“Mindspace Business Parks REIT Q3 FY25 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 Mindspace Business Parks REIT Q3 FY25 Earnings Conference Call hosted by K Raheja Corporation Investment Managers Private Limited.

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 the "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Nitin Garewal – Assistant General Manager (Finance & Investor Relations). Thank you. And over to you, sir.

Nitin Garewal: Good evening and thank you for joining Q3 FY'25 Earnings Call for 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 – Ramesh Nair and CFO – Preeti Chheda who will walk you through the "Business Update and the Financial Performance during the Quarter." We will then open the floor to Q&A. Over to you, Ramesh.

Ramesh Nair: Thanks, Nitin. Good evening, everyone, and thanks for joining us on this call today.

I am pleased to report another strong quarter for Mindspace REIT. This has been driven by a strong performance and positive trends in the Indian commercial real estate sector.

Let me start with an "Overview and Outlook of the Commercial Real Estate Sector in India." India's commercial real estate outlook looks very positive. In 2025, India's demand for Grade A Office Spaces is expected to stay strong. The last quarter of 2024 followed the steady trend seen throughout the year. Clients today are increasingly looking for Grade A Quality Offices with institutional developers, and we believe we are very well positioned to take advantage of this.

On the "Market Front," I would like to share with you a few insights from the various year-end IPC reports which I read:

The JLL Report spoke about net absorption growing year-on-year from 42 million square feet to 50 million square feet in last calendar year '24. In 2024, India's office market achieved an all-time high net absorption. GCC's again played a key role, driven by demand from AI, R&D and engineering. The tech sector rebounded, contributing 26% of the total demand. BFSI, manufacturing engineering sectors also saw significant growth. Mumbai, where we have a good chunk of our portfolio, achieved an 18% growth in net absorption. And moderate supply in many markets is helping rental values go up.

The CBRE Report stated that GCC's contributed 35% to 40% of leasing. GCC's leasing grew over 20% compared to 2023 and the reduction in vacancies has led to increase in rents.

CBRE also, as part of their 2025 predictions, spoke about continued demand leading to further growth. Tech, BFSI to drive leasing demand, demand to further increase in Pune, Mumbai, Bangalore and Hyderabad, and NPA demarcation has led to further leasing of SEZ space.

The Cushman & Wakefield Report again spoke about increased demand for Grade A Offices and vacancy rate reduction to 16%, which is the lowest in the last three years. Cushman also gave their 2025 predictions where they believe that positive momentum would continue and GCC's BFSI will keep driving the growth.

I recently also came across a research report by Liases Foras on the Navi Mumbai residential market. That report spoke about how demand is surging, driven by all the infrastructure upgrades which is happening in and around Navi Mumbai, especially projects like the new airport. This market in and around Airoli by 2030 is going to see close to 185,000 new residential units. This residential real estate influx is expected to work in our favor and drive office space demand.

You may also recollect the KPMG study which I spoke about a few quarters back which rated Navi Mumbai among the top three cities across eight different parameters.

In summary:

The quarter proved favorable for the industry and research teams at various IPC's hold an optimistic view of 2025.

Now, let's come to the “REIT's Performance”:

On the key announcements of Q3 FY'25:

This quarter has been quite exciting for us; we closed a few large preleases, we are offering to buy the Hyderabad ROFO asset, we are recording double-digit distribution growth. Our R2 building at Gera Commerzone Kharadi in Pune spread across a million square feet, has been fully preleased to a large MNC GCC even before completion. We are expected to get the OC in the next couple of months.

We also received OC for our second data center in Mindspace Airoli four months ahead of schedule. High Street Retail in Mindspace Airoli East is set to become operational next quarter with the OC now in place.

Some retailers and F&B brands have already started sit-outs here.

On our operating performance:

As mentioned earlier, we have achieved strong leasing this quarter with several new leases signed. We leased 1.7 million square feet during the quarter, including a prelease of 1 million square feet.

We are on track to achieve our highest gross leasing ever in a financial year since listing.

Occupancy rates remain stable at 91.5%. I would also like to take this opportunity to point out that sometimes losing a tenant is not always bad news and can bring in many positives into the portfolio. I would quote a few examples: In Madhapur, when a global IT major vacated, they were paying us in the late 40s, this space was taken up by a global BPO major at Rs.75. Similarly, when a global IT major gave up space at Rs.48, a co-working major, took the same space at Rs.80. In Airoli East, a global IT services firm vacated a space where they were paying rentals in the early 40s again which was promptly leased to another global IT services firm at 64. In Commerzone Yerawada, when a GCC of a global bank gave up space where they were paying Rs.72, a global energy GCC took the fitted-out space, the Global bank also left some of the fitouts out, we managed to get a rental of 110. This is a very clear opportunity for us when some tenants leave to align our rentals with market values. Sometimes, we also get an opportunity to upgrade the tenant mix, replace underperforming tenants and get more high value stable tenants. We also get to improve efficiency and get an opportunity to reconfigure and upgrade some of our older spaces.

I am also very happy to report that we achieved 100% occupancy rate in Commerzone, Porur, Chennai. With this, we have no space left to lease in Chennai.

Our market position remains strong with six out of the nine parks maintaining occupancy rates more than 96%. We achieved a re-leasing spread of 26.4% which increased our in-place rent to Rs.71.4 per square foot per month. Also, the government’s streamlining of the SEZ demarcation process has accelerated the conversion of spaces in our parks into NPA.

Coming to the “Financial Performance of the Quarter”:

Revenue grew by 7.6%, NOI by 8.3% year-on-year respectively. Our NOI came in at 5.2 billion. Distribution like I mentioned earlier saw an increase to 10.9% on a year-on-year basis came in at 3.15 billion. Our strong balance sheet, low debt levels provides us with the financial flexibility to pursue growth opportunities.

On the "Portfolio Growth Side":

Thank you once again for attending our Analyst Meet held in Altimus in November last year. At the meet, we shared our plans to focus on more than just organic growth. We are looking to expand through acquisitions as well. The proposed purchase of the ROFO asset in Hyderabad is a step in that direction. We are also evaluating another potential third-party acquisition opportunity in Hyderabad.

I also want to take this opportunity to give a "Development Update" on what's happening:

I am happy to report that our projects are progressing well. The three projects which were expected to be completed this financial year all are on track. The 315,000 sf B8 Data Center in Mindspace Airoli West has just been delivered ahead of schedule. The million square feet are two building in Gera Commerzone, Pune is being delivered in the next couple of months, again on schedule. And the 67,000 sf High Street Retail Complex which we have branded as Mindspace Fusion, has also been completed and tenants have started fit-outs. This space is going a long way in energizing not just our business park in Airoli East but also the micro market as a whole.

At Mindspace Airoli East, we shall be commencing work on two buildings in the coming financial year; one of them will be a mixed-use asset building with a 280 keys Hyatt Regency. This will be one of the few five star hotels in Navi Mumbai and will elevate the positioning of our park.

In Financial Year '26, we will upgrade four more buildings in Airoli East in a phased manner.

At Mindspace Airoli West, We have handed over the second data center building to PDG. As mentioned earlier, we now have two operational data centers and three more are slotted for future development. Upon completion, the business park will have five data center buildings. The total footprint of data centers will stand at around 1.7 million square feet. With this, we become India's, only REIT having a strong data center footprint in the portfolio.

In Mindspace Madhapur, the construction of the two buildings redevelopment is underway. We are on track for delivery in FY'27. The experience center scheduled to be ready by Q3 FY'26. This will be one of our finest offerings, sharing a benchmark in luxury club experiences.

Also, excavation work is underway at building 18. This again is planned to be a mixed-use development to create a thriving ecosystem.

Six buildings in Mindspace Madhapur has already been upgraded and four more are underway.

At Gera Commerzone Kharadi, like I mentioned earlier, the entire building has been pre-leased to a large GCC client, ready for occupancy starting Q1 FY'26.

We have also recently added around 37,000 sf of recreational space in this park for enhanced tenant experience commercial.

Commerzone Yerawada, again, we have started with the upgrade of our first building in this park. External common areas are also being revamped with new features.

Coming to “Asset Management”:

I want to throw some light on clients, the kind of work we are doing for clients. In our asset management team, we prioritize client safety, health and wellness in Mindspace REIT. We recently completed a lifecycle assessment study for all our critical equipments. We have strengthened our fire safety measures and are compliant with all regulations. To ensure again client convenience, we have enhanced focus on design from enhancing workspace design with efficient space planning, upgraded lobbies and facades to elevate tenant experiences and productivity, and also focusing more on how we could improve our terraces, our landscapes and the glass quality focused on the functionalities and sustainability.

On the “Amenities and Tenant-Centric Initiative”:

We recently hosted many of our clients at an event in Bombay. We call it the “Table Talk.” This is a platform where we listen, learn and work together with our clients to shape our future approach.

We also launched our “Quarterly Newsletter, Mindscape.” For the employees of our clients, we hosted nine events in the last quarter. We also ensured last mile connectivity through EV buggies operational in Hyderabad and Gera Commerzone Kharadi.

In a recent third-party survey of tenant employees, we identified the top five most essential requested amenities from our clients, based on feedback from clients and these are pharmacies, medical centers, gyms, convenience stores and creches.

I am happy to report that we have either operationalized or signed MoUs with the operators for all five of these amenities across all our larger parks.

To enhance tenant satisfaction, we have also introduced our hotelization initiatives in our business park.

These initiatives are designed to infuse the sophistication and service standards of premium hotels into the workplace, elevating the tenant experience.

We are also reinforcing our commitment to customer centricity with initiatives focused on strengthening tenant relationships and improving their overall experience.

All these efforts are aimed at positioning us as a trusted partner in our clients overall success.

Coming to "ESG":

Furthering our focus on ESG and an alignment with our vision statement, which is to set benchmarks in office real estate building, sustainable ecosystems that prioritize well-being, making us the first choice for stakeholders. We have taken solid steps in ensuring ESG compliance.

On the "Environment Side":

We achieved a score of 99 out of 100 in the GRESB Assessments beyond a prestigious five star rating with 91 out of 100 in the standing investment benchmark.

We achieved an impressive score of 70 in the Dow Jones Sustainability Index, which is DJSI, placing us amongst the top 10% of the real estate equity REIT category globally. 99.9% of our buildings have now achieved platinum ratings. As of Q3, 32% of energy comes from renewable sources. Our net zero is being validated by SBTI Initiative. Our overall efforts include net zero targets, green certification, solar installations and biodiversity projects. Regular means focusing on ESG targets, development plans and collaborations with top vendors is also in place.

On the "Social Side":

We received 10 Sword of Honour Awards for Outstanding Safety Practices. This is 10 out of 10 parks. All have the Sword of Honour Awards. So, well done by our asset management department.

We are creating designated feeding areas and shelters for a Furry friends within our business park.

We prioritize safety of our women staff and clients in safety training programs are being implemented.

We're always looking out for opportunities to increase diversity in outsourced staff and client engagement, has been expanded.

On the "Governance Side":

I am happy to announce that we have launched the Investors Portal. This portal allows investors to review their unclaimed distributions and tax data using specific login credentials.

In conclusion:

The industry trends appear to be positive. We believe we can sustain this progress. Our focus on client centricity, innovation, tenant satisfaction and sustainability, positions us well for the future.

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 happy to share with you all the Financial Results for the Quarter ended December '24. We delivered a strong NOI growth of 8.3% year-on-year for Q3 FY'25. Our NOI for the quarter was INR5.2 billion. Also, the revenue from operations for Q3 FY'25 grew 7.6% year-on-year to INR6.4 billion.

As we had guided, we have delivered a healthy distribution growth of 7.8% for nine months FY'25 and more particularly for Q3 FY'25, our distribution grew by a healthy 10.9% year-on-year. This quarter saw the highest distribution since listing of INR3.15 billion. In aggregate for YTD December '24, we distributed INR9.2 billion.

Our loan-to-value continues to remain low at 22.6%. This comfortable level of debt gives us enough headroom for acquisitions and development within the portfolio. Our cost of debt slightly increased by around 14 bps to 8.07%. This was mainly because of refinancing of a bond which we had raised three years back at a lower interest rate. While the interest rates still remain at high levels, we have been optimizing our debt mix to reduce our borrowing costs.

As Ramesh mentioned, during the quarter, we received the ROFO notice for Commerzone Raidurg, Hyderabad ROFO Asset. We have evaluated the potential acquisition opportunity and made an offer to the shareholders of the SPV post the approval of our board.

Pocharam asset divestment process is underway. We hope to understand the interest from potential buyers over the next few weeks.

With improving occupancy at our park, completion of buildings under development, rental growth, amongst others, we expect the performance of Mindspace REIT to remain healthy.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Pritesh Sheth from Axis Capital. Please go ahead.

Pritesh Sheth: First is on the increasing expiries that we have seen this quarter and for the next year across assets. Any specific trend you look at and you want to highlight on that or is it just a regular course? And based on that, what's the outlook on occupancy now probably by this year end and next year?

Ramesh Nair: Pritesh, this year, we have close to 2.7 million square feet coming up for expiry. Out of this 2.7 million square feet, we manage to retain 0.8 million square feet, 800,000 sf of clients. The balance 1.9 million square feet of clients exited. In this 1.9 million square feet of clients who have exited, we have already re-leased 1.2 million square feet to newer tenants. When I was looking at this data over the last four years, I said this year is 2.7, in the last four years, the average expiry has been around 2.8 million square feet, which is in line with the last four years average is what we are seeing this year also. But some good news on that is that the next two years when we check the data, the expiry is 1.5 million, so next financial year FY'26 and for FY'27 1.3 million square feet. So, overall expiries, we are able to fill it up and there is enough pipeline in the market given the good robust demand in the market and like I mentioned earlier in my earlier part of the speech, sometimes tenants vacating gives us that opportunity to bump up our rentals also. On the overall outlook of leasing, gross leasing, like I mentioned in the first nine months has been 4.9 million square feet. The last four years, again, average has been 4 million square feet of gross leasing, and we are already ahead of the number in the first nine months. There could be a chance we could end up doing a gross leasing of 7.2 million square feet this year. We are seeing some strong demand for our B1 building in Hyderabad and some very good potential enquiries, and hopefully we should be able to come back with some good news on that soon. So, we would be at around 92.5% to 92.9% towards the end of this financial year from a occupancy point of view.

Pritesh Sheth: That's where committed occupancy should be you believe.

Ramesh Nair: Yes, by March 31st of this year, we are expecting between that range 92.5 to 92.9.

Pritesh Sheth: And from there on, you would further increase based on the gross leasing trend and the expiries that are ahead of us.

Ramesh Nair: Yes, so if you look at the overall vacancies today, most of it is in Navi Mumbai. Hyderabad has a vacancy of around 350,000 square feet. Of a park where we have 13 million square feet, that's hardly anything. So, that we are confident that 350 will become around 150 in the next couple of quarters.

Navi Mumbai, again, I was just checking with my leasing team. In the last two, three months, the enquiries have actually doubled. We need to convert some of these enquiries, but we have clearly seen a doubling of enquiries. So, again, Navi Mumbai is looking positive.

We had one large tenant vacate in Yerawada, which led to that 150 odd thousand square feet of vacancy. But again, that 150 would become 100 in the next, that 150 would become 50,000 square feet of vacancy in the next 60 odd days. So, that also would come down.

Pritesh Sheth: That's pretty much helpful, and just on SEZ demarcation, if you can highlight like how much is under process, what's the completion timelines and by when do you expect to lease it, especially in Airoli East where our vacancy is a bit higher?

Ramesh Nair: So, NPA, what we have done is close to 2.1 million square feet. Of this 2.1 million square feet, we have already leased a million square feet, which leaves us with vacant NPA of around 1.1 million square feet.

Again, on the vacancy front, out of the 22 lakh square feet which we have vacant, 2.2 million square feet vacant, 0.8 is SEZ and 1.4 is non-SEZ. So, occupancy for SEZ is close to 93.2 and for non-SEZ is 90.1. We are confident in Airoli by end of next financial year, we should be touching the 96, 97% kind of a number in terms of occupancy. But a park of that size where we have 10 million square feet also will have some vacancy of the other coming up.

We studied the market very, very carefully or we wouldn't have announced Building 15, which is the 1.5 million square feet and Building 17, which is 800,000 square feet building in that location. We are seeing increased traction, but in terms of vacancy Navi Mumbai still has close to 1.7 million square feet lying vacant.

Moderator: Thank you. The next question is from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Hi, and congrats to management on the strong up moves that we are seeing now across both parameters. Sir, my first question is on rentals. You know, you have hinted at slightly higher rentals going ahead. I think we are now around 5 odd percent Y-o-Y increase. So, when do we hit those double-digit sort of growth numbers here?

Ramesh Nair: I don't see double digits happening. In my 25-year career, I have seen it very less times. Even during peak of maybe 2007 when rentals are going up that time also it was like 7-8% kind of a number. 10% rental increases on a year-on-year, it's quite difficult. I think 5 to 6% is more realistic, which is also in line with typical escalations which we sign, 4.5 to 5% is the kind of escalations we get from our clients. So, expecting 10% I think is a little being very positive, Abhinav. That's a little tough to achieve.

We have seen very few markets which is like Hyderabad, once in a while we have seen that kind of behavior. But what also typically happens, Abhinav, is when a market becomes overheated, like today, Madhapur is very overheated. There is absolutely no space available, no land to develop. We see cost-conscious tenants kind of migrating to non-expensive markets.

So, that's how today Whitefield you look at it. You saw Outer Ring Road going to 110, 120. And then people started looking at Whitefield, which was at 55 back then and which has become 70. So, the market overheats, typically, it kind of starts getting, demand starts flowing to other markets.

Abhinav Sinha: I think that's a very frank answer. But let me flip it. So, when do you see Navi Mumbai overheating? Is it like two years away with those 80 plus rentals?

Ramesh Nair: I think all the MOUs Chief Minister Fadnavis have signed over the last two days. Hopefully, some of it will come towards Navi Mumbai also, but I don't foresee Navi Mumbai being overheating like that. Abhinav, to be honest, I don't see that happening.

Abhinav Sinha: Sir, my second question is on the uptake that we are seeing in gross leasing this year. So, there has clearly been a contribution from the return to office which is playing out particularly in IT. Do you think this is done now or you know, we have another sort of four-quarter sort of tailwind here?

Ramesh Nair: Not exactly. Abhinav, great question. And I was sitting with the teams yesterday to check what's the attendance level of our portfolio companies. And it's kind of it was in the early 70s in the last quarter and it has kind of come to that 75-76% mark. Now we don't see a big jump happening.

Typically, on a lighter note, many CRE heads tell me as soon as they start seeing that some of these big companies are letting go of employees in the U.S., that's when attendance immediately picks up the next day because everybody wants to come and show their bosses and show attendance, but we are not seeing some big bumps happening because most companies have learned how to work from home.

That hybrid model has started working. They all have policies which is not there two years back. So, we are not going to see some big jumps on that happening, but every company we know are pushing out of the 200 odd office occupiers we have in our portfolio.

In the last 17 months I have been with the company, I would have met with more than 90% of them and in the 90% of the companies I have met, I would say maybe 10% of the companies are still big supporters of work from home. The balance 90% of them are pushing their employees to come back to work, but they will always have flexibility. So, many people can come to office and some people will have the flexibility to work from home.

Abhinav Sinha: And finally, I think one last question from my side. So, on the ROFO asset, what are the timelines and mix between debt and equity that we should look forward to here?

Ramesh Nair: So, on the timelines, like Preeti said, ROFO notice was received during this quarter, and we have done our due diligence and evaluation and presented the opportunity to the Board. The board has cleared the acquisition. We made the offer to the seller and once the seller accepts the offer, we will go back to the Board and then go to the unit holders. Preeti, you want to talk about the ratio of debt.

Preeti Chheda: Yes, so this is going to be through preferential issuance. So, basically, we will be taking over the SPV debt. And then of course, once we take over, we will look at refinancing. So, maybe let the announcement happen after the Board approves post the seller's acceptance. You will get the further details then.

Moderator: We have a follow-up question. It's from the line of Pritesh Sheth from Axis Capital. Please go ahead.

Pritesh Sheth: Just two more questions. First on the third-party acquisition that you are looking at. The same strategy you highlighted during the Analysts' Day. I just wanted to get some details or some thoughts behind it. Would it be like larger acquisitions, I mean, larger asset that you would be looking at, like about 1 million square feet, etc., and in general, what's the value for REIT in those acquisitions?

Is it like lower vacancy and hence it would be like a stress buyout from us which will eventually give us value and will these acquisitions be dividend and NAV accretive right from day one or probably we will have to communicate to the investors that look, maybe couple of quarters you will have to see through this and eventually these sort of acquisitions will create a lot of value for investors going ahead?

Ramesh Nair: Pritesh, on the third-party acquisition, we obviously will look at good long-term buy. It's still quite premature. We are still evaluating. Three, four things we typically look at from a checklist perspective is one, it should have, the seller should be ideal and institutional owner. Is there going to be any redevelopment kind of potential in the long run? Like I said, is there any extra benefit the location will get from added infrastructure which the government is providing? And do some of these markets have spillover benefits from reduced vacancy in some of the other micro markets in the city? So, these are some of the things we would look at before looking at a third-party acquisition.

Pritesh Sheth: And just one last on the pre-leasing that we did for Kharadi R2 building, can you share some terms in terms of, you know, are the rent-free period in line with what we have been doing? And rentals, are we asking for a little more than what we are generating for existing tenants? So, some details on that.

Ramesh Nair: Definitely, Pritesh. So, we have got good rental. Obviously, we have signed an NDA with them. But it's a good rental. And also, it was the last building in our campus. So, with that, we reached 100% occupancy. It is still 100% because this building did not receive the OC. So, we don't calculate it in our vacant space. So, rentals are in line with the best possible in the market. Not a worry, in spite of it being one large GCC.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet: My first question is when you think about growth and you are talking about acquiring third-party assets, would it necessarily be in the cities that you operate, or would you be keen to enter into cities where you have not been like Bangalore or Gurugram? Any thoughts there?

Ramesh Nair: Obviously in the cities we operate, Chennai, the REIT is full now. We don't have anything. So, we could be looking at Chennai as an opportunity. Hyderabad, we are the largest developer, largest portfolio, the best located Park. Pune, again we are very clear number one. Bombay again in commercial we are very clear number one. We have looked at opportunities in Delhi and in Bangalore before. There were times when we were the H2 bidders. In some cases, we were H3 bidders. So, the focus will be on all six cities, Puneet. We want to have a pan-India presence. Right now we are in four cities. But we look at Delhi and Bangalore, definitely.

Puneet: And even from the parent side, is there an initiative to acquire land and do greenfield and then pass it on to you, or that's still early stages there?

Ramesh Nair: Oh, that's a very serious strategy for the parent sponsor to find land and build and give it to us eventually. So, that continues.

Puneet: No, no, I meant in new cities like Bangalore, Delhi, NCR.

Ramesh Nair: Like yesterday a Bangalore, South India Head was looking for land opportunities in Bangalore. So, that continues.

Puneet: And secondly, I noticed FLEXspace operators are almost 10% of your total tenant portfolio. Do they get any sort of preferential rentals given that some of their tenants can also potentially move in or are they dealt in the same way as normal tenant?

Ramesh Nair: So, again in line with the market, Puneet, FLEX has today become 18% of the market. And we would be I think in the 8% odd, 8-9% odd from a portfolio point of view. And yes, it's around 10% now.

Puneet: 10, yes.

Ramesh Nair: That's the kind of number we would like to kind of maintain, but it's again, if you look at when we do FLEX deals, one is you can do a FLEX deal from a speculative point of view where the FLEX guy just takes the space and then hunts for clients. There is a lot of time, around 10% where the client is already there and this is going to be a back-to-back deal. In those kind of deals, obviously, if there is a lot more security from a flexible FLEX player point of view, we don't offer any preferential kind of deals there. We give exactly the same market rates we have. And our model again is plain vanilla leasing to the FLEX players. It's not that we invest in the fit out and then give it to them. There are those kind of models also. We give market rentals based on where the market is currently.

Puneet: So, no revenue share kind of agreements.

Ramesh Nair: We haven't done any deal like that. And like I said, most of our deals are backed by a tenant. It's a back-to-back deal which most of our flex operators have.

Puneet: So, actually, that's also very interesting. I mean, I would wonder why would they not come straight to you and go via FLEX operators if they know where they want to be. We also do a bit of CAPEX, right, for them?

Ramesh Nair: We can. We have the capability. We build, we are investing 4,000 crores in CAPEX, which means obviously we know how to build buildings, doing fit outs also. We have done so many fitted out deals. We also have a hospitality arm, which understands. So, we also have our CAMPLUS, which is our facility management arm. There are clients who come and tell us, can you do it for us? And we have done those kinds of deals also where we do the project management. We do the facility management for clients. But we are fine giving it to the top co-working operators who are well capitalized and where there is less financial risk for us.

Moderator: Thank you. The next question is from the line of Tanveer Sure, an individual investor. Please go ahead.

Tanveer Sure: Actually, my question is more around in general about REITs and InvITs. In the middle, there was some talk around having them included in the frontline indices. Have you all heard anything from SEBI or any other governing body regarding where we are with this particular intention? Because globally, REITs and InvITs are a part of the frontline indices and are actually SEBI Director has also been promoting it, but I don't know if it's gonna happen this year or next year or when. So, do you have any idea what is stopping it or is there any roadblock for that?

Preeti Chheda: So, that is one representation which has gone from the REIT, InvITs associations also to SEBI, and I believe they would be reviewing this, but difficult to put a timeline to this.

Tanveer Sure: So, not on the timeline, but do you know what the main concern is or what is blocking this action?

Preeti Chheda: So, as we heard, I think there was some reservation from the mutual fund industry. They had some reservations. But I think SEBI would be doing consultation with all the stakeholders to understand. But at this point in time, difficult to say where it is and when do we see this resolving.

Ramesh Nair: There was one small error, the FLEXspace's, I just checked the numbers again, it's 6.6%. So, it's not 10.3% which came in the slide. I just checked the numbers. It's 6.6%.

Moderator: Mr. Tanveer, does that answer your question?

Tanveer Sure: Yes.

Moderator: As there are no further questions, we will conclude the call. On behalf of K Raheja Corporation Investment Managers Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.