“Brookfield India Real Estate Trust

Q4 FY '25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Brookfield India Real Estate Trust Q4 FY '25 Earnings Conference Call. 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 star, then zero on your touchtone phone.

On the call, we have Mr. Alok Aggarwal, CEO and MD; Mr. Amit Jain, CFO of Brookprop Management Services Private Limited; Mr. Rachit Kothari; and Mr. Shailendra Sabhnani from Brookfield.

I now hand the conference over to the management. Thank you, and over to you.

Alok Aggarwal: Good afternoon, everyone. On behalf of the Brookfield India Real Estate Trust, I extend a warm welcome to all participants joining us today for this conference call. Let me start with some updates on India and its office markets. India's economic outlook remains strong, and India is projected to remain one of the fastest-growing large economies, reaffirming its dominance in the global economic landscape. Stabilizing inflationary trends have enabled the Reserve Bank of India to cut the repo rates twice in the past few months, and this would help boost liquidity for the businesses.

The Indian office market witnessed record-breaking leasing performance in 2024 and is poised for sustained momentum in 2025 as well, cementing India's reputation as the office to the world. As per the ICICI reports, Q1 of calendar year 2025 witnessed gross leasing activity of over 20 million square feet. Space taken up by GCCs played a key role in strengthening office adoption where GCC is contributing a share of over 30% in the overall office space leasing in Q1 of calendar year 2025.

India's abundant skilled talent pool continues to attract MNCs seeking to establish or expand their GCCs. This coupled with Indian companies expanding their office footprint backed by sustained revenue growth projections augurs well for commercial office leasing in 2025 as well.

Turning to Brookfield India REIT, I'm delighted to report an outstanding year of growth for us in financial year 2025. We delivered on our occupancy guidance and exceeded our DPU guidance for financial year 2025. We achieved 3 million square feet of gross leasing, with a re-leasing spread of 18%. Out of this 3 million square feet of gross leasing, over 50% leasing happened in our SEZ properties. Some of the key large wins for us this quarter are Teleperformance, 111,000 square feet in N2, Noida; Barclays renewal of 1,72,000 square feet in N1, again, Noida; and Fidelity, 65,000 square feet in G1, which is Gurugram, among others.

We had given a guidance of 1.5 million to 2 million square feet of new leasing at the start of financial year 2025 and have closed the year with approximately 2.2 million square feet of new leasing with a spread of 19%. Our occupancy increased by over 6% from 82 % in March '24 to 88% in March '25. The occupancy of our SEZ properties increased from 79% to 84% in the same period, and the occupancy of our non-SEZ properties increased from 91% to 96% in the same period.

During financial year 2025, we raised over INR4,700 crores from marquee investors through QIP and preferential allotment. The preferential allotment in Q1 2025 of INR1,200+ crores was to fund acquisition of 50% stake in North Commercial Portfolio, a portfolio of 3.3 million square feet of prominent Grade-A properties in Delhi NCR, designed and built to high specs.

This highly accretive acquisition also saw the Bharti Group becoming a cornerstone unitholder in Brookfield REIT. The occupancy of North Commercial Portfolio increased from 91% at acquisition to 95%, and in-place rent increased by over 8% to INR152 as on March 2025.

In Q3 financial year 2025, we successfully raised INR3,500 crores through QIP. The QIP issue saw strong demand from marquee long-term investors, likes of IFC, LIC, SBI Mutual Fund and ICICIPru Mutual Fund among others. As a result of the QIP, our LTV has come down from 34% to 25%, which gives us enough headroom to pursue strategic inorganic growth opportunities for the REIT.

We are in conversation with our sponsor group to evaluate acquisition opportunities in Bangalore. Currently, the sponsor group is working on carve-out of these assets through an NCLT-approved merger - demerger process, and we will have further updates on this by next quarter.

On the ESG front, we continue to make significant strides towards our net zero carbon goals by 2040 or sooner. In recognition of our efforts, we received many accolades and awards, and some of the key notable ones are; received 5 star rating from GRESB for the third consecutive year; recognized as Global Sector Leader for Sustainable Mixed-use Development for Baytown, Kolkata; ranked number 1 in Asia for Management Score with 100% governance score; achieved 40% renewable energy transition for 15.4 million square feet across Gurugram and Noida assets via Brookfield's Bikaner Solar Project.

Completed Phase 1 of green energy transition at Noida campuses reducing 11,000 metric tons of carbon dioxide emissions annually; received the EDGE certification in Downtown Powai SEZ for more than 20% savings in energy, water and embodied energy from benchmark; received WELL Equity Rating for North Commercial Portfolio, demonstrating strong sustainability focus.

Looking ahead, we expect leasing momentum to remain strong in the financial year 2026 as well. With a dual offering of SEZ and non-SEZ spaces across our campuses,we are well-positioned to attract a diverse tenant base and accelerate our journey towards higher occupancy.

Let me now invite Amit to take you through the financial updates.

Amit Jain: Thank you, Alok, and good afternoon, everyone. Our operating lease rentals have grown to INR460 crores in Q4 FY '25, 4% higher Q-on-Q compared to INR443 crores in the previous quarter and 14% higher Y-o-Y compared to INR405 crores in the same period last year. The NOI for Q4 FY '25 is at INR488.5 crores, 3% higher Q-on-Q compared to INR475.5 crores in the previous quarter and 16 % higher Y-o-Y compared to INR422 crores in the same period last year. The Y-o-Y growth is primarily on account of new leasing and contractual escalations in rentals offset by expiries and acquisition of MIOP, which we concluded in Q4 FY '25.

With sequential occupancy improvement in the last 4 quarters, we have seen an increase in the same-store NOI by 15% from Q4 FY '24 to Q4 FY '25. This was also supported by the contractual escalations as well as the spreads achieved on re-leasing and renewals.

On the distribution front, we are distributing INR5.25 per unit this quarter, translating to a total distribution of INR319 crores. With this, we have distributed a total of INR1,054 crores in this financial year, taking the DPU for FY '25 at INR19.25 per unit, which is an increase of 8.5% over the DPU in FY '24.

Valuation for Brookfield India REIT as of March '25 stands at INR38,000 crores, which translates to an NAV of INR336 per unit.

As you are aware, in our portfolio, we own 100% stake with G2, K1, N1, N2 and festus and we have 50% ownership with G1, Kairos and North Commercial Portfolio.If you were to consider 50% share of the annualized NOI from 50% ownership assets and 100% share of annualized NOI from 100% ownership assets based on Q4 FY '24 run rate, our total NOI run rate per annum comes to INR1,820 crores. We can expect a growth of 14% in our NOIs if we were to consider the full-year NOI potential of areas currently contracted and assume a steady leasing recovery, that is lease up of existing 3 million square feet of vacant area at current market rents with a 2.5% vacancy allowance on the portfolio.

This growth in NOI, along with the impact of reduction in repo rates of 25 bps in April 2025, will lead to approx 21% growth in distributions. This would translate towards distribution per unit on a stabilized basis of INR25 plus without accounting for any impact on account of rent growth, contractual escalations, MTM and any future changes in the interest rates.

We continue to maintain a Dual AAA Rating from ICRA and CRISIL on the back of our strong balance sheet, a long-dated maturity profile and limited amortizations over the next few years. As you are aware, RBI had reduced the repo rates in February and April 2025. The impact of February rate reduction has happened in our consolidated portfolio ex-NCP. The impact of rate reduction on NCP, that is 50 basis points repo rate reduction, and the impact of 25 basis points rate reduction, which happened on 9 April 2025, in our consolidated portfolio, will start flowing in from the next quarter. A majority of our loans are linked to the repo rate, and we will be benefited as the benchmark rates begin to trend lower.

With that, I would request the moderator to open the floor for Q&A.

Moderator: We'll take our first question from the line of Puneet from HSBC.

Puneet: My first question is, what are you hearing from your tenants in terms of future leasing opportunities? Are they worried about what's happening in the globe, any decisions on hold? Or are you still seeing eagerness to close deals?

Alok Aggarwal: Yes, let me take this question, Puneet. And, of course, this is a pertinent question, but I'm happy to say, at least we are not hearing any uncertainty or somebody saying, I want to wait and wait for some more time to close the space. Tenants have seen that most of the institutional Grade-A properties' occupancies have moved to around 90s, and that availability is getting a bit of a challenge, while space is available, but if you want continuous space in one go, you want a space that you like and want, that's becoming a challenge.

Landlords are not willing to wait very long for signing of leases, and tenants are aware of this phenomena. So we are not seeing any slowdown. And there's an urgency to take up space. Except large deals, they will take their own time. So that's fine. But for smaller deals, if tenants want it, they're closing. And today, landlords aren't willing to wait. A year back, it was different. Today, we are already at around 90%, deal momentum is strong. So if you want a space, you want to close it fast, then you got to close it without a lot of delay.

Puneet: That's helpful. My second question is on the financials. If I look at your net debt number, that seems to have grown up by about INR270 crores Q-on-Q, but capex has been closer to INR107 crores. How should one read this gap?

Amit Jain: Sorry, can you repeat the question?

Puneet: The net debt has grown by roughly INR270 crores, but your capex for the quarter -- this is Q-on-Q, but the capex for the quarter is INR107 crores. How should one read this gap?

Alok Aggarwal: Which slides are you seeing, Puneet?

Puneet: So can you -- okay, this is -- we are calculating this net debt number. Is the understanding correct that net debt change is INR270 crores? Or is it a different number?

Alok Aggarwal: No, the net debt change would be much higher because the proceeds the QIP were actually used in the last quarter. Some of it was used in December, but a lot of it was used in March, but Amit, you can add.

Amit Jain: Yes, yes. Sure.

Puneet: Net debt, not the gross debt. I mean I know the gross debt has fallen quite a bit, but our net debt for the quarter versus previous quarter. If you could share the net debt number, I think it will be...

Amit Jain: Puneet, not sure which slide you are seeing, but whatever is the net debt, either it will be utilized for repayment of...

Puneet: So what is the net debt number -- sorry, what is the net debt number for the quarter?

Amit Jain: Net debt number for the quarter is -- if you come to Slide 21, so there is an addition of bank debt of INR47 crores.

Puneet: So my understanding is there is a gross debt that you are saying that has INR7,910 crores. And the cash on your books as per your balance sheet is INR575 crores. So net debt should be INR7,335 crores.

Amit Jain: Okay. So you're talking about not the movement between the quarters, the total net debt number, right?

Puneet: Yes. Total net debt number for this quarter and total net debt number versus last quarter, if you can share those 2 numbers and help me reconcile the balance.

Amit Jain: So you're right. So at the consol level, the net debt number as of March 2025 is INR8,000 crores, which is the debt at the REIT level, minus cash of INR570 crores. So you're right in saying that the net debt number is around INR7,500 crores. The similar number for the last quarter, let me just quickly check that. Puneet, I would say that our net debt number for the previous quarter would have been INR11,000 crores because the total debt at December '24 was INR11,000, right?

Puneet: Sir, the gross debt, right?

Amit Jain: Yes, that's gross debt. And then the cash balance would be in the similar range. So the net debt movement between the 2 quarters should be in the range of around INR3,200 crores to INR3,500 crores. INR3,200 crores has been utilized to repay the debt and around INR200 crores to INR300 crores would have been utilized for capex and MIOP acquisition purposes.

Puneet: Okay. Okay. Maybe I'll take this separately. The other question is also if you can talk a bit about the fall in NOI for Worldmark and Airtel Center on a Q-on-Q basis. What's happening there?

Alok Aggarwal: Just give us a second.

Amit Jain: See, the NOI wouldn't have fallen, Puneet,

Puneet: Q-on-Q.

Amit Jain: Yes, yes. The cash has gone down, distributions from NCP portfolio because in the previous quarter, we had tax refunds, right, that got distributed to REIT. But in the current quarter, because there are no tax refund in the NCP portfolio, the distribution to REIT has gone down.

Puneet: I'm just looking at the NOI, which is -- which was -- previous quarter was INR90 crores, this is INR86.3 crores, Q3 was -- and Q4 number. And similarly, Airtel Center, INR41 crores down to INR35 crores for the quarter.

Alok Aggarwal: Puneet, why don't we look at this and get back to you? From a business perspective, there's no change. Occupancies will continue to be in line, but why don't we just look at this and get back.

Puneet: Okay. Lastly, if you can also -- sorry.

Management: On the previous question, look, I think we invested about INR150 crores of what we raised to purchase MIOP. So it has basically translated into an investment on the book in a way because we use the QIP part of it for that. And we -- actually INR50 crores of cash that was sitting as a part of our debt reserves with the lenders, as we repaid those loans, got leased as a part of NDCF this quarter, so that's about INR200 crores of the INR270 crores movement. Balance, I think we can come back to you separately.

Puneet: Okay. That's fine. And similarly, on the -- okay, capex side as well as second quarter versus this quarter, the CWIP, it is INR178 crores. And the last year -- sorry, Q2 CWIP was INR208 crores, now it's INR178 crores. So is there something -- some new assets which you've capitalized in this quarter?

Amit Jain: Yes, yes. So, Puneet, we do the tenant improvements or certain -- upgrade capex on a continuous basis. So until our project is completed, it is booked in CWIP. And once a particular project gets completed, it moves to the property plant and equipment or investment property, so that...

Puneet: Which asset is this?

Amit Jain: This is across all the assets, but the tenant improvements and the asset upgrades is a continuous process, and we continue to do these activities across all the assets.

Moderator: We'll take our next question from the line of Pritesh Sheth from Axis Capital.

Pritesh Sheth: So just a couple of questions. First, on the leasing guidance, 1.5 million to 2 million square feet. How are you seeing this -- I mean, occupancy improvement across our 3 core assets, where there is a higher vacancy, G1, G2 and N2? So individually, if you can highlight on how you are seeing the traction. Obviously, I think this quarter, we saw a good improvement in N2, but if you can comment on all 3 assets combined and whether all of these new leasings that you have -- you are expecting is largely in these 3 assets or there are other assets, which are contributing to this leasing?

Alok Aggarwal: Yes, yes. Pritesh, I think good observation, good question. So let me just say, our leasing guidance of 1.5 million to 2 million square feet, if you see our non-SEZ assets, occupancy is around 95% to 96%, whereas SEZ occupancy overall is about 84% to 85%. So our bulk of leasing next year is expected to be in 4 assets, which is G1, G2, N2 and Powai.

Now let me take assets one by one,. Powai momentum is strong. We have, thus, constantly and consistently done numbers, closed leases beyond our business plan numbers. So we remain confident. There's a traction, and we keep doing leases. We are confident about leasing in Powai.

Let's come to G1. G1, if you see occupancy has kind of dramatically moved up from bottom of 67% to almost now 80%. Our non-SEZ space occupancy also has come up pretty well. Out of that non-SEZ space, we are able to lease out 2 lakh square feet in G1 as well. This is -I'm talking about non-SEZ. SEZ space momentum is continuing in parallel. So G1 traction momentum remains strong. We are very confident that we should be able to achieve whatever targets for G1 are there, we should be able to meet them or kind of better them.

Then there's N2. Again, N2, while we have been able to denotify spaces, we have not seen any leasing in non-SEZ spaces last quarter, but SEZ space momentum remains strong, but we have strong pipelines even for non-SEZ spaces, and we are confident that we should be able to -- even in N2, we should be able to meet our leasing target number with a combination of SEZ as well as non-SEZ space.

Then we come to G2. Of course, G2 has been a laggard, but now we have some non-SEZ space as well. And while G2 will probably be a laggard as compared to G1 and N2, but there's a good pipeline. We are talking to a large tenant as well. And we are confident that in a few quarters, we should be able to get good leasing momentum in G2 as well. So this 1.5 million to 2 million square feet should -more or less would come from these 4 assets, and then, we'll push our remaining assets to get whatever, 95%. If we can move to 97%, 98 % or even higher, that will be our efforts.

Pritesh Sheth: Sure. So considering our leasing guidance and some of the renewals might also get expired, so we right now have 3 lakh square feet -- 3 million square feet vacant. Net-net, what kind of occupancy target we should be looking at? 93-odd percent should be a good number next year?

Alok Aggarwal: Yes. Fair point. I think between early 90s to mid-90s is something what we expect next year. Now it becomes 92% or 94%, that's probably -- it's just too early, but I think around 92% to 94% is something we are targeting or we can -- I don't know if we can exceed that, but that's for next year. And then if everything goes well, probably next to next year we can cross 95%.

Pritesh Sheth: Got it. And from DPU perspective, is this INR5.25 now a base number that we should be eyeing for every quarter and then probably better leasing will lead to growth -- further growth on that from '27 onwards?

Alok Aggarwal: Let me request Amit to answer this.

Amit Jain: Yes,. So at least for the next 1 or 2 quarters, we would maintain a similar kind of a distribution of INR5.25. And once the leasing pans out, maybe we should be in a position to give a guidance maybe in the next quarter. But for the next 1 or 2 quarters, INR5.25 should be the minimum distribution that we would be targeting.

Pritesh Sheth: Got it. And just one last, we have mentioned about Bangalore portfolio, which you have already started evaluating from sponsors. Any thoughts on what will be the structure considering our stock is still trading at 15% discount to NAV? I understand it's too early, but are responses okay to do a share swap is that's -- if valuation discount continues where it is or they would want to cash out whenever this happens?

Management: Yes. So look, the structure is still pretty much under evaluation. We can do various sizes of deals. Some deals are now capable of being financed with the money we have already raised. So if you ask me, I think where we trade doesn't matter, the fact that we already have the money, we need to put it to work to strengthen total returns. So I would say that about INR3,500 crores of dry powder is pretty much ready to be deployed and should be deployed in cash. If the size of the deal is larger than that, then that's the structure that is still under discussion and evaluation. If the size of the deal increases, we may buy more assets beyond just the largest one. But again, I mean, still on the whiteboard on this one, but we'll come back with more details.

Moderator: We'll take our next question from the line of Pradyumna Choudhary from JM Financial Family Office.

Pradyumna Choudhary: So my question is more related to sectoral wise, what sort of are we seeing -- what sort of demand or softness are we seeing? Like, especially if we talk about the tech sector, are we seeing any sort of slowdown there? Because if you look at commentary by a lot of these larger IT names, the hiring has slowed down. Some of it is to do with overall weakness in the sector. Some of it is to do with the way tech is now disrupting the entire sector. So if you could give some commentary regarding that in the near term as well as how you see the impact over the medium term?

Alok Aggarwal: Yes. So, Pradyumna, I think we have been talking about uncertainty. We have been living in state of uncertainty from last 4 years. But honestly speaking, at least today, things are far, far better than what we have seen. At least last 1 year has been good, and today also, it's good than what we have seen during COVID times.

Slowdown, I believe there's a lot of talk of slow down, but back-to-office momentum is always getting around. Space availability has gone down. And even for new contracts, generally, companies are -- most of the companies have announced like full time back to office, not 3 days, not 4 days, 5 days. So at least we are not seeing any slowdown. A lot of talk, but we're not seeing any slowdown. Companies do take space, and companies –continue to take space to cater to the growth in next 1 or 2 years.

Now if whatever -- hiring will slow down, the rate of hiring has come down, but these companies already they have shed a lot of real estate portfolio. So today, whatever hiring they have to do, they have to take more space. And, of course, if the slowdown is not there, probably instead of 88%, 89%, probably it could have been at 95%. But whatever uncertainty and the global uncertainty, I think we had late mid-80s or early 90s, I think if a fillip comes, probably our -- and not us, any institutional landlord, the occupancies could move much higher. But overall demand is good. We are confident. Tenants are not delaying their take-up. They know the amount of space they have to close up -- they have to close. So those things are pretty good.

Pradyumna Choudhary: No. Fair enough, but like my question is more from a medium-term perspective, like, of course, in the nearer term, the back-to-office and limited space availability are resulting in still a good demand environment. But once this comes into the base, once things fully normalize, which I believe is now anyway happening, right, in terms of back to office. Most of the organizations have already started that.

So over maybe a 2-year window, once these demand drivers are no longer there, and GenAI, everyone has been reading, there will be job losses, right? So then how do we expect things to turn out is what I'm trying to understand? And its impact on different sectors. Of course, tech would be the one most disrupted, but even, for example, would GCCs also be impacted as per your understanding?

Alok Aggarwal: See, now, let's look at GCCs, let me talk about GCCs first. Today, only 30% of the companies have GCC in India. Out of 100 companies, only 30% have GCC in India. So not only these 30% who have presence in India will grow, but also will keep attracting at least 100 GCCs per annum in India. So please understand, new GCC will come, existing GCC will kind of expand.

Tech companies, I don't think with AI -- and this is a constant debate, I don't think with AI, on a gross level, we are going to see an impact. Of course, entry-level jobs will come down,, but new job sectors will be created. We have interacted with many companies, and what we are getting from them is the rate of growth will be broadly maintained in terms of manpower. And rate of growth in older job sectors may come down, but jobs in new segments may get created thereby offsetting each other. And so this is one.

Another trend, we are seeing is there are early shoots of the manufacturing companies, looking at our non-SEZ spaces, which was unheard of earlier. So somewhere, I think we'll get compensated. We'll be already at by next year, somewhere around 90%, 92%, 93%, a very sweet spot to increase our rentals to push our NOI, get larger tenants. So oveall we are very, very positive and gung-ho on commercial real estate sector in the short to medium term.

Pradyumna Choudhary: Understood. That's fair. And one question was on the -- like how you give a sectorial-wise split of tenants by gross contracted rental? Similarly, what's the split between your front-office tenants versus mid or back-office tenants?

Alok Aggarwal: We can get back on the split in terms of revenue, but most of our IT campuses would not go for front office. They will go for GCCs. They'll go for IT companies. They'll go for BFSI, but front office is something which would be 80-20 broadly. We can share exact number with you, but 80-20, 20 is front office, and I'm not taking GCC as a front office.

Moderator: The next question is from the line of Parvez Qazi from Nuvama.

Parvez Qazi: So 2 questions from my side. First, you've seen about 15% same-store NOI growth in FY '25. So can you give a broad split between what portion of it would have come from occupancy improvement, rent escalation and cost savings, etcetera?

Moderator: Parvez, sorry to interrupt, can you mute your line please? There's background noise on your line.

Alok Aggarwal: So should I answer his question first or you want to raise the second question as well?

Parvez Qazi: Sure. The second question is -- hello?

Alok Aggarwal: Yes, please go ahead.

Parvez Qazi: How much NPA conversions have we done till date? And how much of that has been already leased?

Alok Aggarwal: Amit, would you like to answer those questions?

Amit Jain: So on the 15 percentage NOI growth compared to the FY 2024 NOI versus Q4 FY 2024 versus Q4 FY 2025, roughly 7 percentage has been on account of occupancy growth, 3 to 4 percentage on account of MTM and roughly 4-odd percentage on account of escalation in our portfolio. So that's a broad breakup of the 15 percentage NOI growth.

Coming to the question on NPA conversion, we have a total NPA area of roughly 2 million square feet across our portfolio, out of which we have converted 1.5 million square feet, and we are in the process of getting another 0.5 million square feet getting converted. So that's a broad stack of the NPA conversions.

Amit Jain: **In addition,** out of the 1.5 million square feet, which has been already converted to NPA, 0.8 million square feet is currently leased. And then we have a very healthy pipeline for the remaining NPA area that we have across our properties.

Alok Aggarwal: So 0.6 got leased in Kolkata and 0.2 got leased in G1, Gurugram, right?

Amit Jain: Yes.

Moderator: We'll take our next question from the line of Abhishek Khanna from Kotak Institutional Equities.

Abhishek Khanna: Sir, I just wanted to check on 2 things. One, the MTM spreads that you've given in one of the slides, a fairly low 9%, 2%, 3% for, let's say, '27, '28. What you've generally seen is that you tend to do better spreads. Is that how it should likely be in the years ahead also? Is this generally based on industry estimates? And do you have an expectation that you'll be able to do north of 10% at least in terms of the re-leasing space that you achieve? I was referring to Slide 16, which shows 9% for '26, 2% for '27 and 3% for '28, respectively.

Alok Aggarwal: No, no. I think that's a good observation, and that's something we also kind of think about, but these are the kind of predictions of third-party valuers. But just to give 2 examples, when we renewed Barclays in N1, which is, again, a large lease of 1.5 lakh square feet, we have seen overall increase of almost about 60%. The rent has gone up from almost INR45 to INR72, so 60% increase we have achieved. We never projected that kind of a number.

Again, Kolkata, if you recollect last year, market rents were around INR44, INR45, and it was very difficult to project, it would have been a stretch to say that our rents would go INR55 plus. But last year, when we did new leasing, we crossed INR55 plus. So these are numbers projected by third-parties, and we can't control them. But we are always confident, we keep investing in our assets, that we continue to be a market leaders in our respective micromarkets and able to increase our rentals to the extent possible.

Abhishek Khanna: Sure. 10% is a reasonable expectation to have maybe? Anything higher is a bonus, but 8% to 10% should be doable, right?

Alok Aggarwal: Yes, yes. On average, yes.

Abhishek Khanna: Sure. That helps. Second, I just wanted to understand what is the physical occupancy trading. How has it increased over the years for the portfolio, and let's say, for the IT tenants specifically speaking, if you have some numbers to share there?

Alok Aggarwal: Now physical occupancy is in now almost now mid-80s While occupancy is at 88% the physical occupancy is in mid-80s there. Like I said, some companies, they don't have full five days and have only 3 days or 4 days. That's the reason for physical occupancy around 85%.

Abhishek Khanna: And that would not be too different for the IT tenants as a whole?

Alok Aggarwal: This I was talking of IT tenants. For non-IT, you have to be in office, I mean, all 5 days.

Abhishek Khanna: Got it. And the last one that I had, how do you see demand from flex players in -- across your portfolio, a lot of other REITs do specifically point out some of the top tenants being some of these flex players, how are you looking at that as a demand category, specifically speaking? Is that increasing in your portfolio? Just some broad sense on that. I understand I think you also have something within Brookfield, if I'm not mistaken, but just the broad sense.

Alok Aggarwal: Yes, yes. Fair point. Fair point. So our aim is to kind of be with tenants, capture them or whatever the demand they need. So we have our tech platform called co-work. And whenever tenants want spaces...

Amit Jain: So just to kind of give you numbers, in our REIT portfolio, we have over 2.6 lakh square feet of co-working space. Some of them leased up by CoWrks and then they sublet, some of them we have leased up to tenants and brought in CoWrks on a management fee model. And in this 2.6 lakh odd square feet, we are having an occupancy of 95 percentage. So the co-working space that we have is currently at a very good occupancy.

And we are seeing some demand coming for the managed office services from tenants and we have an in-house player CoWrks through which we can offer these services.. So going forward, we see some traction on that side also in our REIT portfolio, and we'll be able to get more tenants under the managed office model in our REIT portfolio.

Alok Aggarwal: Yes. I mean I just want to -- not let tenant go. So whether they want to do directly, they want to go through a flex player, we want to kind of get them into our portfolio and cater to their needs.

Abhishek Khanna: Sure. And this would be across geographies, I understand, no specific part of the portfolio where you'll be seeing more demand from it, right, and NCR or Bombay for that matter of fact?

Alok Aggarwal: Across geographies, you're right.

Moderator: We'll take our next question from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Sir, on Slide 16, you have explained the MTM spread which is sort of decreasing...

Moderator: Sarvesh, sorry to interrupt, can you use your handset mode, please?

Sarvesh Gupta: Yes. Sir, first question is on Slide number 16. So this MTM spread expectations are coming down. So if you can explain that a little bit more because I think we have mentioned like 14%, 15% as we...

Alok Aggarwal: We just answered this question. And -- I mean, just to kind of sum it up, yes, this is third-party estimates. We expect to do much better.

Sarvesh Gupta: Okay. And this 14%, 15% re-leasing spreads that you have got is on an aggregate what sort of tenure?

Management: On the re-leasing when we get 18% spread, then what sort of tenure do we lock in the spreads?

Alok Aggarwal: Yes. These are 9-year tenures. Mumbai could be 5 years, but typically they are 9-year tenure.

Sarvesh Gupta: So on an average, maybe 1%, 2% per year of re-leasing spreads were also captured additionally.

Management: The previous lease of 9-year spread, that's correct, yes.

Alok Aggarwal: Yes, yes. That is correct, 1% to 2% per year, on top of the 5% growth.

Sarvesh Gupta: Yes, on top of the existing inflation, yes. And on the overall asset book now we have a sizable almost INR40,000-odd crores of asset value. So what sort of pipeline do you see over the next 3 to 5 years, where we can reach in terms of new assets as well as organic, inorganic acquisitions?

Management: So look, I'll just compare this to where this asset book used to be when we did the IPO of this company in '21, it was about INR11,000 crores. Today, we're managing about INR38,000 crores. Every year, you can say that we have added on an average in our 4 years of ownership or post-IPO ownership, we have added about INR7,500 crores on an average to this portfolio, right? So you can expect a similar run rate as we move along, probably better, if we can raise more money in the REIT, but at least that much will be our endeavor. So in 3 years' time, you can be looking at INR60,000 crores REIT.

Sarvesh Gupta: Okay. Okay. On Slide #11, you have explained the pro forma sort of a DPU of INR25.4, but you also mentioned that you will be -in the first half, you will be distributing around similar to Q4, which is INR5.25. So by when do you expect to achieve these sort of stabilized numbers?

Alok Aggarwal: Yes. So when you're talking about INR25 kind of number, I think it should take about 2 to 3 years. That's what we said next year achieving occupancy of tad lower than mid-90s and then crossing mid-90s. So in the next 2 to 3 years, we should achieve these numbers.

Sarvesh Gupta: But this year, on the same sort of an occupancy increase, your DPU growth was much higher, right? You had a 600 basis points of occupancy increase, which led to a much higher DPU growth. So what are you projecting for the next year as a whole? And why on a higher sort of an increase, we should not be getting that sort of a DPU growth that we saw this year?

Management: So we grew 6% in occupancy last year and 10% in DPU terms. Again, Alok mentioned earlier in his remarks that we will try to be somewhere in the 93%, 94% spot. If we hit that number, that's again 6 percentage points growth. That should again lead to a 10% increase in DPU. That will be our expectations. So we have 12% vacancy in the portfolio. We managed to lease all of it, then we should have a 20% growth in our DPU, which is what you see on the slide as well.

Moderator: The next question is from the line of Ankit Minocha from Adezi Ventures Family Office.

Ankit Minocha: So on the previous question only, you were talking about this INR25 DPU sometime in the future. Now assuming this is at peak occupancy, like you mentioned, what is the peak occupancy that you've seen in the past? I mean earlier, whenever you've seen kind of peak occupancy, has it gone up to -- what levels have it usually gone up to?

Alok Aggarwal: On portfolio basis, our occupancy in FY2020 was at 96%. But asset-wise, we have gone to 99%, 98%, 100 % as well.

Management: Yes. Look, each of these assets in the past has seen a 99% to 100% at some point in the past. Just because the way these have been built, these are large-scale IT parks, rectangular floor plates, highly efficient. Many tenants sometimes want full building solutions. So there's no structural vacancy. And as Alok said, each of these assets have had a period where they have touched 99% to 100% in the past. So everything goes very heavily in favor of demand. We can't touch those numbers, but I think we are setting ourselves for a target of 97% to 98%, yes.

Alok Aggarwal: Just one thing, when we achieved 96% in 2020, we had development in G1, which is Gurugram. We had development in N2, which is Noida. We had development in N1, which is again Noida. So now there is -- just we have a development in Kolkata. There is no development. So also keep in mind that this 96% achieved was considering almost 2.5 million to 3 million square feet development happening at that point of time. And we can see it was in large part in under development or under construction building. With no development or very limited development in this portfolio, we are confident, and let's see. I think, let's see, how does it pan out, but we are confident of achieving high 90s.

Ankit Minocha: And if I look at what the current reasons where this number was kind of being pulled down, I think if I am correct G2 would be one aspect of it and maybe then -- so could you just outline in which are the kind of assets which currently have lower occupancy figures? And what are the reasons for that? And what could be the potential triggers for that number to improve?

Alok Aggarwal: We discussed this question in detail, but let me just sum it up again. If you see, we have 4 assets, which we are expecting bulk of occupancy or re-lease to happen, of course, G1, G2, N2 and Powai. We have talked about asset-wise in detail. G1, again, very strong momentum, we have done 2 lakh square feet of non-SEZ leasing as well, so given -- and very good pipeline.

N2, the pipeline is good, while we are not being able to close non-SEZ last quarter, but we remain confident, the pipeline is strong. It should close. Again, Powai, momentum is strong. We have been constantly closing leasing at much higher than the projected numbers. Yes, G2 is a laggard, but we have pipeline, even we're talking to very large occupiers as well.

If that materializes, G2 could be sorted. But, otherwise, even a non-SEZ space is now available to lease. So that itself, we have a good pipeline. So G2 remains a laggard, but it should achieve our projected numbers in terms of occupancy.

Management: And just a data point to add to what Alok said, look, if you just -- this information is on Slide 34 of our presentation, right? If you just see what we did last year, just between G1, G2 and N2, we were able to add 1 million square feet of new leasing between these 3 assets. Today, as we stand, these 3 assets put together have about 2.5 million square feet of vacancy. But we just did what we did last year, the 1 million square feet itself can add in terms of occupancy almost about 4 percentage points in a single sort of year for us, and that would be our endeavor. Of course, G2 can be slightly slower than the other 2. But even last year, you would see G1 and N2 both did about 400,000 to 500,000 square feet each just in terms of new leasing.

Ankit Minocha: Right. And considering we are already in Q1 of '26, I mean, are you guiding for DPU for FY '26 for the total year?

Amit Jain: We mentioned, currently, we are not giving guidance for the full year. What we are saying is that for the next 1 or 2 quarters, we would continue at that similar DPU of INR5.25. And maybe we'll come back with the guidance in our next call once we see the momentum of leasing in the current quarter.

Alok Aggarwal: So if are there any further questions, happy to take those. if there are no questions, we can conclude the call.

Moderator: Sure, sir, please go ahead. There are no questions.

Alok Aggarwal: Okay. So thank you, everyone, for joining today's call. We look forward to connecting with all of you next quarter. Thank you.

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