facility. And opportunistic, because there is huge redevelopment opportunity. This is a market where developers have done 7-8-9 FSI. And here, on a six-acre land, we just have 800,000 square feet. So, eventually, in the medium term, there is redevelopment opportunity. In terms of, we believe we should be able to fill this up in the next 15 months to 18 months. What you should keep in mind about this micro-market is, Hyderabad today has an office absorption of around 8 million square feet. This is a net absorption process, gross is even more. So, in three years, 8 million square feet, that's 24 million square feet of market absorption. 80% of this happens in Madhapur, the hi-tech city, which is 20 million square feet. But if you look at the next three years, the supply in Madhapur, thanks to buildings like ours, B1 getting pre-leased, there's only 10.5 million square feet coming. So, clients will be forced to look at other micro-markets within Hyderabad and that's where we believe that financial district will see interest. We have to fill roughly 2.5 lakh to 3 lakh square feet, which we are comfortable that we will fill it over the next 15 odd months. So, that is the play. So, that is all three, core, value-add, and opportunistic opportunity here in this session.

Pritesh Sheth: Sure. And on the question of how frequent these third-party acquisitions are going to be, is it hard to find a third-party opportunity in the market currently, or there are lot many?

Ramesh Nair: We have been participating in third-party bids. Obviously, we should ideally target one every year. We are also actively looking at ROFOs, which we are continuing to look at. So, it is a good mix of organic and inorganic.

Pritesh Sheth: Got it. And on the redevelopment opportunity in this asset, how would we avail that? Do we have to demolish tower and then rebuild it, or is there a vacant land parcel where we can utilize this, so how those things can be?

Ramesh Nair: There are two towers here. One is a bigger tower, and the other is a smaller tower. Out of 8 lakh square feet, 6 lakh is a bigger tower, and there is a 2 lakh square feet tower. Over a period, not the time to start demolishing now, over a period, if we can move some of those tenants from the shorter tower to the bigger tower, we could redevelop that. And given the location dynamics, I feel that would be a good interest for that new tower.



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- Pritesh Sheth:** Great. Sounds good. And just one last on the ROFO side, when are we thinking of adding up next set of assets in the pipeline, that will be especially The Raheja Altimus? So, some comments on that?
- Preeti Chheda:** So, Pritesh, we wouldn't be able to immediately comment on the timelines. It also, of course, depends on when we receive the notice from the sponsor. So, we will have to wait and explore that as we go along.
- Pritesh Sheth:** Sure. That is it from my side. All the best.
- Preeti Chheda:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Jatin from Bank of America. Please go ahead. Jatin sir, your line is unmuted. Please proceed with your question.
- Jatin:** Sure. I am sorry. I was on mute. Thanks for taking my question. My first one, Ramesh, you gave a very interesting perspective of how demand supply is sort of looking like for Madhapur for the next 2-3 years. It looks like demand is significantly expected to be higher than supply. Would you think that this market is an opportunity to sort of see the rental growth of, let us say, much higher than the typical 4%-5% that you see? And also in Airoli, that particular market, in general industry level occupancies are still in the 80%-85% range. How are you seeing rental growth for that particular market?
- Ramesh Nair:** So, Hyderabad is the market where I haven't seen this kind of, I have been tracking that market for more than 22-23 years. What we saw last year, close to a 20% kind of increase, I have never seen that kind of rental increases in Madhapur Hi-tec city market. Now that there is no space available, one thing you should also remember is in Hi-tec city Madhapur market, there is not even 1 acre left for new development. So, whatever once 2-3 of our competing developers, whatever they do plus what we do building 8, there is absolutely no land available because of which we believe rental increases would increase in financial district. The two data points which I talked about in my speech is our vacancy in Airoli West Gigaplex used to be, the occupancy used to be 72%. That has become 92%, 72% in December 2023, just before the demarcation laws came up. And our overall occupancy has gone up from 75%-85%. Also very happy to report that we have done a couple of deals at Rs. 70. You may remember that this market was stuck in the late 50s and early 60s for a long time. I am very happy that we have signed a good domestic corporation and a very good multinational corporation at Rs. 70 which we believe would increase rentals in this market. We have had 2-3 competitors also around this market and they have also kind of reached more or less, very less vacancy which kind of gives us the opportunity to push up rentals in Airoli also, Jatin.
- Jatin:** Perfect. Thank you so much. That was insightful. The second one that I had was more of a bookkeeping question. On slide number 9 of your presentation, FY '26 expiries that you have



broken down 2.2 million square feet into 1.5 and 0.7. Where does one fit in the early termination of 0.9 million square feet? That is footnote number 3 because the exits that you have sort of mentioned are lower than that 0.9 million square feet. So, just wanted to reconcile those two numbers. Thank you.

Ramesh Nair:

So, Jatin, if you look at what we have done, from 2.2 million square feet of expiry, we expect to retain 1.5 million square feet of these 2.2 million square feet. And out of this 1.5, we have actually already retained 9 lakh square feet. So, that has already happened. So 2.2, 1.5 we expect to retain. 7 lakh is going to exit. Out of the 7-lakh exit, we have already released 2 lakh square feet out of 7 lakhs, which leaves us with 5 lakh square feet. And I also spoke about some in Hyderabad, where a global healthcare major, they created a space where they were paying less than Rs.50 rental. And we managed to lease it at Rs. 95 to another global consulting major. So, there are those kind of opportunities coming and Airoli also meant opportunities where early 50s, they are getting opportunities at late 60s. So, these kind of opportunities, I wouldn't worry too much about people exiting and aspiring because I think that is a big opportunity to get tenants at higher space. One trend which we also saw was some of our tenants doing early renewals, where their leases were coming up for expiry next year, but they did early renewals now. So, that also comes into as part of this 2.2. So, they may not be actual expiry, but people proactively doing expiries to give us a longer lease period today than waiting for next year.

Jatin:

Thank you so much, Ramesh. Thanks a lot. That is all from me.

Moderator:

Thank you. Our next question comes from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha:

Hi, and great to see the strong numbers now being reflected. A couple of questions, so one on the operation side, where do you see the Airoli rentals in another couple of years?

Ramesh Nair:

I think Airoli rentals will definitely go up. I have tracked that market quite a bit. We don't see much of competition, at least in the next 3-4 years coming in that market. And Airoli, everybody knows about all the infrastructure initiatives which the government has put in. I think if you look at the country, there wouldn't be so much of intra being put in what is happening in Navi Mumbai, right from the airport and the Atal Setu and all those infrastructure initiatives which is happening. Incidentally, we had a good meeting with MIDC, the new CEO, last week and they are talking of making Navi Mumbai into a global GCC destination like Hyderabad, so the right government intent, the right infrastructure. I had spoken about this a little early in terms of how Navi Mumbai, out of 10 parameters in 8 parameters, Navi Mumbai ranks in the top 3. KPMG had done this study. Again, Cushman & Wakefield has again rated Navi Mumbai very high from a GCC destination point of view. Home supply, we calculated Mumbai, it is tough to find homes in Mumbai. But in the 10 kilometer radius of Navi Mumbai, we are talking 140,000 new homes which are under construction. So, many positives which is driving. So, infrastructure costs, where you find space today at Rs. 70 in India. The BFSI talent, which is there in Eastern suburbs,



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Navi Mumbai, Thane, safety wise, traffic wise, quality of living wise, all those opportunities are there in Navi Mumbai. So, quite bullish on Navi Mumbai, Abhinav. But tough to put a number. We have seen the rentals go from early 60s to touch 70 now. Hopefully, I am sure it will go up further.

Abhinav Sinha: Right, sir. Preeti ma'am, a few questions. So, firstly, on the acquisition that we are doing, what is the sort of, say, upgrade CAPEX that one can expect in the next 12 odd months there?

Ramesh Nair: So, in the next 12 months, we are planning to spend around Rs. 210 crores on upgrades.

Preeti Chheda: You are talking about only the new acquisition, Q City?

Abhinav Sinha: The new acquisition, yes, Q City, yes?

Ramesh Nair: For Q City, we are still discussing. It is going to be between Rs. 40-Rs. 50 crores is what we are planning right now.

Abhinav Sinha: And when you talk about redevelopment potential, what are we looking at?

Ramesh Nair: Redevelopment potential is 3x plus. What is there today? Today, we have 8 lakh square feet building on a 6 acre plot. This could easily in the medium term, if we decide to redevelop, become a 25 lakh square feet kind of a building.

Abhinav Sinha: Sir, we have had a strong start to DPU growth also this year. I think ex. of Rai Durg, we were at about 11%, right? So, is that a sustainable pace, say high single double-digit number for the remainder of the year? Or you think this is more of a one-off?

Preeti Chheda: So, Abhinav, we don't have one-offs this quarter. But I won't be able to put a number, but I can say it will be healthy going forward. And for multiple reasons, one, of course, the NOI growth has been strong and we are hoping that will continue for various reasons as we have always discussed. And with interest rates also softening, we will get the benefit of interest rates also. So, therefore, we believe that going forward DPU growth also should be healthy. Now, obviously, you could have quarters of some working capital being positive, negative, that could happen. But for the year as a whole, we believe you should see healthy DPU growth.

Abhinav Sinha: And ma'am, where should we see the year ending on net debt? Sorry, on the cost of debt, more downside?

Preeti Chheda: From here, I would say another 25-30 bps we should be able to get. We will try for more, but I believe 25-30 bps reduction is something I would expect.

Abhinav Sinha: Great. Thank you.



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Preeti Chheda: All right. Thank you.

Moderator: Thank you. Our next question comes from the line of Vasudev from Nuvama. Please go ahead.

Vasudev: Yes. Hi. Thank you, Ramesh, for the detailed opening commentary. Just two questions more relating to the numbers front. In terms of denotification now, can you help me how much area have we already demarcated and how much is in pipeline? And also, the split of vacancies between SEZ and non-SEZ in terms of area and percentage growth if it is possible?

Ramesh Nair: In terms of SEZ demarcation, we have received demarcation approval of around 2.3 million square feet. Of this 2.3 million square feet, 1.6 million square feet has already been leased. That is close to 70%. 350,000 square feet in Airoli East and 200,000 square feet in Madhapur, we are targeting to get it demarcated over the next few months. So, that is the update on demarcation. One good news is today, when this process started last year, early calendar last year, there were still concerns about paperwork, how much to pay, all that. But today, all this has become very seamless. The government has been highly supportive and there are times when we have done demarcation in like 45 days. So, process is very smooth and we are able to do that. And we proactively have done it. There are times when clients tell us just hold on to SEZ space also. So, we keep it on hold for clients who want SEZ space.

Vasudev: And in terms of committed occupancy, we have already reached about 93.7%. So, by the end of the year, will it be around these levels or we can see any further improvements as well?

Ramesh Nair: Objective is to take it to around 95% by end of this financial year. It is a large portfolio. We have seen our portfolio size increasing all the time. So, we have crossed the 37 million square feet mark. So, there will be some amount of space which is coming up for churn every quarter. And after that, we will try and push it up. But the objective is right now to stay focused, to reach the 95% mark.

Vasudev: And just one last from my side, on this financial district acquisition that we have seen, overall, if we see the macro level, vacancies in this micro market are increasing. So, I just wanted to have your thoughts on that? And what kind of rental increase can we see in this asset in the near to midterm?

Ramesh Nair: The financial district today has around 30 million square feet of stock. Institutional stock in that is around 10 million square feet. So, if you look at non-institutional stock, which has a lot of strata sold, sold to HNI, that vacancy level numbers are very high. But if you look at institutional, that vacancy is only 17%. Today, India vacancy itself is around 16%-17%. So, one thing you need to look at is 80%-90% of all leasing is done by the 6 international property consultants. And typically, international property consultants advise their clients to go into institutional ownership. And no better name than Mindspace REIT from an institutional point of view. So, you need to look at it from a strata sold. I have seen this in Delhi a few years back when I was



tracking Golf Course Extension market. There was a year, I think it was 2018 or 2019, where vacancy levels in Golf Course Extension was 62%. But vacancy for institutional was like 3%. So, we see those trends across markets that are top 10 developers, institutional developers in the country who will have lower vacancies. Tough to put a rental increase number. But like I mentioned before, 80% of the demand goes to Hi-tec city, Madhapur, but that market just doesn't have space. We are not going to see companies tomorrow saying, I don't have space in Hyderabad, let me go to Chennai or Bangalore, they would say let me go to a micro market, which is 20 minutes away. And that is where we believe we will benefit.

Vasudev: Yes, that was helpful. Thank you.

Moderator: Thank you. Our next question comes from the line of Tanvir, an investor. Please go ahead.

Tanvir: Yes, hi. Thanks for taking my question. My question is to Preeti. So, this time, I can see that the distribution composition is slightly changed, we have less of dividend coming in and more of capital return. Now, I just wanted to understand and please explain to me if I am wrong, the way this works is that the trust is giving out capital in the form of equity and debt to the SPVs. And like yourself, the other peers, the REITs and InvITs that are there, they are reporting interest component along with return of capital and a few more parameters. But I just wanted to understand that is it that the trust has absolutely not given out any debt to any of the SPVs and that is why we are not having any interest component, or there is another reason altogether?

Preeti Chheda: So, first, of course, there is debt, which has been given. But what happens is, in our case, the interest rate, which we are borrowing versus the interest rate, which we are lending to the SPVs, there is not too much of gap between the two. Therefore, you are not seeing much coming out by way of interest. So, that is one. But that doesn't mean we are not giving loans from the REIT to the SPVs. That, of course, is there. And in fact, that is one reason why you are having this amortization of loan or return of capital, as you might call, part of that coming. And also, to the first part of your question, generally, the composition does change depending on the structure of every SPV. Now, for example, when we are buying newer SPVs, if these SPVs are newer SPVs and they have more debt as compared to older SPVs where debt has got paid down and so on and so forth, then obviously the component of amortization of loan or return of capital gets higher, dividend is lower. That happens over a period. So, therefore, you have seen some change to the composition mix as compared to what you saw earlier years.

Tanvir: That is fair enough. But when you are saying that if we have given out debt to SPVs, when it is coming back, it is coming back as a return of capital. That is blended with interest. Is that understanding correct on my part?

Preeti Chheda: No. So, interest is coming as interest. So, interest will come as they are not blended. Return of capital, amortization of loan is coming there. So, that is fine. So, in our case, the amount which we have lent for which we are taking out interest is a very small component as compared to the



other. Because overall composition, therefore, you are not seeing a material amount. Because earlier, we had the ROC component was much lesser. Therefore, you saw in the overall mix, the absolute amount has not materially changed, but it is just that the other elements have come in and the base has increased. That is why you are seeing this composition coming down.

Tanvir: No, ma'am. The only reason is because as retail investors, when we are going to file income tax, this kind of is a little tricky. Because wherever we see TDS cut and interest component coming back clearly in the distribution that you will give out on the email, we can easily say that that much is going to be taxed at the investor's hand or whatever. And then return of capital is later on deducted from your overall buying and selling of shares or whatever. But then it becomes difficult to understand how this works when there is no interest component at all. That is why I was just asking on this part?

Preeti Chheda: You will definitely have some interest component. And at the end of the year, when we are giving out your 64B, you will clearly have a bifurcation of how much of the distribution has come from each of the components. So, there I don't see you should have a challenge. But obviously, we do have an interest component, though it is relatively smaller than the other two.

Tanvir: Thank you so much.

Preeti Chheda: Pleasure. Thank you.

Moderator: Thank you. Our next question comes from the line of Harsh Kayan from Kayan Securities. Please go ahead.

Harsh Kayan: Hi. Sir, my question was regarding, SEBI has consultation paper classifying probably this as equity in the next couple of months if possible they already are talking about it. So, in my understanding, I just wanted to know that how will it affect Mindspace REIT and the REIT sector in general, because logically the retail investor flow and there is no participation in indexes. So, the yield compression could actually really come down. So, I just wanted to understand how it will affect REITs in general and Mindspace in general for financial point of view. Obviously, it could not make any operational difference.

Moderator: Yes, Harsh. I am so sorry. Just give me one moment. Yes, ma'am, please go ahead.

Preeti Chheda: Yes. Could you just repeat the latter part of the question? Because we had some technical glitch. So, I couldn't hear 30 seconds of what you said.

Harsh Kayan: No, I was just talking about the equity classification of REITs. And then I was saying that it will not affect operationally, but from a financial point of view, a lot of obviously investors' money would come into REITs, which was not previously accessible. It is more of an institutional product right now. So, I just wanted your opinion and understanding on how it would affect the



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sort of way Mindspace from a financial point of view, access to capital and the REIT sector in general. And logically, since you have such high value properties with probably 100% occupancy in one of your major like, in Madhapur and whatnot. So, there should be a major yield compression logically going forward. So, I just wanted your thoughts on that?

Preeti Chheda:

Sure. So, firstly, SEBI had floated a consultation paper on inclusion of REITs and InvIT to indices. And of course, classification also was one matter raised there. They have got comments from all stakeholders. And now, I think their internal deliberations are on. We don't know what the outcome will be. We will have to wait and watch what the outcome will be. But assuming if we get included in the indices, then obviously, we believe that the liquidity will stand improved. And with better liquidity, obviously, transaction costs go down, there is better price discovery. So, I don't think it is any specific REIT, but the sector as a whole stands to benefit when the liquidity improves. Now, whether that leads to any compression of yields, etc., are difficult to comment. But liquidity is something which will definitely help. Because we will have passive money coming in because of inclusion in indices. And since we are included in a lot of global indices, there is a good ask to have us included here also. But obviously, it remains with SEBI what call it takes.

Harsh Kayan:

Thank you so much.

Preeti Chheda:

Thank you.

Moderator:

Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Ramesh Nair:

Thank you, everyone for joining. So, it has been an interesting quarter with Q City, which has also been accretive, not just from an NOI perspective, but also from a GAV and NAV perspective. So, overall, good quarter from occupancy, from NOI growth, distribution growth and thanks for joining.

Preeti Chheda:

Thank you, everyone.

Moderator:

Thank you. On behalf of Mindspace Business Parks REIT, that concludes this conference. Thank you for joining us and you may now disconnect your lines.