

Brookfield

India Real Estate Trust

“Brookfield India Real Estate Trust Q3 FY-22 Earnings
Conference Call”

February 14, 2022

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Moderator: Ladies and gentlemen, good day and welcome to Brookfield India Real Estate Trust Earnings Conference Call for Q3 FY22. On the call we have the following persons. Mr. Ankur Gupta - Managing Partner, Brookfield Asset Management and Director, Brookprop Management Services Private Limited; Mr. Alok Aggarwal - Chief Executive Officer, Brookprop Management Services Private Limited; Mr. Sanjeev Kumar Sharma – Chief Financial Officer, Brookprop Management Services Private Limited; Ms. Ruhi Goswami - Compliance Officer. We also have Mr. Rohan Ghosh and Mr. Rachit Kothari from Brookfield.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Gupta. Thank you and over to you, sir.

Ankur Gupta: Good afternoon, everybody. Welcome to our Q3 analysts call. Very proud to report that as we near the first year of REIT post listing, today’s call could be termed as the year one report card. We’ve come out in our opinion, strong across all parameters. The core of the REIT remains solid at 87% committed occupancy despite a year which had lots of ups and downs in terms of COVID related health care and pandemic issues. Despite that, the core remains strong and as promised to our investors, we continue to stay focused on keeping it solid and keeping our balance sheet prudent. And while accomplishing that, increasing the size of our REIT, very happy to report that over the past few weeks, we successfully concluded both the preferential issuance that we had briefed all of you during the later part of last year. And as a result of that, with the proceeds that we raised, we were successfully able to complete the acquisition of Candor N2 Techspace into the REIT.

The acquisition is in line with our strategy of very high quality assets and acquiring those assets that are accretive to the income stream. The markets have been supportive of our program. Very happy to report that we are one of the best performing REITs over the past one year and utilizing the strong green signals from the market. We hope that we continue on this path of prudent growth of this portfolio. My colleagues, Mr. Alok Aggarwal, CEO of the Manager and Mr. Sanjeev Kumar Sharma, will take this conference call forward from this point, and we’ll be available post that to answer any questions. With that over to you Alok.

Alok Aggarwal: Thank you Ankur. A very good afternoon to everyone. And hope all of you are doing good. I’m pleased to announce that our portfolio has delivered a strong set of results during the quarter. We have witnessed strong leasing traction across our assets. With over 5 lakh square feet of leases signed during this quarter, adding five new marquee tenants to our portfolio, we also signed up an additional three lakh square feet of future expansion options. So, much demand has come from both existing as well as new occupiers and we expect it will continue to remain in place as occupiers gradually ramp up their back to office plans.

Our tenants in the technology sector have continued to perform well and have increased the employee strength substantially in the last two years. As they gradually return to the office, the medium to long lease, in demand for high quality institutional assets like ours is expected to remain robust. The rapid spread of the Omicron variant is likely to have a delay of only a few weeks on ongoing leasing discussions. We have already started to see a significant decline in cases and are witnessing occupiers coming back to offices. Restrictions on travel both domestic and international, along with intra city movements are getting lifted.

We have successfully completed our first acquisition that is of Candor Techspace N2 within one year of listing. The asset is the largest office campus in Noida and is located on the Greater Noida Expressway with excellent connectivity with road and Metro. This is highly complementary asset, and it's made us the largest office landlord in Noida. The acquisition has helped us achieve significant scale with a 35% increase in our operating area. And it's helped attain greater tenant diversification. The addition of N2 enhances our effective economic occupancy by 400 basis points to 87% and drives NDCF accretion to our unit holders.

Our existing assets continue to deliver robust results with collections of 99% of contracted rentals, while achieving an average 7% escalation on five lakh square feet of leased area. We ended the quarter with a committed occupancy of 83% driven by leasing momentum. We have also received the occupancy certificate for the new amenity block of 80,000 square feet in N1 in January this year, of which 18,000 square feet has already been committed. This expansion of the amenity offering in the campus will help us provide use better services to our tenants, and help us gain further leasing traction as tenants return to office after the current wave of the pandemic.

In line with our commitment to sustainable practices, we continue to adopt strategies to mitigate the impact of our operations on the environment. We have achieved a 6% reduction in energy consumption and a 27% reduction in water consumption across assets over the corresponding quarter last year. We have also been recognized for our sustainability efforts through various awards from leading industry bodies. We have received the Sword of Honor from British Safety Council for N1 and K1. This is the highest award being offered by the British Safety Council. We also have secured IDBC Platinum Certification for G2 and N1. And IGBC gold rating for K1. Also we have achieved 5S gold rating from CII.

Our other identified asset Candor Techspace G1 also witnessed strong leasing traction with nearly three lakh square feet of new leasing during the quarter, taking its committed occupancy to 76%. This demand came from both existing and new occupiers. The rental collections for the asset continue to be robust at 99%. Now, I would like to invite our CFO, Sanjeev to provide the financial updates. Over to you Sanjeev.

Sanjeev Kumar Sharma: Thanks Alok. Good afternoon, everyone. As Alok mentioned, we have successfully concluded the acquisition of Candor Techspace N2 on 24th January 2022. Our first acquisition within one year of listing. With this the REIT has achieved significant scale in an accretive manner. The

addition of N2 into the REIT portfolio will help us enhance our effective economic occupancy by 400 basis points and provide greater visibility into future cash flows. The acquisition was partially financed through India's first preferential issue to institutional investors by our listed REIT of Rs.950 crores. Participation by Brookfield Group alongside reputed long term institutional investors is a testament of our high quality portfolio and positive business outlook. With our acquisition we have also achieved a 40 basis point reduction in borrowing costs and optimize the capital structure of the REIT with a 33% loan to value. This will help enhance unit holder returns and help us maintain a strong balance sheet with ample liquidity to meet our future requirements.

The transaction is expected to be 4% accretive to NDCF and will help enhance the tax free component of distributions to (+50%). Our portfolio continue to demonstrate robust cash flow generations and financial resilience during the quarter. The board has approved a distribution of Rs.151 crore that is Rs.5 per unit this quarter with 34% of distributions tax free for unit holders. We have cumulatively distributed Rs.515 crore or Rs.17 per unit since listing. The portfolio has generated an NDCF of Rs.143 crores that is of Rs.4.74 per unit for this quarter. The cumulative NDCF since listing has been Rs.533 crore or Rs.17.59 per unit. Income from operating lease rentals for the quarter was Rs.145 crore with a net operating income of Rs.150 crore. This has been slightly lower than the corresponding period last year, primarily due to vacancies created during the year. With the new leases committed during this quarter, we expect an uptick in NOI in subsequent quarters. Further, N2 acquisition and reduction in finance cost will also contribute in higher NDCF in coming quarters. With that, I would hand over to moderator for Q&A session. Thanks to all.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: So firstly, whilst you touched upon briefly in your opening remarks. Can you give us some sense on what has been the impact of COVIDs third wave on your fresh lease in the ongoing quarter. So for instance, some update on how would have been the site visits now and how much extension you would have given to the rent free period for which fit outs were already ongoing. And if you could help us understand on back to office plans by your tenants now?

Alok Aggarwal: Yes, I can take this question. Thanks Amandeep. So, there are two questions. One thing is on COVID third wave and second thing is back to office plans of tenants. So let's talk about third wave first, while the third wave was quite widespread, but it was bit mild in nature. And vaccination has moved considerably. More than 70% or almost 80% office goers have been vaccinated with both doses. So in that sense, its impact was slightly muted. And what has happened is, some of the leasing decisions have got delayed, some of the new leads in discussions have got delayed, however whatever discussions were advanced and were on verge of closure got closed. More than half a million square feet lease have closed in last quarter. In January, I would say some of the leasing decisions did got delayed, but nothing has gone away. So some of the tenants are just holding it for maybe, let's say two, three, four weeks and that's

the impact but nothing is going away. So delay of couple of weeks, I would say not even quarters. But momentum is likely to come back very strongly, and all tenants who have plans, they are going ahead with the office take up plans, whether it's new tenants as well as existing tenants. So that's the impact of third wave.

Now, site visits have been happening except for a brief lull of about, let's say four to six weeks, site visits were happening in last quarter also. People have been traveling even international travel was happening very, very regularly in last quarter. And now as I talked about, the kind of restrictions on domestic as well as international travel have been taken off. So we don't see a challenge. Things are more or less normal in terms of site visits. That's what we see and that's where we are. And when you talk about back to office, some of the tenants were planning to come back to offices in last quarter, they have delayed and now tenants are trying to come back to offices either from March, April and we expect and we are confident as we talk to our tenants, 80% to 85%, or even 90% of the attendances would be there by this year end that's the expectation we have. And all those tenants who still have been kind of a wait and watch mode, they are kind of rushing to take up spaces and this momentum should kind of get accelerated in next couple of quarters. So that's the sense we are seeing from a tenant side.

Amandeep Singh:

Thanks for the detailed remark. And secondly, on the expiry so we know that Kensington has 28% of gross rentals up for renewal in FY23. So in that context, will it be possible to give some sense if this would be happening in 1H or 2H of next year with some sense on initial talks with respect to the renewals?

Alok Aggarwal:

So, if you really see what has happened is, with the acquisition and let me talk about the expiries for next three years with acquisition of N2, our possible expiries to the tune of 40%, they have come down to 28%. So that has been a big positive with acquisition of N2. When we talk about Kensington in specific, soft discussions have started with tenants and things look promising. Of course, as we move further, discussions would move to a more serious level. But we are confident that we should be able to retain tenants, that's something we are seeing and that's the sense we are getting.

Amandeep Singh:

Sure. And if I could just extend this question on conversation itself. So, we know that another 48% would be up for renewal in FY24, which is around 1.75 million square feet. But what we note also is that there are other listed corporates which are coming up with similar size of grade A office space in Powai itself by end of FY23. So any thoughts on how would be the supply demand dynamics in Powai for the next year or two and if this could be something of a concern. That would be my last question.

Ankur Gupta:

This is Ankur. I take the second part of the question first, the strength of our markets that we are present in is judged by the attractiveness that they offer to tenants. So not surprised that there is supply that will come up in markets, also the strength of our market is that it's very difficult to create supply that is not commensurate with the demand that's out there. Kensington is a very unique asset. It's the only private SEZ, in the city of Mumbai, and extended sort of, what we call

as the Mumbai region, I'm not talking about the outer Mumbai markets. Powai as a location is very hard to replicate with 1000s of high quality modern, condos, street retail, and entire ecosystem and our properties in Powai not just the REIT properties, but the other properties that the Brookfield Group owns, are deeply connected with that Powai ecosystem that's unique not just in Mumbai, but in the entire country. And that's been the trend that we've seen in the last five years, since we have been involved in this portfolio. I want to make sure that the competition that could come up is seen in light of the location advantage that we have.

Second as far as the renewals or upcoming expiries are concerned both for this financial year or upcoming financial year and the next one, you have to understand that today the mark on these leases, is significantly below what the fair value of those rentals are. In fact, when you introduce new supply, the mark is further underlined because new supply cannot come up at significant premium, just to break even on the rentals from what the passing rents are. So all in all, some renewals or some churn in our portfolio is good. While Alok mentioned that we are very confident that tenants continue to see very high degree of value in being present with us, those conversations will happen and are happening in normal course of business.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: My first question is on your Q4 FY22 expiries is 0.3 million square feet. What is visibility of the leasing here and you have alluded in your presentation that we expect a 7 crores pump up in the rental income from fourth quarter because of the leasing we have done in the previous quarters. So balancing the two, where do you expect the portfolio vacancy to stand at the end of the year. That's the first question.

Alok Aggarwal: Sure. So let me take your first question. And then we talk about the second question. Out of 0.3 million about 40% is in N2. And while some of the expiries can happen but we have a rental support, income support there. So, that is something less of my concern, even if the tenants vacate, we can get the mark to market and we can re-lease these spaces. And that would be good for our portfolio. On balance 60% our sense is that about 50% could expire and 50% would continue. So if you re-lease out of 0.3 million we are talking about 30% expiries impacting the rentals. So that's what our sense is. And if you're talking about year end, we have seen strong leasing momentum in last quarter and we continue to see that leasing momentum and I'm very confident that we should be able to achieve a good number, now, what that number is something we will not be able to say, but we are confident of achieving good occupancy numbers by year end.

Adhidev Chattopadhyay: Okay. And just following up for this N1 asset now, what will be your strategy for the leasing just because the occupancy does see many exits. So, the visibility for that asset when do you expect to scale it back up to maybe 85%, 90% occupancy levels, what is the visibility there?

- Alok Aggarwal:** See, again in N1 our occupancy has gone down because a five lakh square feet building was delivered and it was delivered during peak of COVID and we have started seeing strong traction in terms of space pickup from new tenants as well as space pick up from existing tenants and we are confident that by next two to three quarters this occupancy would move up significantly.
- Adhidev Chattopadhyay:** Okay. Sir, when you say significantly for us like what is the user level, 90% class or what is the number.
- Ankur Gupta:** You mentioned that we have had many exits in N1, so just want to make sure that we are corrected that we haven't had any significant major exits in N1. The reason for decline in occupancy is the larger denominator effect and a lower numerator effect. So just want to make sure that we clarified that.
- Adhidev Chattopadhyay:** Sure.
- Ankur Gupta:** And just to continue with the question, for us a park like N1 consistently has performed in the very high piece in mid-90s. And once this new building gets leased up, it will stabilize occupancies in the mid to high 90s. And that's where we expect to stabilize this asset during the course of this calendar year.
- Adhidev Chattopadhyay:** Okay. You are saying during the course of calendar year 22 is sometime during the year?
- Ankur Gupta:** Yes.
- Adhidev Chattopadhyay:** Okay, sorry last just one book-keeping question. Sir, your NDCF guidance per unit now would remain broadly unchanged at Rs.5 per yield for the fourth quarter as well?
- Sanjeev Kumar Sharma:** See, we are not changing our guidance again. So, we gave a guidance of Rs.22 for the year and for predictability only we have distributed in a fashion every quarter that anyone can predict about the coming future.
- Adhidev Chattopadhyay:** Okay. So, with the N2 asset adjusted for all that, whatever the period during this quarter, so it would still remain another Rs.5 per unit for the fourth quarter your guidance?
- Ankur Gupta:** Current run rate post N2 is about Rs.5 and a few paisa. But there is inherent inorganic growth potential of the order of more than 20% in these numbers. On a same store basis, the uptick in occupancy and mark to market has a further potential in excess of 20%.
- Moderator:** Thank you. The next question is from the line of Punit from HSBC. Please go ahead.
- Punit:** My first question is on the re-leasing spreads. So the area that you have leased what kind of improved spreads have you experienced in the last quarter?

- Alok Aggarwal:** Okay, so Punit this depends from case to case basis, some of them we are able to capture part of mark to market. And some cases of course, it is happening on the business plan number that depends on a case to case basis.
- Punit:** Yes, but on an average?
- Alok Aggarwal:** Average low double digit.
- Sarthak Patel:** So, Punit basically we had some renewals in our assets like Calcutta and some of the leasing was in our N1 asset and again, these are basically areas which are getting leased that were vacant earlier or in an asset where the MTM was limited. So, it will be a single digit number for now.
- Alok Aggarwal:** At this point of time, we want to of course, that's how it happens 1/3, we don't leave leases even though we may get a single digit MTM, that's fine, then balance 1/3, you kind of push it further, and then balance 1/3 push it further. And that's how the leasing strategies are done. So that's how we take it.
- Punit:** That's fine because the previous two quarters also, the re-leasing spread were 3% and 8%. So this quarter, I didn't find that number. So, I thought, it's a flattish number is what I should go with basically is what you are saying?
- Alok Aggarwal:** Yes, absolutely you are right.
- Punit:** Okay. My second question is, if you can give some sense about attendance in your office parks now, was it end of September, end of December and now if you can share that?
- Alok Aggarwal:** While attendance for office parks on an average, I would say was 30% to 50%. So the companies were kind of insisting that the employees have to come alternate day, some of the companies they asked 10% to 15%, having said that, it was 30% to 50%, or not on a daily basis, but 30% to 50% employees were attending offices. And what has happened during Omicron it is not that companies have said, for the next few months or six months we have to change the policy. Company said okay for three months you don't come to offices that's how scenario has panned out, but companies are very clear that from March, or let's say April, 22 onwards they want 50% people back to offices. And this is true for most companies, now they still, could be March, April could become I would say June, July companies are not coming very hard on the employees, but sooner or later, companies would start asking employees to come back to offices, and we would see traction building up from Q2 onwards.
- Punit:** Right. So you've heard 50% occupancy is what you're likely to see going ahead in three months?
- Alok Aggarwal:** In quarter three 40% to 50% occupancy and ramping up to 80% to 90% by year end.

Punit: Okay, understood. And if you can give some color on your, rental rates in your core markets, have they moved up, flat how should one think about it and also for these four assets, if you can give the last leasing rent, and the market rentals.

Alok Aggarwal: So, rental rates as I had talked about, first 1/3rd leasing we do at, it's fine we have to close it fast. The spread is about a single digit, we do it and in certain assets it's we who kind of also determine rentals to large extent. And we see a flux of new tenants, we are also seeing some of the existing tenants who have given up part spaces, they are coming back and inquiring about the spaces they have left. So we are seeing all this momentum building up and gradually will increase rents in all our markets, that is something that is going to happen.

Punit: In the past you have shared those numbers, if you can share similar number if you have or maybe share offline is fine.

Ankur Gupta: Punit we can share those numbers separately because I don't think those numbers are updated for every month. And it's dynamic so, if your question is specific, what was the exact mark versus market on the last leasing we can share that separately. To get some data available and consistent. Just wanted to make sure that we understand that when new leasing is happening, if it's part of an existing contract, it's renewed at the contracted term. So it may not be a correct reflection of mark to market. So that's one point I want to emphasize.

Punit: No, renewal should be at market rate somewhere lower. I'm not talking about the normal escalation but when your contract expires, it renews right?

Ankur Gupta: Yes, so when the existing tenant is taking the space back after the end of the term, that rental versus the tenant coming in, there is a difference generally speaking. So on a case to case basis so if a large occupier is renewing the space it maybe happen at a higher rental market, it may happen at a slightly lower market because of what they were paying earlier. It's not always that you start from a fresh slate, if it's a renewal that's happening. To the extent it can be made publicly available, we can add that as part of our next quarter reporting. But also, the mark to market potential to your first question. In fact, if I may say that the supply situation is worse today, than it might have been about 18 months ago. And that's a function of two aspects. With the rise in sales volume on the residential side, many merchant developers have moved towards that sector a lot more than they are focused towards commercial sector, largely there has been consolidation in the commercial space itself. And thirdly, the demand supply dynamics are better today, because corporates have done very well in the IT and IT export space. Such that the mark to market potential could actually be higher going into the future.

Punit: Yes, I understand what you said maybe from a longer term perspective, but even you're saying from medium term perspective, because what we understand from the market is that supply has been more and demand has been less over last two year. So there is a extra supply being built in, but you still think that the supply situation has become adverse, is that comment more applicable for a two year picture or for the current picture as well?

- Ankur Gupta:** So, I would say in the near to medium term and again, I'm talking about some markets where we are present, not the broader market of course their locations is very easy to build. And there is no FSI limit in many location. I'm not talking about those locations here, talking about which are still the infill parks where there is tremendous amount of infrastructure support for tenants to come in.
- Moderator:** Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.
- Kunal Tayal:** The first question, I know you've already discussed for Q4, but do you also have any early sense of what proportion of your fiscal 23 expiry could get renewed or re-leased. In the past, you have indicated that about 40% to 50%, in a typical year does get extended. I'll ask my second question later.
- Alok Aggarwal:** Kunal, no, in 23 we have just 10% expiries. Now, this 10% expiries, we have said, this 10% to 15% is a churn we also expect in every asset. Year 23 we are expecting a great year going ahead because the momentum is building up, in 23 we could be in a very sweet spot. So, now this 10%, expiries - of course we will have to retain our tenants, but strategically we also need to capture the mark to market so 10% by size in 23 is something we can take as things come but we are confident that will continue or if they do not continue, we'll get very good mark to market. So, that's my sense on Fiscal 23 expiries.
- Kunal Tayal:** Got that. And then, the second question was more just a quick one on operations, Noida now, given that your effective economic occupancy is 100% for one of the assets N2, does it mean you would prioritize new leases for N1 or how will that, the sort of relative preference between the two assets work?
- Alok Aggarwal:** So, now these are two different assets with different set of tenants actually. And tenants have their own set of properties. There are some tenants who like N2 and there are some tenants who like N1. And this having 100% occupancy in N2 really does not matter. The people who want to be in N2 they would like to be in N2 and the people who like to be in N1 they would like to be in N1 that is something I can say.
- Kunal Tayal:** I was just clarifying that you expect the overlap in interest will be quite limited between the two assets?
- Alok Aggarwal:** Yes, it would be limited.
- Kunal Tayal:** Okay. And then finally a short one, just a data check what proportion of your current debt is on fixed rate?
- Sanjeev Kumar Sharma:** Kunal, could you just repeat the question because your voice was not clear?
- Kunal Tayal:** Sure. I was asking what component of your gross debt right now is on fixed rate basis?

Sanjeev Kumar Sharma: Kunal, everything, as of today is on the floating one, there is nothing which is on the fixed rate.

Moderator: Thank you. The next question is from the line of Shri Kartik from Investec. Please go ahead.

Kartik: Just a couple of questions, the two deals that you've done in Kensington this quarter compared to the Rs.97 in place rent at what price did these two deals happen?

Alok Aggarwal: So, these deals happened at our business plan rentals and above business plan rentals I'm not sure I can talk about the numbers right now. But, these are at least one of them is above business plan and one is on the business plan.

Kartik: Alright. When you mention business plan these were the potential MTM upsides that were indicated for Kensington, which was close to about Rs.120 odd at the time of filing?

Alok Aggarwal: Yes, one lease we have been able to capture a significant portion of MTM and one transaction we have not been able to capture significant portion of MTM.

Kartik: Understood that was helpful, thank you. The second question is, while you will potentially have some amount of your previous quarters NDCF available for distributions into Q4. As we get into FY23, it will become a more organic distributions where your NDCF and actual distributions will converge. And for that, effectively you are essentially targeting the 20% top line growth based on which your distributions will be based is that a fair assessment of how you envisage things to play out for FY23?

Ankur Gupta: Well, partly that's true on a same store basis. But as you mentioned, this will be a very active REIT in terms of its growth pipeline. And we expect with a strong currency that the REIT units offered to us, future acquisitions can be accretive to the REIT not on the same store basis but on a pro forma basis. So, our expectation is that the per unit FFO will increase organically and we will support that even further with new acquisitions.

Kartik: And on given the call option converts to ROFO automatically?

Ankur Gupta: The call option is still valid for another couple of quarters and can be extended, if required, given the strong performance that G1 asset has seen that asset would be in serious consideration for call option over the coming months.

Kartik: The validity of 22 August is what you have in terms of time spent?

Ankur Gupta: We are sitting in February right now and the asset is fully completed now, as Alok mentioned the asset saw very strong leasing. So, we are probably another one or two large leases away from this asset being in the stabilized category or the stabilized zone. And we don't see any reason why such asset cannot be considered for exercise of the call option before expiration of the call option validity.

Kartik: Got it and just extension to one of the earlier participants question with respect to the fixed asset floating components of the current capital structure. As we head into an integrated environment. How do you balance the external interest pay out?

Sanjeev Kumar Sharma: So, one thing we have recently reduced the cost of the debt also. And even if the PLR rates gets increased, we can or we may or we will be in the discussions with the bankers also to compensate to some extent. But having said that, the NDCF which we are projecting or the distributions which we are projecting is considering the certain plus minuses of certain percentages on every components of the distribution.

Ankur Gupta: And I would just add that, at roughly 30% loan to value, and the percentage change in cost of debt is minute, it's like less than a few percentage points. So, the impact on total cash flows for minute increases in cost of debt is not significant right now, in fact if cost of debt does go up, it will be on the back of strong macro fundamentals. And our leasing and our revenue side will have a much higher positive impact if there was any small changes in the bank lending rates as well. I would like to believe that we have still further headroom to reduce the spread in our debt, with the sponsorship that we offer. And we are very closely working with our lender groups to accomplish that.

Moderator: Thank you very much. The next question is from line of Saurabh from JPMorgan Chase & Co. Please go ahead.

Saurabh: Just two questions. One is, if I compare the NOI performance at Brookfield REIT, versus some of the other office portfolios, your NOI has been consistently falling over last two quarters. So that's markedly weaker than the other REITs which are listed even in some of the other office portfolios. So, is that just a market exposure issue or what do you think will explain that. So that's point one. And the second is, there's a comment made that there is some 20% DPU uplift potential, is that basis the occupancy is reverting to some normalize levels of 90 to 93 or what would you think will be like a normalized occupancy level for this REIT. Thank you.

Ankur Gupta: I'll take the question and then I'll have my colleagues, come in and chime in. So firstly, we are comparing, when we say or your comment about us having lower occupancy, or lower NOI, greater fall in NOI compared to others, we're talking about a very short period of investment comparison, between corresponding period of last year and for a couple of quarters. At a committed occupancy of 87%, I don't think we are very far from our peer group. Now, there are two components to NOI, one is the rental and the second is CAM based profits. Because of lower physical occupancy CAM based profits have been lower, which is just a function of occupiers coming back to office. As far as occupancy is concerned, actual leased occupancy that's the driver of NOI. And, I would like to believe that we are heading in the direction where the 87% committed occupancy is not just a lease number but also a physical occupancy number, which will further bolster our CAM profits, as well as occupancy is heading in the right direction. So the 20% reference to higher DPU potential is when our leased occupancy reaches back the mid 90s level. So, I'm not concerned about low single digit NOI decline that we have shown in the

current quarter. The pro forma numbers looks solid, based on the current lease numbers itself, and the pipeline remains strong as well.

Rachit Kothari: Saurabh let me just add, the decline we had quarter-over-quarter is more than offset by the new leasing we have done in the last quarter itself. So in a way, we can take this as a signal that we bottomed out and future holds a lot of growth for us to the tune of in excess of 20% to 25%.

Saurabh: So, 20%- 25% NOI growth next year is what you would expect including the N2, or both N2 and G1 both or that's just organic?

Rachit Kothari: So this is just organic 20% to 25% just based on doing the residual leasing left in our portfolio to the extent of mid to high 90 occupancy.

Saurabh: Okay. So you would expect to move to the mid-90s level next year, by fiscal 23 itself?

Ankur Gupta: That's correct we expect to move in 90s in 2022. Now the impact on NOI is always lagging because rental start after a quarter of leasing and you are cognizant of that. So, whether the timing is this fiscal or next, that remains to be seen. But given the pace of rentals that we are seeing, and new tenants coming back to offices, we expect that 20% to 25% growth is visible, and in this short to near term.

Saurabh: Okay. And this 90s Ankur, it's basically the exit run rate you are talking about. That will be the Q4 number right, not the full year average?

Ankur Gupta: Today as we speak, we're at 87%. committed, this will inch up to mid-90s. So full year average, yes, you're right if you average quarters over the course of the year, it will not be in the mid-90s because of the lower base. But once most of this healthcare pandemic are behind us on a run rate basis, we should be seen running in the mid-90s. Some parks will probably be in the high 90s as well.

Moderator: Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: My questions have been answered, but just a couple of clarification. So taking up from the previous one. So when you say 20%-25% NOI growth or what does it mean in terms of DPU growth for next year?

Ankur Gupta: That is NOI growth, that is a embedded NOI growth in the portfolio Sameer. So leverage impact will be higher than that. And as I mentioned to Saurabh, it will take time for this to reflect in the financials because, rentals always have a lag effect to actual lease signing.

Sameer Baisiwala: Fair enough. So just on a matching timeline basis, does this NOI growth translate into more or less concomitant growth in DPU?

- Ankur Gupta:** That's correct. In fact, because of leverage impact, actually DPU growth will be higher than that. Just for context, our current run rate NOI is slightly shy of 1000 crores annualized and this annualized number is an excess of 1150 crores.
- Sameer Baisiwala:** I got the NOI at 1000 by what's 1150 you said?
- Ankur Gupta:** Our current annualized NOI number is slightly shy 1000 crores. And the same line is in excess of 1150 crores. So, that's the uplift on NOI and given that we are about 30% leveraged, the corresponding impact on FFO basis will be higher.
- Sameer Baisiwala:** Okay, got it. And the second question is, just on the Gurgaon asset, the identified asset G1, looks like we're not too far from acquisition based on your commentary. So, how should we think about the funding for same it will be more or less like what we did it for the Noida asset, N2 asset in terms of much more leverage and some equity issuance?
- Ankur Gupta:** So, Sameer, we are not too far from the asset from the point at which the asset will be prepared for exercise of the call options as it did in the case of the N2 Techspace asset. We will follow the same protocol, there has to be funding arranged through equity issuances, and corresponding debt. It will go to shareholders for their consent once the board recommends or the independent members of the board recommends. But, I believe the Gurgaon asset is much larger and so, it will probably be a larger equity issuance that will be required at that time.
- Moderator:** Thank you. The next question is from the line of Venket Samla from Tata Asset Management. Please go ahead.
- Venket Samla:** My first question is, if you could help me understand if I look at the last two quarters the debt has gone up by around 115 crores against a CAPEX of about 34-35 crores what explains the rest?
- Sanjeev Kumar Sharma:** So, Venket if you refer to the NDCF slide, on slide number 26 the net financing on the cash flow basis has come to about 100 crores and the CAPEX cash outflow I'm saying the outflow has gone to about 61 crores and the balance is towards funding the working capital which is primarily on account of security deposit refunds. If you just see, we have disclosed the number of SD refund also which is about 39 crores. So, it's some ups to, it reconciles with the net financing which we did, during the whole year.
- Venket Samla:** So, basically this 69 crores is entirely to fund the working capital is that right understanding?
- Sanjeev Kumar Sharma:** No, 99 is the total financing, out of that 61 is for the CAPEX and 38 is for working capital.
- Venket Samla:** Okay. So, you're telling for the whole three quarters, three or four quarter?
- Sanjeev Kumar Sharma:** Yes, because you need to or we need to evenly just see that the balancing of the cash flow is quarter-on-quarter and to manage and then just see on a longer period than a quarter basis

because quarter working capital management may be a little different than for a longer period. On a longer period, the debt should be mainly for the CAPEX only which is getting reflected even in our statement.

- Venket Samla:** Right. And this 100 crores is largely towards what, this 99 crores?
- Sanjeev Kumar Sharma:** 61 is for CAPEX, 38 is for working capital.
- Venket Samla:** Okay, understood. And out of the 224 crores cash that we have after the payment of distribution and adjustment for working capital what will be the left with?
- Sanjeev Kumar Sharma:** The distribution is going to be about 150 crores or 152 crores, the balance is going to remain in the balance sheet for routine working capital because you need to have one month working capital also. That is normally the cash balance you can see in balance sheets of all companies.
- Venket Samla:** Right. No, I'm just trying to understand how much disposable cash we would be having, then there'll be nothing is it?
- Sanjeev Kumar Sharma:** It is about if you just see on the same slide where I explained you the debt, distribution is Rs.17 whereas, the cumulative NDCF is Rs.17.59, so about 15- 18 crore cash is there, which is sitting at the REIT level which can be used for distribution, otherwise can be used for working capital also.
- Venket Samla:** Understood. And my last question is if you could break up the 0.36 million square feet of leasing across asset?
- Sanjeev Kumar Sharma:** It's a mix of G2, N1 and Kensington.
- Venket Samla:** These assets?
- Rachit Kothari:** 2,50,000 is in G2 and the balance is split between the two assets.
- Venket Samla:** 250,000 in G2 and 50, 50 each in the other two right?
- Rachit Kothari:** 50% each. So, 250 in G2 and balance will be 50% in each.
- Moderator:** Thank you. The next question is from the line of Manish Agarwal from JM Financial Services. Please go ahead.
- Manish Agarwal:** My question would be pertaining to the NDCF lockdown. So, the net financing activity has gone up on a Q-o-Q basis to 55 crores in this quarter, why exactly is that happening, we have given a footnote also, but what exactly is the breakup of this 56 crores?

Sanjeev Kumar Sharma: So, when I was answering to Venket, Manish, I mentioned that the financing should be seen over a period of a year or so, in place of quarter-on-quarter, because earlier we had surplus cash in the balance sheet and we were funding the working capital through that which ideally should have been from the new security deposit or new leasing done. So, in this quarter, we have taken the debt to have on a year basis similar number to the CAPEX and as well as the working capital.

Ankur Gupta: Manish, if I may just explain the use of working capital line is essentially to not be subject to a monthly or quarterly, there is an ongoing capital program. In every asset that is funded through accruals topped up through debt, then there is security deposits that tenant pay us. When tenants leave, we return those deposits when new tenants come, they pay higher deposits. So use of working capital lines in our REIT unless it's for acquisition when the quantum is much higher, roughly 25%ish loan to value, other than that debt is primarily used for funding the ongoing capital program as the asset which is improvement capital as well as the new capital programs or for short term working capital where over a period of time it's a net zero slightly positive commercial real estate if I may say.

Moderator: Thank you very much. As there are no further questions. I now hand the conference to Mr. Ankur Gupta for closing comments.

Ankur Gupta: Thank you, everybody, really value your support in favor of Brookfield India Real Estate Trust. We are very thrilled that the previous quarter despite the challenges was a fantastic one. It sets us up beautifully for this current year and will be back with you to report on the performance of the current quarter in the next one. Thank you very much. Have a lovely day and a great week ahead.

Moderator: Thank you very much. On behalf of Brookfield India Real Estate Trust that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.