"Mindspace Business Parks REIT Acquisition 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 Mindspace Business Parks REIT Acquisition Conference Call. Please note 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. Please note that this conference is being recorded. With that, I hand over the call to Ms. Shweta Shah from Mindspace Business Parks REIT. Thank you and over to you.

Shweta Shah: Good evening everyone and thanks for joining us for this call to discuss acquisition of the assets in prime CPD markets of Worli and BKC Annex, Mumbai and Pune. You may wish to refer to the presentation and press release that has been uploaded in the investor relations section of our website. We would like to highlight that the we 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. Joining the call today are Ramesh Nair, our CEO and MD, Preeti Chheda, our CFO and Govardhan Gedela, our Head of Corporate Finance. Ramesh will run you through the details of the acquisition, after which we will open the floor to the questions. Over to you, Ramesh.

Ramesh Nair: Thank you, Shweta. Good evening everyone, and thank you for joining us on this call. Mindspace REIT is pleased to announce the addition of three CBD assets to its portfolio. This is in line with our strategy to grow our portfolio both organically and inorganically. The proposed acquisition includes Ascent-Worli, the Square Avenue 98 in BKC Annex, and an office building in Kalyani Nagar, Pune CBD, all from K Raheja Corp for a value of Rs.29.2 billion. The purchase price reflects a 6.1% discount to the average of both the independent valuers' estimates. The Board of the Manager to Mindspace Business has approved the acquisition and preferential issue of units. This aggregates to Rs.18.2 billion, subject to unit holders and other regulatory approvals. The acquisitions are accretive, increasing NOI by 9% and DPU by 1.7% on a proforma basis. Now moving on to the assets.

The first one is Ascent Worli, a 4.5 lakh square feet, prime CBD trophy asset in Worli. It is a newly completed premium office tower located in the heart of Mumbai's Central Office District, Worli. The in-place rent in this property is Rs.302 per square foot per month. With latest leases signed between Rs.300 to 350 per square foot per month, this reflects its premium positioning and upside potential. It also shares layout with the iconic luxury residence, Artesia, enhancing its exclusivity and appeal. The property elevates the workplace experience with grand hotel-like lobbies, upscale dining options and thoughtfully designed common areas. Presently, Ascent's committed occupancy stands at 86%. It is home to marquee global and Indian tenants such as Goldman Sachs, Dream 11, Executive Center and Sterlite, among others. Ascent is one of the key contributors to the re-rating of rentals in Worli, which is now seeing 400 plus square feet rentals.

Let's talk a little more about the location of this asset. As you all know, Worli has seen remarkable resurgence due to major infra upgrades. It is very well connected to the coastal road, the sea link, metro aqua line, via Atal Setu to the upcoming airport. The Worli-Sewri Connector connecting Worli to Atal Setu is expected to be completed by second half of 2026. It is also centrally located between Nariman Point and BKC, the other two front office clusters of Mumbai. Further, the asset will have direct metro access through a 150-metre path being opened from the building. Worli is one of the most desirable pin codes for ultra-luxury residences where a lot of senior leadership and decision makers live in proximity. It is also a premium hospitality district with hotels such as Ritz-Carlton, Four Seasons, St. Regis and proposed Oberoi Realty Hotel, all located close by. Over the years, Worli has developed into a dynamic commercial and lifestyle hub.

The second asset is a 2.2 lakh square feet of premium office space, The Square Avenue 98, BKC Annex. This is strategically located in BKC Annex and very close proximity to BKC. The asset is currently 100% occupied and leased to JP Morgan. The tenant has been occupying this building for over 15 years now. This asset represents a core opportunity with a good value-add potential. This has the potential to add 62,000 square feet through vertical and horizontal expansion and also efficiency adjustment in line with prevailing market standards. This is a near-term opportunity as the lease expires in 2027. As market rents have grown faster than contracted rent, the asset also offers 40% mark-to-market opportunity on re-leasing. Market rent today is around Rs.250 to Rs.275 per square foot per month in this BKC sub-market. The combined impact of area addition and rent reversion will result in substantial uplift in NOI. Again talking about the location, BKC and BKC Annex area continues to command premium rentals driven by limited supply and robust demand. It has a strong adjacency to BKC and the opening up of the Kalina BKC connector and SCLR has effectively integrated it with core BKC. It is easily accessible from both western and central suburbs through SCLR, proximity to airport, ease of entry and exit, and has elevated this micro-markets positioning with rentals in the range of Rs.250 to Rs.275, as mentioned earlier. Further, the bullet train terminal shall come up right next to this asset. This will make the location even more attractive to occupiers. As per the Cushman study, BKC and BKC Annex recorded the lowest vacancy of 4.8%. This is the lowest in any micro-market in the city. This is down from 20% of 2021. As you remember, there is no new supply in BKC in the last 8 years except for one strata sold asset.

Now let's come to the Pune office building. This is located in Kalyani Nagar micro-market. This is one of the affluent locations of Pune. It is located just 10 minutes from the airport and also exactly in between two metro stations. This is located near Koregaon Park, very close to Viman Nagar and airport. The location as I mentioned is upscale residential close proximity to the hospitality district, and very close to hotels like Conrad, Westin, Sheraton, and Hyatt. It has 1,00,000 square feet of fully leased space. The asset is 100% occupied, with WeWork as the anchor tenant. With a WALE of 6.8 years, this asset provides stable long-term cash flows for an attractive yield profile.

Why do these assets matter to the REIT?

With these acquisitions, Mindspace REITs expands further into Mumbai's prime front office CBD markets. This takes our front office portfolio to 8% by value. It strengthens our presence in markets where demand from global occupiers remains robust. They are built to high quality, supported by strong tenancy and positioned for sustained performance. Historical research has shown that tenant quality is better in CBD. Tenant renewal behavior is stronger in CBD. CBD also sees faster rental growth and is always easier to exit while selling a CBD asset. This is also irreplaceable location, and one needs to consider scarcity premium for these assets. For us, it is quite straightforward. Invest in great locations, work with great tenants, and create durable value for our unit holders. These assets embody exactly the philosophy. These are marked by some of the biggest names of Wall Street as anchor tenants. They also enhance the quality of our portfolio with potential for upside and rentals.

Now let’s look at the financial and portfolio impact. As mentioned, the acquisition is being completed at Rs.29.16 Bn Crores. This is a 6.1% discount to the average of two independent valuations. On a proforma basis for FY2026, the transaction delivers 9% NOI growth and 1.7% DPU accretion. These assets also bring significant mark-to-market potential and value-add opportunity. Post acquisition, the Mindspace REIT portfolio expands to 39 million square feet. Our LTV, post these acquisitions remains conservative at 24.7%, maintaining substantial debt headroom for future opportunities. This is our second sponsor acquisition, following the successful acquisition earlier this year of Commerzone Raidurg in Hyderabad, a 1.82 million square feet asset in Hyderabad, which is 100% leased to Qualcomm. Over the years, we have strengthened our portfolio through disciplined value-accretive growth. Now we have full ownership of Commerzone Porur, where we did inorganic acquisition. We also have done incremental ownership at Mindspace Madhapur, where we have picked up assets from other HNIs. Also, we have done strategic expansions at Commerzone Yerawada to increase our control of the park. And more recently, you had seen us acquire the Square 110 Financial District in Hyderabad. We have completed acquisitions of 3.2 million square feet in the recent past apart from the acquisitions we are discussing today. This is another step in Mindspace REIT's disciplined growth journey.

In conclusion, these acquisitions reinforce our conviction in India's prime commercial business districts, especially in Mumbai's evolving CBD landscape. They enhance our income quality, deepen our front office footprint, and position us for the next phase of sustainable long-term growth. With rising global demand for high-quality office space, Mindspace REIT is uniquely placed for the future. We thank you for your continued trust and confidence in us. We look forward to delivering many more milestones together, with our mantra of building loved workspaces while maximizing value.

Moderator: Thank you so much. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We request participants to restrict to two questions each and then return to the queue for more questions. To rejoin the queue, you may click raise hand icon again. We will wait for a few minutes until the question queue assembles. We have our first question coming in from the line of Karan Khanna from Ambit Capital. Please go ahead with your question.

Karan Khanna: Hi, am I audible?

Moderator: Yes, we can hear you.

Karan Khanna: Yes, hi, thanks for the opportunity. Just a couple of questions from my side. Ramesh, if you can talk about the timelines by when you expect this transaction to conclude. And can you also share the kind of mark-to-market opportunities that you see for these three assets? And if there are any other benefits that will accrue to the rate as a result of this acquisition?

Ramesh Nair: Yes, timelines, we expect to close this by the first or second week of Jan. In terms of mark-to-market opportunity, looking at the various projects which are coming up within BKC, Sumitomo is the next project which is going to come here. There is hardly any space available in the current BKC micro-market. If you look at the other projects, Maker Maxity, today there is only 2000 square feet left in Maker Maxity. One BKC has just 18,000 square feet vacant. Godrej BKC has only 45,000 square feet vacant. FIFC is like nil vacancy. Crescenzo is nil vacancy. Raheja Towers is nil vacancy. Sumitomo, which is expected to come late next year or early part of 2027, is also seeing some good amount of traction. But the interesting part which one needs to note is Sumitomo is quoting over Rs.500 rental. Prestige which is expected to come around 2028 is quoting Rs.450 rental. Raptakos Brett which is close to our Worli property is quoting Rs.450 rental. Four Seasons GIC is coming up, which is again going to be towards late 2027, early 2028, they are quoting Rs.450 rental. So all these are good mark-to-market potential opportunities given that the BKC rentals have gone through the roof because of no vacancy available. And even in Kalina, even nearby assets are beginning to do deals at Rs.270 bucks in BKC Annex. So we are very confident that whenever there is a mark-to-market opportunity, we will be able to capture full benefit from that.

Karan Khanna: So my second question Ramesh is specifically to your Square Avenue 98 BKC asset where the WALE stands at two years. So what kind of discussions are you having with JPMorgan in terms of perhaps them renewing the lease here? And secondly, if I look at the income support, so that has been taken at considering Rs.250 per square feet kind of market rent, while if I look at slide number 21, there are talks about Rs.275 per square feet market rent. So how do we reconcile this? And more importantly, what kind of discussions are you having with J.P. Morgan as far as renewals are concerned?

Ramesh Nair: So J.P. Morgan has their lease expiring towards October 2027. J.P. Morgan, which has been widely reported in the market, is taking space in Sumitomo. This gives us a huge 40% plus market opportunity, MTM opportunity, given that current rental of J.P. Morgan is only Rs.197. So that is an opportunity we have, J.P. Morgan before expiry, we are sure, will serve notice. There are already decent enquiries over the last one week as people started hearing that we may be buying this asset, at least two enquiries, so full building from large Indian occupiers who want to own an independent building which has started coming up. With regards to income support, I will add a few points and then Preeti can add some more. So J.P. Morgan has been occupying this since 2009-2010, so that is like over 15 years. There has always been the escalation back then, this was done just after GFC, the escalation back then, which was signed was 11% every year, three years, which is obviously today not in line with the market. The market rents have grown much faster than that. And in place rent, like I said, is only Rs.197, while the market today is between Rs.250 to 275. And the cash flow is again based on the contracted rent. That is the reason why we decided to do income support.

Preeti Chheda: Yes, and just to add to your question in terms of Rs.250 and 275. So the income support has been determined which is the difference in the market value and the in place rent. Rs.250 is what the valuers have taken as a current rent, Rs.275 is what they expect the rent to be on renewals. So the income support is nothing but the difference between the Rs.250 and Rs.197 where JP Morgan stands today. And that has been taken until the expiry of the lease term.

Karan Khanna: Sure, this is helpful. And my last question, Ramesh, going forward, will you continue to prefer relatively mature assets at high occupancies? Or are you also considering assets where scope for turnaround is potentially higher? And is there an LTV ratio cap that you would not want to exceed in terms of acquisitions?

Ramesh Nair: See, Karan, in terms of CBD assets, prime CBD assets, not too many typically come into the market, we have noticed. And whenever there is a CBD assets in Bangalore, there was a CBD asset which was offered a while back, there were like 20 bidders who are participating in that bid. So highly sought after, but we look at all the opportunities which come in the market.

Karan Khanna: And the LTV cap?

Ramesh Nair: LTV cap right now, we are still below 25%. So it is quite comfortable. So we have opportunity to grow that.

Preeti Chheda: Yes and as we have always been saying, we are okay anywhere around between 20-25. Okay, obviously if charge going beyond that, then we will do the next step. So we have enough headroom. And to add to what Ramesh said, we would be open to buying assets where there is some amount of leasing left because that also gives us some upside. So we are okay with all kinds of assets, fully completed, fully leased, if we have certain stuff to still lease because we believe that our leasing competency should be able to get us the right rentals within the right time frame. So we will be open to all kinds of assets.

Ramesh Nair: I will just add a couple of lines there Karan. This is a good example of a super premium core kind of an acquisition, core plus kind of an acquisition. The last one we did was more of a value-added one, which we did in Hyderabad, the Q-City acquisition. So it is a mix like Preeti said of different styles of acquisition strategies.

Karan Khanna: Great. Thank you and all the best.

Preeti Chheda: Thank you.

Moderator: Thank you so much. We have our next question coming in from Parvez Qazi of Nuvama Group. Please go ahead with your question now.

Parvez Qazi: Good afternoon. Thanks for taking my question. Two questions from my side. I believe in the asset which has been released to JPM, we have a potential to add another floor. So how long will it take you to construct that floor? And during this construction period, can we continue to get rent by leasing the balance area to some tenant or for maybe that one year period, we will need to keep the entire building vacant.

Ramesh Nair: So, Parvez, great question. It is going to take us around nine months to upgrade this building and also to add that extra area of 60,000 square feet. During that time, we would also have the tenant doing fit out. So there will be an overlap, but like in any re-development potential, like if you look at our Hyderabad B1, for example, there is like three-and-a-half years in between us redeveloping. This is going to be just over nine months. So it depends on how we are able to overlap the tenants, entry periods along with the hour upgrades of the building.

Parvez Qazi: Sure, thanks. Second in the Pune asset, I think one building is already fully leased to WeWork, but I guess there is another building which is currently vacant. So how soon can we lease that I believe that is for social interest. How soon can we lease that building?

Ramesh Nair: It is a very small 15,000 sq. ft. building, which is basically more like an amenity building. We will have to give this to some alternate uses, whether getting an amenity conversion in terms of usage or give it to existing usages like a school, a healthcare center or a convention center. So, that is the possibilities. We believe this can be done over the next couple of quarters. It is not an office building, it is just an amenity building on the site.

Parvez Qazi: Sure. Thanks and all the best. Thank you.

Ramesh Nair: Thank you.

Moderator: Thank you so much. Our next question is coming in from Pritesh Sheth of Axis Capital. Please unmute your microphone.

Pritesh Sheth: Yes, hi. Am I audible?

Moderator: Yes, we can hear you.

Pritesh Sheth: Okay. Hi. So just a few questions in terms of Ascent Worli, which we got OC recently and it is 86% committed occupancy how long it will take for us to reach 100% in terms of the interactions, which are already going on with the tenants? And sorry, how long will it take the rent generating occupancy to reach this 86% number? And for the balance vacant portfolio, what is the timelines of leasing that out? That is the first question and second on the assumptions of NOI that we have made for these individual assets to calculate the cap rate, is it usual occupancy into rentals plus CAM which has gone or there are any other additions to that? And what is the CAM income that we have assumed for each of these assets individually if you can highlight? So yes, three questions.

Ramesh Nair: Yes, the first question with regards to when the rentals will start, by March, there would have been 73% of this 86%, the rentals would have started by March of 2026. By June of 2026, all 86% would have started. We are confident that by April, we should be able to lease the balance 14% space. With regards to cap rates, it is normal to assume your CAM margins while calculating cap rates. That is a standard market practice.

Govardhan: So Pritesh, it is determined in the usual fashion. Since most of the leases are contracted, the revenue streams and the CAM income streams are determined as per the contracted rents and CAMs that are agreed. The expenses in the asset again property tax, CAM expenses, insurance which are the usual deductible expenses that go into net operating income. So that is how the NOI has been determined. There are no unusual items that are penciled in.

Pritesh Sheth: Sure. Got it. And just as a follow up for this Ascent Worli, we have assumed FY2027 NOI as roughly Rs.170 odd Crores that assumes J. P Morgan is still with us or that assumes that J. P Morgan is out and we have leased to another tenant at a higher rental.

Ramesh Nair: So Ascent is not J.P Morgan.

Pritesh Sheth: Sorry. Yes the J. P. Morgan asset, the NOI assumption that we have made is based on J. P Morgan still staying with us in FY2027 or?

Govardhan: Yes, in J. P. Morgan, in the Square Kalina building, we assume that J. P Morgan continues till the lease expiry of October 2027.

Pritesh Sheth: Sure. Okay.

Ramesh Nair: Just one thing to this I would like to add here is typically large organizations like J. P Morgan take a long time to do the fit-out zones. So it is not that they can just pack their bags and leave tomorrow. First the building has to get ready because their interior fit-out timelines could easily be 12 to 15 months, which gives us enough headroom to think and close on our strategy.

Pritesh Sheth: Got it. Fair enough. Those were my questions. Thank you.

Moderator: Thank you so much. Ladies and gentlemen, anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We will wait for the question queue to assemble. Since there are no more questions, we will take that as the last question for today. On behalf of Mindspace Business Parks REIT, that concludes today's conference call. Thank you for joining us and you can now click on the leave icon to exit the meeting. Thank you all for your participation.