

Brookfield

India Real Estate Trust

“Brookfield India Real Estate Trust REIT Post-IPO Update Analyst Call”

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day. And welcome to Brookfield India Real Estate Trust - REIT Post-IPO Update Analyst Call. As a reminder, all participant lines will be in the listen-only mode until the floor is open for questions. Should you need assistance during the call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this call is being recorded.

On the call, we have the following persons from Brookfield India Real Estate Trust, Brookfield Group. Mr. Ankur Gupta – Managing Partner, Head of India Real-Estate, Brookfield Asset Management Inc.; 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 of the REIT; Mr. Rohan Ghosh and Mr. Rachit Kothari.

I now hand the conference over to Mr. Ankur Gupta. Thank you and over to you, sir.

Ankur Gupta: Hi. Good afternoon, everybody. On behalf of Brookfield and the Brookfield India Real Estate Management Team, a very warm welcome. I am grateful to all of you for joining us today on a Saturday afternoon. Since we last interacted pre IPO, we are pleased and grateful to all investors, regulators, our advisors, and our team that enabled us to execute a very successful IPO. And we are thrilled about the journey that lies ahead of all of us.

As a quick update on our business, we have filed with our exchanges a quick post IPO update. That is a quick business update on operating performance, given the fact that our last update was as of September, and we look forward to presenting a full-scale update once our Q1 calendar year, which is March 31 results are out.

Our operating portfolio remains robust, our business is solid. Since we last interacted, Brookfield's overall real-estate office business in India has crossed 45 million square feet, our operating portfolio remains in 90s occupancy. And that is true for the real-estate trust or for the REIT assets as well. On behalf of our entire management team that makes us the most pleased when we see our assets bustling again.

As a country, India stands tall in being the hub of global offices. And as more and more technology reliance increases, we are seeing the benefits of that coming to the Indian economy in general, and our assets, in particular, which form the backbone of the services economy for the country.

I am also extremely pleased that on one of the stated strategies for this REIT is to have organic and inorganic growth. Our organic growth headroom in terms of rentals remain solid. And as far as our inorganic growth is concerned, there have always been two prongs of that growth. First was the fact that we have identified assets of almost 8 million square feet in gateway cities in the country which are available to REIT for the next almost 18 months to acquire.

We have made tremendous progress towards that goal. And I am very pleased that one of the assets, and my colleagues will describe that asset in detail has now achieved completion as we speak today. The other asset, the under-construction building is scheduled for completion in June quarter. So, we have made strides towards completing and then stabilizing those assets. And those assets will then be available to the REIT to create further value for shareholders.

Just quickly, our take on the office market in the country. As I always mentioned, real-estate houses the economy and I am thrilled to report that the IT sector and the services sector, which forms the backbone of our business, has been posting record performance as well as order books. Pleased to report that companies are not only increasing their headcount but are reporting order books of a very high proportion.

A few data points that stand out amongst many, many conversations from these companies, is the fact that many companies are actually declaring and enhancing their mid-year bonuses. To me that points towards a robust business at their end, but also points towards the fact that companies are looking at and very closely monitoring their reliance on manpower, both in terms of efficiency, as well as keeping a watch on attrition. We have always maintained that our office parks provide the best environment for companies to thrive in their business and for their employees to grow and contribute towards the

organization's growth. And the fundamentals of our tenants occupying our parks have never been stronger.

Despite the short-term disruption that the pandemic caused us, the reliance on technology and global sourcing that happens in India has actually increased. And as I mentioned, India has been a bright spot as the challenges of the global sourcing model have been tested, even during times when the country was in a full lockdown. So, as we speak to tenants, lots of conversations are happening around consolidation of growth, as well as tenants are looking forward to what lies ahead in India. And as a result of that, to the commercial office sector in the country.

As one of the largest owners and operators of office assets in the country, Brookfield is very excited about our participation in the Indian office sector. And the REIT is very well positioned to gain from what lies ahead of us.

With that, I will hand it off to Mr. Alok Aggarwal – CEO of the Manager of the REIT to say a few words and then take this conversation forward.

Alok Aggarwal:

Thank you, Ankur. Good afternoon, everyone. The management team is taking the call from office as our office and campuses are operational. The country is opening gradually, and we expect momentum to continue. India has been successful in controlling COVID-19 cases to a large extent. And with ramping up of our vaccination program, we are confident of things getting fully normal sooner rather than later.

The Brookfield India REIT has four business IT campuses in four key micro markets. In Mumbai, our occupancy has been stable since September. We are seeing interest from tenants for additional space take up, both from new as well as existing tenants. In Gurgaon, the occupancy is fairly stable, and we have executed a new letter of intent for 40,000 square feet with a further expansion option within existing tenant. This is plug and play facility. We are also in discussion with one more existing tenant for additional space taken up in short duration of time. And also, we are seeing some new inquiries.

In Noida micro market we are under discussion with many tenants for demand varying from 40,000 square feet to 1 lakh square feet, and we are confident of closing some good space take up in next few months. In Kolkata too occupancy is stable and interesting tenants are holding onto space and looking forward to renewing expiring leases with committed lock-ins. Overall, we have no new significant churn other than what may happen in normal course of business and occupancy is stable.

In-place rentals have gone up as per projections due to committed escalations. There have been no negotiation with tenants on rentals. We continue to implement upgrades across our campuses as planned to make them more attractive. Rental collections have been averaging 99% for last nine months, up to December 2020. We have signed a letter of intent in G2 for 40,000 square feet, which we already talked about. We are also expecting to sign another letter of intent in Noida N1 very soon.

In terms of new leasing demand, we have a strong pipeline of about 3.7 million square feet against availability of 1.4 million square feet. Pre-construction activity in Kolkata, mixed use development is underway and the development yield on this project is healthy at 11%.

Brookfield campuses are expected to be beneficiary of consolidation exercise with some tenants are undertaking across micro markets. The fact that our campuses are large, we can provide them expansion options is a huge advantage.

I would just like to again talk about our recent leasing in G2, which is back to office strategy for the existing tenants. In 2018, we relocated a tenant from one of the CBD buildings as they were facing operational issues. We provided them exclusive terrace and lobby during the relocation in 2018. Now in Q4 FY 2021, they wanted plug and play space, as they have continued to hire during the lockdown and wanted to resume the office quickly. We have provided them plug and play space with 40,000 square feet conserve space and additional hard option for growth.

We have completed the building in Noida even during the COVID times. We are on track to deliver the Amenity block as per the timeline. And for both we are seeing keen interest from tenants, especially for the state of art office building.

When we talk about our organic growth potential, our current NOI run rate is Rs. 700 crores in line with FY 2021 projections shared in the offer document. As the current vacancies get leased up, the portfolio is expected to achieve its full NOI potential of about Rs. 810 crores to Rs. 820 crores, which is about 16% higher than the current in-place NOI.

We continue to remain focused on our health and safety initiatives in the corporate times. All our campuses have been awarded the prestigious Bureau Veritas Safeguard Health Safety and Hygiene certification, making us the first office landlord in India to receive this certification.

I will request my colleague, Rachit Kothari, to provide update on identified assets. Thank you, everybody.

Rachit Kothari:

Thank you, Alok. On behalf of the Brookfield group, I am pleased to update that the development program on the two identified assets with the REIT has the right to acquire over the next 18 months has progressed per plan despite COVID-19 disruption. Almost 900,000 square feet was delivered in Candor TechSpace G1, marking completion of the CAPEX program in this asset. 700,000 square feet of area in Candor TechSpace N2 Noida is also in its final quarter of completion now.

Similar to the initial portfolio, two properties recorded 99% collections and the same store occupancy has been stable. With almost 2 million square feet of active leasing conversations on these two assets, we expect them to see significant stabilization within financial year 22 as well. Thank you and back to the moderator, please.

Ankur Gupta:

Moderator, I do want to make one comment here that Candor TechSpace G1, during the last five years since Brookfield acquired this asset, which was a 1 million square foot under construction project, is now almost 4 million square

feet. I just wanted to highlight this aspect to all of our guests today on this call. Because this asset is a shining example of the value creation that Brookfield brings to the table as an operating platform and a vertically integrated 100% institutionally owned and managed business. We have always emphasized the point that the management and the pedigree of Brookfield, the value that it creates to all investors, and this park which in the submission deck, which is on slide 12, it shows the robustness of our management, the robustness of our franchise and the unwavering focus towards development and operations that this asset signifies in the country. With that, I will hand it back to the operator.

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

Amandeep Singh: Well, my first question is with respect to the K1, so we are seeing some vacancy over there, but we do note that we last received rentals have also been below in-place rentals, which have not been the case of the other assets. Also, in the opening remarks you mentioned about signing letter of intent across other assets, so in that context can you please spend some time on how do you look at outlook of this micro market and consequently the asset? And by when do you expect occupancies or any talks happening over here?

Ankur Gupta: So, Kolkata asset, and as we highlighted during our earlier interactions, this is the largest IT park campus in the eastern part of the country, the highest quality assets by a distance amongst its peer groups. This asset is one of the few assets in Kolkata that has consistently delivered 90% plus occupancy. And that number still stands at 91% as of February 28, 2021. So, I think these matrices reflect the quality of this asset in the entirety.

As far as our headroom rentals are concerned, we have highlighted that as a market leader in not just this micro market but the entire eastern part of the country, this asset has always commanded higher rentals than its peer group, that continues to be the case today. And as a result, to be conservative, we have always projected that we may not be able to achieve, despite the fact that we have delivered on achieving above market rentals. In our projections, what we

have assumed is that the rentals may be lower than what is the current in-place rentals.

So, to answer your question, we expect that this asset will continue its leadership, although in our projections to be conservative we have assumed that the rentals may be Rs. 1 or Rs. 0.50 or maybe in that zip code lower than what the prevailing rentals are. But that being said, across 3 million square feet, lots of averages go on. So, not every tenant that that would vacate will have the rental at, let's say, Rs. 43 in this case, some tenants who vacate may have a rental in the high 30s or early 40s. So, we have to look at tenant, but whether that new lease will happen at above the prevailing rate or below the prevailing rate, our expectation is that this asset continues its outperformance. And as Alok mentioned in his remarks, we are also upgrading the amenity package here with the construction of a mixed-use asset with double-digit yield on cost, which will further add to this asset. I would request Alok to offer his comments on this question further.

Alok Aggarwal:

So, as Ankur has said, this is an asset and we have a leadership position here. And we also have already clarified on why we have kind of project rentals the way we have projected. We continue to see existing tenants continue to occupy the space, commit lock-ins. We also are expecting new demand to come up in this asset. And our confidence is derived from fact that we are also starting a new tower here. That is about Kolkata.

Amandeep Singh:

Sure. Thanks for the detailed remarks, really helpful. And sir secondly, on the portfolio level occupancy, while there has been no material impact on the same store occupancies over the last six months, will it be possible to indicate if you have received any intimation for early expiry as we have also seen in the other REITs?

Ankur Gupta:

The portfolio of 10 million square foot, on an average should have a churn of about 1 million square foot, that is about 10%. Globally our benchmarks, when we do financial modelling, projects 15% to 20%. So, it's difficult for me to say when terminations will happen or when tenants will move in and out. As a business case, some move-outs are important because then tenants consolidate. That wouldn't have been possible if there was no move-out and move-in of

newer tenancies. So, on the balance, as our materials indicate, we have almost 700,000 square foot of spaces being renewed or leased or a portfolio of roughly 10 million square foot, which is close to 7%. And that is why our occupancy number hasn't changed. It's difficult for me to make a leading comment today if we will see the same trend or not, but our experience in commercial real-estate in India and globally, a 10% movement of tenants and churn is very regular, and it should happen. And my expectation is that between 5% and 15% is likely to happen not just today but will likely be the trend for any stabilized portfolio.

Alok Aggarwal: So, I can just add a bit here. See, what has happened is, whatever churn has to happen, I think that has probably happened and we have been in discussions with our tenants, and they are saying we don't want to give our space today, when we expect to need it after maybe six to eight months. And also, what happened since November, when the markets opened up, the kind of inflow which IT companies have seen, they had not expected. The kind of hiring these IT companies is doing right now, it is just one of its kind. And large IT companies, even with extensive hiring are seeing 25% kind of attrition . So, these companies need these assets when they are back to office, which could happen I think maybe in another two quarters. And they have held off these assets for last year, I don't see a reason for them to kind of giveaway space now when they need it in short course of time.

Moderator: Thank you. The next question is from the line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: First question, in the RHP you had indicated that 0.44 million square feet of expiries are expected in H2, so how much has been gaining and how much is expected to get expired in March?

Ankur Gupta: I will request Rachit Kothari from the office to take that question.

Rachit Kothari: I think almost half of it we have closed already in terms of renewals. The balance, I think Alok can update where we are on the discussion.

Alok Aggarwal: We are under discussions with some of them, at least we have got verbal commitment from two more tenants, we expect to close that. So, I think it is well under control.

Manish Agarwal: Okay. So, no major expiry expected in March expected to close out? As of now 50% is done, right?

Alok Aggarwal: Yes.

Manish Agarwal: Okay. Second question is, you have indicated 3.7 million square feet pipeline, if you could throw a bit more light as to which assets will be pertained to? And what are the ticket sizes, are these 1 million square feet kind of deals or 0.5, so if some colour? And what type of companies are these?

Ankur Gupta: Manish, we will have to be a little bit careful of making leading comments here, just given that we haven't disclosed this quarter's financials. But directionally, I would say a 3.7 million square feet is our pipeline for spaces which pan, let us say the recently completed tower in N1, which is about 4.8 lakh square feet, if I am not wrong. Now, when conversations are happening on a recently completed towers, those conversations typically involve tenants who are more than 1 lakh square feet to 2 lakh square feet, and then tenants who want more customized solutions across a couple of floors. Similarly, there are some blocks which are 50,000 square feet to 2 lakh square feet as well, that could get traded. So, it is an aggregate demand that we are seeing. I would also say that, without taking specific names, the type of tenants who are seeking space from us are institutional tenants. So, generally the space requirement comes with a view of consolidation and expansion, or consolidation and future growth. So, I would say, on the balance, directionally, these are larger ticket item clients, so the 3.7 million square feet will be weighted towards the tenants who are looking at larger spaces.

Manish Agarwal: Understood. And lastly, this 1.9 million square feet in the identified assets is independent of the 3.7 million square feet in the initial portfolio?

Alok Aggarwal: Correct.

Ankur Gupta: Now, just for everybody's benefit, directionally, if you had looked at the pipeline, let's say, in Q2 of fiscal 2021, which is September quarter, this number would have looked very different. And that is the momentum that Alok spoke about, that tenants, because the business has been robust and expanding, that momentum is back in our spaces. And on the balance, high quality assets such as ours, Alok mentioned the fact that we are the first and only landlord in India to get a Bureau Veritas certification. This certification is not an easy one to get. But I am pleased that we got it and I am pleased that we didn't have to make too many changes to get it, we were already operating at the level at which globally assets should be run. Our tenants are the first beneficiaries of that protocol that our management team has put in place, not just over the past one year but for the past five years.

Moderator: The next question is from the line of Sri Karthik from Investec Capital. Please go ahead.

Sri Karthik: Could you speak a bit on Kensington please, especially given that the markets in Mumbai has been a little weaker and we have a fair bit of expiry during the year?

Ankur Gupta: I would like Alok to take that question. But on the balance, I would say, Kensington is the only SEZ in Mumbai city limits, so this asset is a very unique asset with expiring rents significantly below where prevailing market rentals are, and as the landlord in the Hiranandani Gardens sub market, where we are very confident to say there, we basically have visibility on every lease that we have done in our portfolio as well. So, over to you, Alok.

Alok Aggarwal: Just to add here, I mean, we don't have any new expiry in this year, the occupancy is stable, our in-place rent has gone up considering the escalations we have got, there has been no negotiations on rentals or escalation, they have kind of kicked in as per the contract. We are seeing renewed interest from existing tenant as well as new tenant for this effect. And we also have initiated an upgradation plan, which was already kind of planned, and that also is going to make this asset attractive. And the fact that it is under-rented and we have seen strong leasing in last two years in this micro market, gives us a lot of confidence to take this asset for additional space take up.

Ankur Gupta: And I would also just highlight that the reason we see a 80s here, or 80s here is because we had a big consolidation within the park in 2020. So, it is not a question of whether tenants are moving or have moved out, this was a consolidation that we had planned much ahead in time, because the tenants were paying very low rentals. And that was an opportunity for us to create value.

Sri Karthik: Yes, because I remember in the RHP, the occupancy number as of March was 97 or 98. So, compared to that, and part of the renewed expiries were scheduled for the first half of this fiscal, it seemed as though there has been no new leasing that has happened during the year or during at least last nine months. Is that a fair conclusion?

Ankur Gupta: That's a fair conclusion, because the expiry that we had mentioned in the DRHP as of March was a contractual one because the tenant had already consolidated with us in a building next door where they had a larger footprint. So, we are aware of this vacancy. As Alok mentioned, we are spending, and that's also part of our numbers which we have disclosed, there is an upgradation plan that is happening in this building. And we are fielding, now that the tenant has vacated and consolidated, we are fielding the demand from expansion of current tenants as well as new tenants for this asset. As the momentum has picked up in the last three months, those conversations have also picked up speed.

Sri Karthik: Alright. And just a last one, despite a little bit of weakness in terms of new leases, our noi guidance has been intact, what has supported this?

Ankur Gupta: Look, we are not in a position to upgrade or update our guidance on this call. This is a portfolio update as of February 28, because it was timely, a month after our IPO. So, I do not know if we are in a position today to update any guidance or NOI, or comment upon it one way or the other. But as I said, the business is robust, our leasing numbers are robust, so there is no reason for us to think differently about the way our projections will pan out versus our IPO projections.

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

Sameer Baisiwala: Just one quick question, the commentary that we are hearing from other landlords, REITs, and non-listed ones is a bit different that they are seeing a fair bit of early exists. And they are seeing new leasing to be fairly slow, maybe it's travel restrictions, international restrictions so due diligence are not happening, signups not happening. And so consequently, their occupancies have been coming down, this is all public information, so 95 has come down to 90, in some 80s. So, just wondering that your commentary on both sides, early exist and new leasing is a fair bit different. So, any thoughts on that?

Ankur Gupta: Sameer, I would say, as of February we have seen 100 basis points or 1% reduction in our occupancy on a same store basis. So, whether one percent was expected by us, no, in a normal course operation we would have probably expected to keep or maybe increase our leasing. As I mentioned, we discussed Kensington. Powai assets saw very high leasing over the past four years since we have been involved there. So, look, I wouldn't want to comment upon what others are telling you, the numbers in front of us report that there is a marginal decline in occupancy right now.

As I also mentioned, there will be a natural churn in our assets, typically, we expect, as I said, between 5% and 15%, call it 10% churn in a commercial portfolio. And it all depends on assets as well. So, there will be churn. And what we are seeing is a better momentum today of tenants wanting space. Now, if that churn and the motivation for people to consolidate and expand their spaces overlaps with each other, then the occupancy numbers don't change quarter over quarter. If there is a gap, then sometimes in quarters you see that numbers fluctuate. So, I won't be able to give any colour on other people's commentary to you. But as I look at the sector that we are housing in our assets, that sector continues to be as robust as it has ever been.

I also mentioned two aspects about IT services companies going out of their way mid-year bonuses and promotions across the board. That to me points out towards a rapid need for them to increase efficiency to keep up with their order book, the business growth as well as retention and controlling attrition. To me,

all these data points make me feel good about our business. But as we see the vaccine rollout and confidence of people to come back to offices, last week has been a setback for India in terms of cases rising. So, it is very difficult to make a projection as to what will happen. But what is in front of us is that our 92% number is at 91%. Now, I won't read too much into 1% gap, but I would not have read too much into 1% increase either.

Sameer Baisiwala: Sure, Ankur, that's very helpful. When you talk about 10% churn every year, are you including the natural lease expires?

Ankur Gupta: Look, in India, leases are typically five-to-nine-year leases, and then they have a break. So, a typical nine-year lease will have a break in six years or an extension option in six years. What we have seen is generally tenants stay the course of their nine-year lease because that is how their improvements stack up. So, that is a natural churn that we have seen that most of this churn happens towards the end of the lease expiry. Does that answer your question, Sameer?

Sameer Baisiwala: No, absolutely. So, the question is that when your expectation for portfolio is 10% churn every year, you are including these natural experience?

Ankur Gupta: I am including the natural experience because that is what churn is, when tenants move out, whether it is a question of their break or whether it's a question of their lease term expiring. Look, we are in the business of servicing our tenants and I would love Alok to say that. It's not that we be forcefully ask tenants to leave when their lease is due, we like to work with our tenants to ensure that if they want that space, we are enabling them to keep occupying the space.

Sameer Baisiwala: Fair enough. Just last couple from my side. If I look at the area which is vacant, which looks to be 1.4 million square feet, as we draw. So, what is the expectation that over what time period you think you can lease this out?

Ankur Gupta: So, I will just caveat it. We are not allowed to update our projections, in our RHP we had given a slope as to how the NOI ramp up will happen. But directionally, maybe Alok can chime in here, although I don't think we are

allowed to update any forward-looking statements than what we have already done during our RHP.

Alok Aggarwal:

So, what we are seeing is a good momentum. And to be honest, I think it was a bit of a wait and watch. But as we see, once after the tenant closing other people will also kind of jump in. It is not that people don't need the space, they need the space, but they are saying, okay, we have time, we have two quarters, we can take that decision. So, I would not like to say whether it's going to happen in nine months or 12 months. But definitely, we are far more confident, we are seeing far more inquiries and we are kind of making far more effort, because we see things will kind of close now, I mean, with some efforts they will close. So, that's kind of a sense I would like to give.

Ankur Gupta:

And Sameer, I would just add to what Alok says. Over the past 12 months, we have massively ramped up our asset upgradation programs. It is not that we have not been able to utilize some of the opportunities that, as I mentioned, the case of Kensington the asset had very long term leases when the asset was first conceptualized by the erstwhile owner. And as this asset has seen consolidation with its neighboring building, it has giving us a chance to actually go back into the asset and make it more modern and more appealing. And that enables a faster recapture of mark-to-market that already exists in our portfolio. And that is seen across the board, we view this opportunity, because when parks are not occupied fully despite being leased, you can actually intervene and make those changes that you always wanted to make. It has happened in the case of N1 asset, Candor TechSpace Noida, it is happening in the case of Kolkata asset where we have upgraded the entire common areas over the past six months. And it is happening in Mumbai. And in the case of Gurgaon, we did that over three years, because the asset was 99% occupied for the last four years. So, we had to do it on a much slower pace.

And coming out of this crisis, as business is back for most of our tenants, and in fact, in a much more stronger way, they will actually see the difference of these into their workspaces of the kind of effort that our management team has put in. So, as long-term owners of assets, we never people like to use the word, don't let the crisis go to waste. Nobody expected a crisis but our teams have been laser focused on ensuring that our experience or our tenants' experiencing

this park not only remains the same but has actually enhanced. And that is what is in our control and that is what we are focused on right now.

Sameer Baisiwala: Ankur, that is excellent and very good to hear this detailed answer. Just one final one from my side, if I may. And I don't know how you can answer that, it is just more like a bookkeeping question. How does the balance sheet look like post IPO? Just three specific items, equity, investment property and net debt.

Ankur Gupta: Somebody has to guide us whether we can disclose post IPO balance sheet. But on the balance, we are slightly less than 20% loan to value post IPO, so exactly in line with our guidance during the road shows. And there is no material change. So, Sameer, is there any particular reason are you asking this question or is it more for ensuring that our post IPO capital structure is the same as what we projected during our road show? Like is there any particular reason you are asking this question?

Sameer Baisiwala: Because I think the balance sheet will get resized to the equity value. And so, therefore, there should be a big addition, both on the asset and liability side, it should be on equity and the investment property side. But that is fine.

Rachit Kothari: I think we had done a recast of it, a guidance on the recast of it in the final offer document where we had related the equity of the company to the market cap at the issue price. And accordingly, showed the use of proceeds to downsize the debt. As Ankur pointed out, the debt will be about Rs. 2,100 crores or 18.5% loan to value on the September numbers.

Moderator: Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: Just quickly wanted to understand on the impact of Haryana job quota on our office market in Gurgaon, and more importantly on absorption and rentals, if you can comment here.

Ankur Gupta: I will start off and then I will hand it over to Alok. One is we don't comment, as a group, on government actions in terms of anything to do with their plans for demographics, etc. But I would say that, that announcement does not impact

the IT, ITES spaces directly. But I would also like to defer it to Alok as to his take on this announcement, which to my knowledge is still work in progress, still a lot of details have to emerge.

Alok Aggarwal: Yes, I think that it is work in progress, and a bit of a different significant statements have come from different government also, that it is not applicable to IT, ITES, also, that is only applicable to new hiring, it is also being challenged in court. So, I think it's bit early days, it is early days to say that it is going to impact. I think once the full details are in public and we really know that where an all is going to get implemented, I think that would be a better time to be able to comment and make an assessment.

Kunal Lakhan: Sure. And my second question is again on the macro level. So, much has been spoken about like the hybrid model, most corporates adopting hybrid model. So, everybody wants to bring back employees to offices, but not all of them may come back, most corporates are indicating towards it. It will create some kind of a vacancy in the system and considering the overall office stock in India, I mean, even if like 10%, 15% of employees move towards hybrid model or like remote working, that could still create a significant vacancy, which could impact new absorption. So, it is more of a mid-term to long-term kind of a question, how you look at this going ahead? Although in the near-term your occupancy levels have not been impacted as much, but in the mid to long-term how do you see this going ahead?

Ankur Gupta: As you rightly said, there has been no research or there has been very little research conducted on hybrid models, while the term hybrid working has been going on for decades. And in our opinion, companies favor efficiency, lower attrition and higher productivity much more. And on the balance, everybody wants to promote a better work life culture, including us, as a firm. So, all of this has to be looked in totality. In a country like India where you are going to see high-teens addition to workforce in the next few decades, a lot of that job growth will come to the services sector into places such as our portfolio.

And there was a study which pointed that only 5% of India's workforce can actually, even structurally, be working remotely for more than three days in a week. Now, of course, fine print has to be read in all these studies as to what

is the sample set, how many were the interviews, etc. When when people are not working in office, how do you then collect data as to what is physically possible or not. To be really able to capture data, you have to have people working from office, working from home, working hybrid, collect data, measure their productivity. This is a long drawn process to understand how this space will work out. At the same time, IT sector has always been very sensitive to attrition numbers, because that kills productivity for them.

And lastly, I would say, the reliance on technology, not just for services, but across the board for all segments of the global economy, and the presence and the importance of India market towards that, with cost competitiveness remaining intact, in fact increasing, I would say, on the balance the fundamentals remain very strong. Now, in medium term or long term how it plays out, we will have to wait and watch. But as an end user, as a large investor in office spaces in the world, fundamentally, we will have to go towards more services, more flexibility, etc. But our view is that offices still provide the most efficient and most cost effective manner for employers to house their workforce, certainly for sectors like services and technology.

Kunal Lakhan: Sure, that's helpful. And in the near-term, how do you look at the demand considering like physical occupancies across markets remain quite low, in that kind of a situation in your conversation with occupiers or tenants like, what they indicating towards new demand with physical occupancies being so low?

Ankur Gupta: Look, on a subset of Brookfield Group's portfolio in India, which is the REIT portfolio and the identified assets, we are reporting more than 5 million square feet of active conversations happening. This number would have looked much different six months ago, as I mentioned. So, that to me is what we are seeing. Beyond that, it is tough for me to answer any question because the proof of the pudding is the statistics in front of us. And look, even the most robust leasing market conversion rates are always going to be tricky to point to sitting at any day of the week. But the momentum is that.

Moderator: Thank you. The next question is from line of Mohit Agarwal from IIFL. Please go ahead.

Mohit Agarwal: My first question is on what has been the re-leasing spreads been like for the last three to six months. And what is your outlook according to you, has it been a challenge to re-price the rentals closer to the market numbers in the recent months? And also, could you confirm how much of contractual escalations you have taken this year? That's my first question.

Alok Aggarwal: So, Mohit, in terms of rentals we don't see a pressure. I mean, in rentals we are able to meet our targets, so that's not an issue. In also the lease we have closed, it is a quite as per numbers we have planned. In terms of escalations, I have said earlier, we have achieved our escalations, contract escalations, there is no negotiation and that is why in-place rentals have gone up. And wherever we are re-leasing, they are also be able to kind of get the number what we have targeted.

Mohit Agarwal: Okay. Sure. And just one clarification, when does the first distribution start? Is it in fourth quarter? And also, could you remind us that in the first distribution what could be the mix of that between interest and others?

Sanjeev Kumar Sharma: As per our distribution policy which we have disclosed in FOD also, the distribution has to happen after the completion of one full quarter from our issuance. So, the first distribution will happen along with the results declaration for the quarter June 2021. And as far as mix is concerned, we foresee it is going to be the same which we disclosed in our FOD.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ankur Gupta for closing comments.

Ankur Gupta: Thank you very much. On behalf of Brookfield, again, I understand this was a Saturday so really appreciate all of you joining us today and look forward to continuing this interaction. And I really want to compliment everybody for really insightful questions, and I hope we were able to answer them. I look forward to speaking to you soon next quarter.

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