"Mindspace Business Parks REIT's Q2 FY23 Earnings Conference Call"

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MANAGEMENT: **MR. VINOD ROHIRA – CHIEF EXECUTIVE OFFICER,**
MS. PREETI CHHEDA – CHIEF FINANCIAL OFFICER,
MR. KEDAR KULKARNI – ASSISTANT GENERAL MANAGER – FINANCE & INVESTOR RELATIONS

(This document has been edited for clarity wherever required)

Moderator: Good afternoon ladies and gentlemen, and welcome to the Mindspace Business Parks REIT's Earnings Conference Call for Financial Results for the Quarter ended September 30, 2022. 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Kedar Kulkarni. Thank you and over to you Mr. Kulkarni.

Kedar Kulkarni: Good afternoon, everyone, and thank you for joining the Second Quarter Financial Year 2023 Earnings Call of Mindspace Business Parks REIT.

At this point, we would like to highlight that the management may make certain statements that may constitute forward-looking statements. 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 time.

I would now like to welcome our CEO Vinod Rohira and our CFO Preeti Chheda. They will first walk you through the business update and the financial performance during the quarter. We will then open the call to "Q&A." I now hand over the call to Vinod.

Vinod Rohira: Good afternoon, everyone. Compliments of the festive season. We have delivered another quarter of healthy performance on the back of stable demand for Grade A institutionally managed office assets.

The return-to-office plans of occupiers are gaining increased traction. The average physical occupancy at our parks has risen from c.31% in June 2022 to c.41% at the end of October 2022. While hybrid work models have been adopted by certain companies, issues like moonlighting, data security, etc. are making technology companies re-look at their work-from-home strategies. Organisations see the advantages that workplaces offer when it comes to harnessing the power of social connect, collaboration, ideation, peer-to-peer learning, enhanced data security and the other intangible aspects that enhance productivity and make a strong case for work from office.

The pandemic has completely changed the way occupiers perceive their office spaces. Their focus has now shifted from providing just workstations within 4 walls to providing an environment that lays emphasis on ensuring employee wellness, promoting collaboration, boosting productivity, building camaraderie, and acting as a tool to nurture and retain talent. Occupiers are looking for spaces that cater to their evolved requirements and this evolution renders a lot of existing stock unsuitable. Our vacant spaces created opportunities for us to cater to this new shift in demand dynamics with our upgraded assets offerings.

The space taken up by IT companies, GCCs and GICs over the last two and half years has not yet been commensurate with their record hiring of new employees in that period. With employees gradually returning to the office, there is increased pressure on companies to take up or upgrade to ready office spaces that not just cater to their increased headcounts, but also meet the new-age workplace requirements.

We have recorded another quarter of healthy leasing with a broad based recovery in demand from across occupier segments. We leased c.1.3 million square feet during the quarter, taking the cumulative leasing for H1 FY2023 to c.2.1 million square feet. Our committed occupancy which had risen by 130 bps Quarter-on-Quarter in the June quarter, has further jumped by 130 bps Quarter-on-Quarter in the September quarter. The total committed occupancy of our Portfolio as of September 30, 2022 stands at 86.9%.

As occupiers are returning to their offices after a period of 2 years, they are witnessing a stark difference in the quality and upkeep of the assets in our parks versus others. Our assets have undergone a complete transformation both on the exterior as well as interiors with modern facades, more recreational zones, improved navigation, new biophilic installations, IBMS, food courts, lobbies, breakout zones and more. Occupiers are able to distinctly identify the value added by institutionally managed space providers like us. Our tenants have appreciated the efforts we have put in during the downtime and it has aided in tenant retention and rent growth. Our long-standing relationship with our tenants and regular park upgrades has helped us lease 62% of the c.2.1 msf area leased in the first half of the year to our existing tenants.

With central banks across the globe raising interest rates and pulling out liquidity from the system, the cost of capital has gone up and the liquidity conditions have tightened. We expect this to limit the addition of new supply which should augur well for Grade A office spaces. This coupled with inflationary pressures is ensuring that the upcoming supply in the market would have to come in at higher rentals thereby aiding MTM growth in our portfolio.

This quarter was also a testimony to our commitment to sustainability. Mindspace REIT received full 5 Stars for its sustainability efforts on the Development side and 4 out 5 stars for the Standing Investment Component by GRESB, the Global Real Estate Sustainability Benchmark. We have been ranked 4th in Asia on Development Benchmark by GRESB. Further, our 7 assets were rated 5 Stars in British Safety Council's Health and Safety Audit. We have also received British Safety Council's prestigious 9 'Sword of Honour' awards across these 7 assets. We continue to be led by our purpose to 'build a sustainable ecosystem' and it has motivated us to be a sustainability leader in the real estate sector by creating long-term value for stakeholders through an ESG-focused business strategy.

We continue to eagerly await the implementation of DESH Bill by the Government. DESH bill aims to address the issues faced by SEZs and make SEZs the hubs of economic development and employment. The Bill proposes to enable co-existence of SEZ and Non-SEZ units in the same park and easing compliances for the SEZ Developers and Units. We expect timely implementation of the Bill to aid the demand for spaces at our SEZ Parks and enhance the occupancy at these Parks.

To update you on the acquisition opportunities, we had received a ROFO notice for acquisition of 100% of the shareholding in the company holding Commerzone Raidurg with c.1.8 million square feet of leasable area fully leased to a single global technology company. During the quarter we received another notice from the Sponsor Group for the acquisition of 100% shareholding of the company housing c.0.16 million square feet asset in BKC Annex, Mumbai, fully leased to a marquee global financial institution. We are evaluating of this additional asset along with on-going evaluation of ROFO opportunity and shall be presenting both the opportunities to our Governing Board shortly.

I would now like to take you through the specific operational updates for Q2 FY22

- We have leased c.1.3 million square feet during the September quarter of which 0.6 million square feet was on account of releasing an 0.7 million square feet was on account of new and vacant area leasing
- In the first half of the financial year we leased c.2.1 million square feet
- We have recorded average re-leasing spreads of 28.0% on the 1.3 million square feet area re-let during the first half of the financial year
- Committed occupancy stood at 86.9% registering an increase of 130 bps Quarter on Quarter. The committed occupancy has improved by 260 bps in first half of the current financial year
- Our in-place rents have grown by c.9% YoY to INR 63.0 per square feet per month
- Of the total portfolio area of 31.9 million square feet, 24.9 million square feet is completed and contributed to c.92% of our portfolio value. 2.4 million square feet is currently under-construction and we have another 4.6 million square feet available in the portfolio for future development.
- We further diversified the tenant base of our Portfolio by adding 11 tenants during the quarter
- Our revenue from operations for the quarter grew by c.17.4% Year-on-Year to INR 4,974 million
- We continue to demonstrate steady growth in our Net Operating Income, with NOI for the quarter growing c.16% Year-on-Year to INR 4,172 million
- Our distributions stood at INR 2,817 million or INR 4.75 per unit up by c.3.3% Year-on-Year
- Weighted average cost of our debt stood at c.7.3% at the end of Q2 FY23
- Our Portfolio NAV now stands at INR 370.3 per unit recording an increase of INR 5.4 per unit over March 2022

While we are upbeat about our performance in the first half of FY23, we remain cognizant of the challenging economic conditions playing out globally and the recession forecasted in the US and Europe. This is likely to lead to greater pressure on companies to cut costs in their home countries and increase the share of off-shoring, with India being the preferred choice for GCC and GICs looking for talent and cost optimisation opportunities.

With this backdrop I had the call over to Preeti to take you over the financial updates.

Preeti Chheda: Thank you Vinod. I am happy to present our financial performance for the second quarter of Financial year 2023.

We closed the second quarter, with a Revenue from Operations excluding works contract services of INR 5.0 billion registering a growth of 17.4% YoY. Our Net Operating Income stood at INR 4.2 billion, recording a strong 16.0% YoY growth and a 3.9% QoQ growth. We continued to maintain NOI margin at 80% plus.

We announced a distribution of approximately INR 2.8 billion i.e., INR 4.75 per unit for the quarter. The distribution grew by 3.3% YoY. The distribution comprises approximately 92% i.e., INR 4.37 per unit of dividend, which is not subject to tax in the hands of unitholders, approximately 7.6% i.e., INR 0.36 per unit of interest and approximately 0.4% of other income.

The Gross value of our Portfolio, as valued by the Independent Valuer, stood at c.INR 273 billion as at September 30, 2022, c. 3.3% increase over the value as at March 31, 2022. The NAV of our portfolio has risen by INR 5.4 per unit to INR 370.3/unit for the half year ended September 30, 2022. The valuation also factors in a 25 bps increase in WACC assumed by the Independent Valuer in view of the increase in policy rates by the Reserve Bank of India.

Similar to previous quarter, NDCF for the quarter ended September 30, 2022 includes INR 450 million of distribution of part of Pocharam land sale proceeds to unitholders. Out of the total proceeds of INR 1,200 million, we have distributed INR 900 million so far.

On the funding side, our leverage on the portfolio on a consolidated basis continued to remain low at c.16.8%. Our net debt as on September 30, 2022 was approximately INR 46.5 billion. We have undrawn committed lines of approximately INR 4.1 billion from financial institutions. Our low leverage provides us enough headroom for development within the Portfolio as well as inorganic growth opportunities.

During the quarter, we raised NCD of INR 5 billion at a coupon of 7.9% p.a. for refinancing of our existing variable cost borrowings. The NCD issuance saw participation from long-term capital providers such as Insurance companies as well as Pension Funds. With this NCD raise, around 41.6% of our debt is now at fixed cost. Our borrowing cost moved up TO c.7.3% as at September 30, 2022, an c.40 bps increase since June 2022 due to the rise in policy rates by the central bank.

We are also exploring raising funds for our short-term requirements through CP issuance.

REITs continue to gain traction amongst retail and HNI investors. Our investor base expanded by over 10,000 unitholders in the quarter ended September 30, 2022 largely driven by the addition of retail unitholders. Liquidity of these instruments is crucial, and we expect positive regulatory reforms on this front to help enhance liquidity.

With this, I request the operator to now open the floor for questions and answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Adhidev Chattopadhyay with ICICI Securities. Please go ahead.

A Chattopadhyay: The first question is now that we have substantially leased a lot of the area expiring this year. So, for second half, where do we see the overall portfolio occupancy heading, any numbers you'd like to share? And especially in the Mindspace Airoli (West) asset, where do you see the gap between the actual occupancy and the committed occupancy, which is the largest I think among the other assets, when do you think, the rentals will start flowing in from there?

Vinod Rohira: Hi, Adhidev. Essentially to answer your question, we've seen a steady demand continue for the 50,000, 100,000 square foot occupiers across of our parks. Gigaplex is a combination of SEZ and Non-SEZ. We've significantly leased out in the Non-SEZ footprint, and whatever remains, we are very confident of having that fully leased out before the end of the year. The SEZ portion which we were expecting to have released by DESH sometime around September, is still not happened. So, we're waiting for that to come out from the SEZ framework to allow for leasing to the other occupiers outside of the SEZ, and that will give us a fillip for demand. we're seeing demand in that area, but unfortunately, currently, we can't lease it. We're very hopeful that the legislation will correct itself in the next couple of months and then we can bring that supply slowly.

A Chattopadhyay: On the gap in the committed occupancy, when do we see the rentals flowing in from the space we have leased, the Non-SEZ space which you mentioned, so when do we see the rentals starting from that area?

Vinod Rohira: These rentals will start between 2-4 months at the most.

A Chattopadhyay: By the end of March, this should all be up and running?

Vinod Rohira: Absolutely.

A Chattopadhyay: I know we don't give guidance, but considering first half distribution and the outlook and rising interest rates, could you give us some direction that we think whether distributions may be higher in the second half of the year?

Preeti Chheda: We will refrain from giving any guidance, but we are hoping as Vinod mentioned that some of these leases which have happened, should start generating rent, and therefore we should see an upside on the NOI. But, of course, we have interest costs also which is going up; we've already seen 40 bps increase in the interest cost. So, we expect that the gains which we get from NOI to largely offset the interest cost. Beyond this, I don't think I'll be able to give a number.

A Chattopadhyay: Just a follow up to the first question, on the overall portfolio occupancy, so we are almost at 87%. So, by end of March, any targets or any guidance you'd like to share for the overall portfolio, where do you see it ending?

Vinod Rohira: We will continue to focus our energies towards the occupancies rising as we had envisaged earlier and mentioned earlier. We're hoping that trajectory continues to be there. And if we get the release of some of the SEZ spaces to be marketed, it will help us in the future quarters coming in.

Moderator: Our next question is from the line of Shashank Savla with Somerset Capital. Please proceed with your question.

Shashank Savla: I have a couple of questions. So, first, if we look at the rental growth and the NOI growth, that's been trending at around 15% levels in the past couple of quarters, whereas the distribution has grown by 3% year-on-year. Is there a way to have a higher distribution growth? I'm just trying to understand how does that low revenue growth into the distribution, so, would you be utilizing a lot of the increased revenues towards construction or under-construction project or would there be a higher distribution flow over time?

Preeti Chheda: Hi, Shashank. So, essentially, if you look at NDCF statement also, most of the CAPEX is funded out of debt. We are really not using operating cash flows to fund the CAPEX and which is what will continue even going forward. As regards your question of the regular distribution has not been commensurate with the NOI growth, we have other leakages also which happened post NOI, whether the interest cost, fees, etc., Therefore, you will not always have direct correlation as you see between the NOI growth as well as the distribution. But having said that, whatever FFO we have, we'd utilize that for distribution, not actually going to touch the FFO to fund the CAPEX cost.

Shashank Savla: On the debt, you mentioned that around 40% of that is fixed right now. Is the balance portion hedged in anyway? And what is the duration of the fixed -- is it for three years, five years?

Preeti Chheda: The fixed cost is with a mix duration. So, it was generally three years. The last one which we have done is five years. So, on average, the minimum, the earliest maturity one is close to 18 months, some will be three years, five years depending on where exactly we've drawn. And of course, variable cost debt is c.60% of our outstanding borrowings out of which 30% is lock in for one year. So, to that extent, we may be insulated, but obviously, some which is not having locked in reset, there, we will see some increase in the cost.

Shashank Savla: Do you still see a significant increase in your average cost of debt like 7.3% versus your latest you mentioned was raised at 7.9%?

Preeti Chheda: We are at about 7.3%. I would expect given the way the interest rates have risen, and the way banks have passed on, I would expect another 30-40 bps in the year to come.

Shashank Savla: On the leasing, is there any target for the full year which you are targeting like you've got 2 million in the first half?

Vinod Rohira: We continue to target as much as we can. Like I mentioned in the Non-SEZ, we are continuing to see demand, and we are quite confident of making significant progress in the leasing of the Non-SEZ. For SEZ, we're just waiting for unlocking that real estate. The minute that comes we'll bring it into mainstream and start leasing it.

Shashank Savla: And the new projects which you're considering, are all of that ROFO or is that third-party project as well?

Vinod Rohira: So, there are two parts. The one within the REIT is completely the REIT assets which are under construction. So, there is a speculative 1 million square feet getting built in Pune, which would be ready in 24 to 28 months from today. And there's another 1.3 million which is the re-development at Hyderabad which will be ready in between 30 and 33 months from today. And there are two acquisition opportunities which we are right now looking at. One being in Hyderabad, which is fully leased c.1.8 million and the other one is fully leased asset in the BKC annex area, which is c.1.6 lakh sq.ft.

Shashank Savla: Is Sundew also an ROFO asset?

Preeti Chheda: That was not part of ROFO. But, that's an asset which the sponsor has offered. Just to answer, at the time of IPO, we had identified three ROFO assets. But as you know, there are other assets also available with the sponsor for us to buy. And this was one of them and going forward also we will have other assets besides the ROFO, which will be available for the REIT to buy.

Moderator: Our next question is from the line of Mohit Agarwal with IIFL. Please proceed with your question.

Mohit Agarwal: My first question is out of your total vacancy, like I see 3-3.5 mn.sq.ft., how much of would be in the SEZ and how much would be in Non-SEZ?

Vinod Rohira: Hi, Mohit. We have about 1.8-odd mn.sq.ft. in SEZ and 1.2 msf in Non-SEZ.

Mohit Agarwal: You're saying essentially the 1.2 mn.sq.ft., you think that by the end of the year could be fully leased out?

Vinod Rohira: We are focused in leasing that 1.2 mn.sq.ft., we should be significantly there.

Mohit Agarwal: The 0.4 mn.sq.ft., that is getting expired in the second half, what is the visibility there in terms of renewal or re-lease?

Vinod Rohira: So, there's about 350,000 square feet more to go of expires. We already have visibility of 250,000 square feet out of that

Mohit Agarwal: Vinod, mentioned in the last line of your remarks you need to be cognizant about the risks that are happening globally. Just wanted to get your thoughts on, have you seen a change with respect to let's say the RFPs, has there been a change in smaller RFPs or larger RFPs, anything on the demand front that you've seen changing in the last one, two months?

Vinod Rohira: So, the larger RFPs, which were in the range of between 800,000 square feet and 2 million square feet have paused for a bit. So, they will come back I think end of first quarter next year. In the smaller spaces, the demand continues to be there, because the customers who need immediate space for their immediate needs are in fact coming forward and are only looking at Grade-A. So, we've seen a rise in the enquiries for 50,000 or 100,000 square feet, including immediate contiguous growth of clients that are existing in our parks. As you see I mentioned also, 62% of the area we leased was to our existing customers within our parks for immediate growth.

Mohit Agarwal: On physical occupancy, is there progress, what is the current physical occupancy and where do you see it towards the end of the year?

Vinod Rohira: From 31% in June, we are at 41% in September. We see that rising. I think we should be in the mid-40s to 50s by March.

Mohit Agarwal: ROFO on the Hyderabad asset is getting extended. Any reason why it has got extended, could you explain that?

Preeti Chheda: The reason to extend was because in September we got another notice for the BKC annex asset. We had almost completed our evaluation of the Hyderabad asset. But because we wanted to take both the assets to the governing board together, that's the reason we had to extend the ROFO notice period for the other one. It was just only to make sure that both the assets are presented to the board together.

Moderator: The next question is from the line of Kunal from BOFA. Please proceed with your question.

Kunal: Vinod, I just wanted to go back to the discussion on the SEZ part of it. So, assuming that the policies to get cleared in the winter session, what could the timelines look like after that -- is it that you would already be sitting on a pipeline of demand and therefore the moment you have clarity, the signups should pick up very soon after that, or would you expect the pipeline to build after this clarity?

Vinod Rohira: Hi. So, while we would love to have the pipeline ready, customers want clarity in terms of when they can actually start to fit out and start to occupy. So, having said that, the way I see it is, while DESH policy is significantly moving forward, what might happen in the interim is they may allow Part denotification of units within a combined building where there is SEZ and there is some vacancy which you can unlock. And they will open up rupee billing. So, these two things we are I think more confident that it will come sooner. The minute that comes in, that starts percolating down to customers. We will be able to excite their interest for the SEZ footprint. This cumulatively should take between three and four months to denotify is my view. But in any case, the traction begins the minute the announcement start to happen.

Kunal: Then the follow-up on the physical occupancy part. Your assessment that this goes towards the 50% mark towards the end of the year. Has the movement essentially been restricted only on the IT services side of the equation or have you seen certain other trends play out, maybe other parts of the tenant base not bringing in employees as fast or a certain policy sort of restricting that?

Vinod Rohira: So, when you're looking at 41%, you're looking at the entire weighted average of everything. So, if I give you within a park the smaller spaces are between 80% and 90% occupied and the GCCs are between 25% and 30% occupied. So, then the weighted average becomes 40%. In the BFSI and financial services, 80%-90% is occupied. The domestic business footprint is 90% occupied. The pure tech footprint is marginally rising. Certain cities are seeing a larger number, certain are seeing them crawling back. So, I just gave you a broad highlight to what the occupancies are. But we are seeing them inch towards coming back to the office. They will still work in a hybrid format, but you're still finding them wanting and needing to come back to the office.

Moderator: Our next question is from the line of Adhidev Chattopadhyay with ICICI Securities. Please proceed with your question.

A Chattopadhyay: More a question on the Hyderabad market overall. So, what we're seeing is in Gachibowli now vacancies are almost up to 40% as the numbers given by the IPCs, and there is even more space coming up in Gachibowli. So, the vacancies may touch 45% to 50% by March of next year. And while Madhapur, the vacancies are still holding on, it's not gone up much. So, what are the behaviors you're seeing from tenants in terms of what sort of rentals they are prepared to pay and in terms of the space take up, and what quality of buildings are coming up in Gachibowli versus what is there in Madhapur, just a broader sense if you can give us on the market?

Vinod Rohira: You must break that vacancy out in Grade-A and the rest of the vacancy. You will not see Grade-A vacancy at all. In fact, Grade-A vacancy has very high demand. Every customer that's coming forward is first looking at Grade-A. So, we are seeing a very reasonable strong interest in upgraded assets within our park. And that's a differentiator. So, you will continue to see vacancies in Grade-B assets in each micro market and you will see that in Hyderabad more than anywhere else because there is an overhang.

A Chattopadhyay: A question just on the rentals. Where do we see the rentals heading especially in the Hyderabad market over the next two, three years?

Vinod Rohira: The rentals will continue to see their strength, because there will not be so much Grade-A supply that's coming, and that will be matching demand while you will see disruptive rents being offered in Grade-B.

Moderator: The next question is from the line of Rahul Marathe with ICICI Prudential Pension Funds. Please proceed with your question.

Rahul Marathe: So, it's more like a query on the DESH Bill. What would be the kind of surplus vacancies that we would have across our micro markets because it is a kind of worry that suddenly a lot of office space which is sitting on the sideline comes on the market and does it end up disrupting prices?

Vinod Rohira: We are actually waiting for the SEZ to unlock so that we can bring that for leasing.

Rahul Marathe: Not only with us, but with the competitors. What I am saying is suddenly a large spurt of office space will come to market.

Vinod Rohira: I can tell you about my assets and I am really excited to unlock them.

Moderator: The next question is from the line of Poonam Joshi with Nirmal Bang. Please proceed with your question.

Poonam Joshi: It's a book-keeping question wherein this quarter I see that the EBITDA margin has declined sharply from 74.9% to 54.4%. There is some cost associated with the work contract services, and even the taxes has gone up. it would be very helpful if you give some color on this cost as well as why the tax has increased sharply sequentially.

Preeti Chheda: So, this is only because of the work contract in one of our projects. We do the construction for the owner which is a development agreement. That's the reason you are seeing the income from the work contract coming in the revenue.

Poonam Joshi: It is one-off in nature, right?

Preeti Chheda: Yes, it's one-off. Once you are done with construction of office building, then automatically it gets to an end. What I was saying is on an INR basis, it hardly moved the needle in the EBITDA. It's just because the whole amount comes as revenue as well as expenditure, that's the reason you are seeing this disruption.

Poonam Joshi: Given that the physical occupancy has been improving sequentially, do you see any common area maintenance charges going up from here on?

Vinod Rohira: They are all as per projections. We are working in the same direction.

Poonam Joshi: The reason for the sharp increase in taxes by 34.6%?

Preeti Chheda: Because of deferred tax adjustment. So, one, of course, because of an interpretation of IND AS which we had taken a different view together with the auditors. To that extent, there has been an additional charge which has come in this quarter. And also, secondly, because there are one or two assets which enjoy tax holiday, where a deferred tax charge gets booked, but we don't recognize an asset given its in the tax holiday period, and unless we have certain fee of the cash inflows as we go along. So, the second bit should normalize in course of time.

Moderator: The next question is from the line of Shashank Savla with Somerset Capital. Please proceed with your question.

Shashank Savla: I just wanted to understand in terms of the rental increases, how much are phased rent increasing on the ground and whether this high inflationary period has an impact on the rental on the ground?

Vinod Rohira: See, the rental is a direct correlation to what is the asset that you prefer when you want to come back to the work space. The clients are not pressured to give you a pop in the rental if the asset is stacking up from an experiential point of view. We have been saying this time and time again how you can create well-being and wellness at the work place and create an environment where the customer feels that they are right on top of our stack, whether it's sustainability or experience or entertainment, housekeeping and services, etc., they will pay you the rent. And if you are not able to provide those services and that experience, then even at a discounted rent, they want to take your real estate, and that's exactly what's happening.

Shashank Savla: The second question was on the ROFO asset. For the funding part, are you planning to buy those with debt or by selling units?

Preeti Chheda: We have the option of ROFO units which is most likely to be the case. While we are still closing the structure especially since we have got the second one, it also weigh in, and of course, subject to what the board and the unit holders have to say. If it's a swap, then we don't really need any kind of debt or equity capital.

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