

# Brookfield

India Real Estate Trust

“Brookfield India Real-Estate Trust REIT Q1 FY 2022 Conference Call”

August 11, 2021

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**MANAGEMENT:**

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**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, BROOKFIELD REIT**  
**MR. RACHIT KOTHARI – VICE PRESIDENT, INVESTMENT, BROOKFIELD REIT**  
**MR. ROHAN GHOSH – VICE PRESIDENT, CAPITAL MARKETS**

**Moderator:** Ladies and gentlemen, good day, and welcome to Brookfield India Real-Estate Trust Earnings Conference Call for Q1 FY 2022. 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 telephone. Please note that this call is being recorded.

On the call, we have the following persons: Mr. Ankur Gupta – Managing Partner, Head of India Real-Estate, Brookfield Asset Management and Director at 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, Mr. Rachit Kothari, Mr. Shantanu Chakraborty, Mr. Vitthal Suryavanshi and Mr. Manish Mathur from Brookfield.

I now hand the conference over to Mr. Rachit Kothari. Thank you and over to you, sir.

**Rachit Kothari:** Good morning and welcome to the quarterly earnings call of Brookfield India Real-Estate Trust. We had a strong first quarter in financial year 2022, once again with strong operating results, while maintaining a solid balance sheet. Further, we recorded a healthy NDCF of Rs. 6.4 to a unit, of which we are distributing Rs. 6 to the unit holders in this quarter. We stay on track to meet our six-month NDCF guidance which we had given in our last results. While the second wave impacted India across the board, we have seen a rapid recovery in business sentiment and the return to workplaces trend has picked up momentum, as evidenced by large leases in our identified growth assets.

As vaccination numbers keep increasing steadily at a pan India level and the top tenants in our portfolio to have vaccinated as high as 70% of the workforce as they prepare for their return to office. We believe this will translate into physical attendances and in turn leasing recovery, very similar to other countries in the region. Our occupiers continue to see value in retaining their spaces and we remain confident that our properties will be a direct beneficiary of the post pandemic economic recovery. I would now request Alok to provide the business update.

**Alok Aggarwal:** Thank you, Rachit. Very good morning to everyone. I am pleased to announce that our portfolio has continued to remain robust, and we have delivered a strong performance during the quarter, despite the sudden increase in COVID-19 cases and the corresponding lockdown imposed in various parts of the country. We have continued to support the business-critical activities of our occupiers, and helped facilitate vaccinations for our tenants, employees, vendors, and their families across our assets during this quarter.

The portfolio has remained highly stable and demonstrated operating resilience throughout the quarter. To highlight a few; we helped facilitate 60 plus vaccination camps during this quarter, resulting in 32,000 plus vaccinations being administered. Achieved gross leasing of 2 lakh square feet during the quarter and ended the quarter with 89% same store occupancy. Our rental

collections remain at 99%, including 6% escalations on 7 lakh square feet of leased area. Despite the labor disruptions, we remained on track to deliver the ongoing development and upgrades within time and budgets.

From our business continuity perspective, we ensured that our properties stayed 100% operational during the lockdown. We have also continued to focus on our ESG initiatives and have pledged to achieve net zero carbon emission status by 2050. In our growth pipeline asset in Noida, we delivered 7 lakh square feet of new completed area, we completed state-of-art Tower 11, which is an IGBC Platinum Rated Building, and designed by an international architect. We also saw significant leasing traction with 4.5 lakh square feet of new leasing achieved during the quarter, including the relocation of Samsung to our asset.

As vaccinations pickup and occupiers finalize their back-to-office plan, we expect more demand by marquee occupiers from Grade A institutional campus-tied assets. With the second wave now receding, we are starting to see occupiers returning to office. Most technology MNCs have been focusing on vaccinating their workforce and will likely start resuming office in a phased manner. Leasing demand should also pick up once physical occupancies start picking up meaningfully.

Globally, we are seeing employees return to office across the Brookfield Group's portfolio. Offices in the Asia-Pacific region are witnessing increasing physical attendances, as vaccinations have picked up and COVID cases remain under control. India will likely see a similar trend over the coming months as the vaccination penetration increases in the country.

The technology service industry has continued to perform well during the pandemic period, with robust revenue and headcount growth. Over the long term, we anticipate that this will translate into strong demand for high quality real-estate with best-in-class services. Our assets remain well positioned to capture this opportunity.

Now, I would like to invite our CFO, Sanjeev, to provide the financial updates.

**Sanjeev Sharma:**

Thanks, Alok. And good afternoon, everyone. The last quarter was challenging with the second wave of the pandemic and imposition of localized lockdowns across the country. However, our portfolio continues to remain resilient with strong cash flow generations and embedded organic growth. During the first quarter of financial year 2022, our operating lease rentals have gone up to Rs. 1.6 billion, which is 7% increase over the corresponding quarter of the last year, which is driven by contractual escalations. We achieved an average of 6% rent increases on 0.7 million square feet of leased area during this quarter. However, as utilization of our parks reduced during the COVID-19 outbreak, our maintenance margins have continued to remain lower than historical run rates. As a result, our comparable net NOI grew to Rs. 1.7 billion, which is a 4% increase over the corresponding quarter of the last year.

Our assets have continued to demonstrate strong cash flow generations with net distributable cash flow of Rs. 195 crores, means Rs. 6.42 per unit. We will be distributing 93% of this cash

flow, that is Rs. 6 per unit during this quarter, with 24% of the distributions being tax free in the hands of unit holders. The full impact of conversion of CCDs on the tax-free component of distributions will be in force in coming quarters and we expect the tax-free component of distributions to rise to 30%. During this quarter, our collections remained robust at 99% of our lease rentals. 1% of total rentals that are dependent on footfall of amenity areas in our parks remain muted due to the lockdowns during the quarter.

Our balance sheet remains conservatively capitalized and we have ample liquidity to face any challenges that may come in these uncertain times. Our gross debt stands at Rs. 2,135 crores, which is only 18.6% loan-to-value. And we believe there is a 50 plus basis point headroom in our borrowing costs established by recent market transactions. We continue to evaluate to further opportunities to enhance the distribution to our unit holders.

With that, I would hand over the discussions to Mr. Ankur Gupta.

**Ankur Gupta:**

Good morning, everybody. Thank you again for joining us and we value your support of our business. As a sponsor of India's only 100% institutionally managed REIT, Brookfield stands firmly behind expanding the business to attend relationships that we bring to the table, the sponsorship and experience of handling instruments like this in many countries in the world and in an established REIT regimes. And I am very happy with the fact that India is moving rapidly towards a very robust REIT management regime, as evidenced by recent positive steps that SEBI, RBI, and various regulators have taken. And finally, supporting the growth of this REIT, which has always been a status strategy, to require capital support, to required progressing on the growth pipeline and creating an environment where the REIT is poised to grow, as Sanjeev mentioned, through a very, very strong balance sheet and liquidity that's available to the REIT.

With that, I would open up to the operator for questions from the participants. Thank you very much.

**Moderator:**

Sure. Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

**Adhidev Chattopadhyay:**

So, my first question, I have a couple of questions, just basically clarifications. Firstly, on the NDCF walk down, that is Slide 29 of your presentation. Just a couple of line items just wanted to understand. So, the net other expenses are almost Rs. 120 crores, plus the interest costs on external debt seems higher by Rs. 78 crores. Since this is from February to June, could you just break it down from April to June what these numbers would be? And what would be the run rate going ahead on a stabilized basis, quarterly run rate?

**Sanjeev Sharma:**

Adhidev, as far as this net other expenses are concerned, it's Rs. 120 crores because of some accounting of the derivatives, which if you see, working capital and IndAS adjustment is offsetting a major portion of these expenses. Otherwise, it is very small number when it comes

to the cash flow generation from the operations. As far as interest cost on external debt is concerned, yes, it is for the full period. And as you know, we have a debt of around Rs. 2,100 crores which is at the interest rate of 7.15%. So, run rate is pretty simple to calculate basis that, which is about Rs. 150 crores per annum. Hope I have answered your question.

**Adhidev Chattopadhyay:** Sir, just wanted to understand like from now onwards this interest cost would fall by half, is the understanding correct?

**Sanjeev Sharma:** Yes, it will fall due to lower number per quarter basis which I mentioned about Rs. 150 crores p.a.. Further, as I mentioned that there is a headroom for reduction also, so there may be further reductions in coming quarters in future.

**Adhidev Chattopadhyay:** And second question is on Slide 17 on the new leasing and renewals. So, if my understanding is correct, just a clarification, we had around 1.1 million square feet of expiries as per the last presentation for the FY 2022. So, this had gone up by another 0.2 million square feet for the year, is that correct?

**Alok Aggarwal:** Yes, that's correct.

**Adhidev Chattopadhyay:** And based on our current assessment of demand, whatever, obviously, we are in the middle of August, do you see this further exit do you see this bottoming out or do you expect some more exits over and above this for the rest of the year?

**Alok Aggarwal:** Our sense is that now exits have kind of bottom out and the market looks to be in an upswing. And of course, this got delayed; the upswing got delayed because of the second wave, I would say, otherwise we were kind of seeing the bottoming out in Q1. So, that's a sense we have. And as the vaccination progress, I think vaccinations are key, that's giving a lot of comfort to employees and occupiers. And we are seeing not only people talking about coming back, and also talking about taking more spaces for the growth. So, that's where we stand.

**Adhidev Chattopadhyay:** We maintain a guidance, you mentioned last time that out of that whatever 1.1 million square feet, that you said conservatively, you were confident of raising at least 40% to 50% of these people. So, do we maintain the guidance for now, do you expect to retain more people, has the outlook been more positive?

**Alok Aggarwal:** Our idea is about 40% to 50% that would remain, about 45% of the expiries.

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

**Manish Agarwal:** So, in the presentation you have indicated 147,000 of increase in same store vacancies for the FY 2022 year. So, which assets would this pertain to? And what kind of tenants are these?

**Alok Aggarwal:** So, some would be largely in G2, some are in N1. And these are our existing tenants; they would be part of the spaces they would be surrendering after the expiries.

**Manish Agarwal:** Sure. And total 0.9 million square feet is getting expired over the next nine months, what would be the broad time period over which it will get expired? So, every quarter how much would go, roughly?

**Ankur Gupta:** I would say you can straight-line it for the most part. But there's no chunkiness in many of this space. And again, as Alok said, none of this is extraordinary in our business. If you think about 11 million square foot portfolio, every year, you would expect a portion of tenancy to get renewed, a portion of tenancy to roll over. And that's good for our business to have fresh tenants come in. And that is exactly when you achieve mark-to-market as well. But largely, I would want to answer because I am sure that these questions will come up as we host the calls. Pandemic driven behavior was required, and was followed, and that was what has led to the second wave getting contained over the past couple of months.

But today, the return to office is not a choice, as we hear people talk. Organizations have realized that that is a necessity, and I am speaking about conversations that we have with a lot of our occupiers across the world. And fundamental business that they are running is very strong. A combination of those factors and commercial real-estate always mirrors the economy. The fundamental economy is very strong. Yes, there has been a global pandemic and the world is fighting that with the right leavers through vaccinations. And our renewals and space take up is slower than we would have anticipated given the pace of the economy that we have seen. Are you able to understand what I am saying? T the economic pace that the underlying business has had is very strong. So, today, as we see, the pent-up demand for space is what we are very excited about, what will happen over the coming years and shall continue in our opinion for a significant period of time.

**Manish Agarwal:** Sure. And one last question, we have executed on LOI in N1 of 38,000 square feet. So, by when do we expect to sign the contract and what would be the rent-free period? In a way, when would the rentals start?

**Alok Aggarwal:** The LOI has been signed, we are starting the lease in September and is a standard amount, four months kind of an initial rent-free period and rentals will start.

**Moderator:** Thank you. The next question is from the line of Ram Kumar from Reliance General Insurance. Please go ahead.

**Ram Kumar:** I just wanted clarity; you see I think at the point of issue what was projected is around Rs. 700 crores cash flows net on an annual basis. If we see that this particular unit has run from maybe around 10th of February to 30th of June for which the calculations are involved, Rs. 6 per unit seem to be much, much lower than what was projected, maybe at Rs. 195 crores, Rs. 198 crores

compared to an annual projection of Rs. 700 crores seems to be far lower. So, can you elaborate a little bit more or something else is missing?

**Rachit Kothari:** So, again, while we have given this for the period of February to June, I think what we did in the last quarter results was that we gave guidance for a period up till the end of six months of the financial year. If you compute this number over that period, and we are going to maintain that guidance, you will realize that we are close to the Rs. 700 crores run rate like you are mentioning. Having said that, look, we are working towards achieving our results for the second half of the year as well. But right now, we are not giving any updated guidance for the balance of the year. But we stay confident that we will achieve the 12.75 till the period till June, which is basically 7.5 months. So, if you do 12.75 divided by 7.5, and annualize it, you will realize you are close to the Rs. 700 crores run rate.

**Ram Kumar:** Can you tell what is 12.75?

**Rachit Kothari:** That's a per unit NDCF.

**Ram Kumar:** Okay. You are saying 12.75 from June till next March, something like that?

**Sanjeev Sharma:** No, it is February to September.

**Ram Kumar:** Okay. That you are saying that you are on track for that?

**Rachit Kothari:** Yes, ram, we are on track of that, to achieve that guidance.

**Ram Kumar:** Okay. Sure. Then if that be the case, why is it that I am only puzzled that if in three months the extent of coverage can be Rs. 6 per unit, I am trying to understand why is it that out of 140 days from 10th of February to 30th of June, why should it be only Rs. 6.2 per unit as a net cash flow? That's why I was trying to understand arithmetic if you can elaborate.

**Rachit Kothari:** Sure. So, look, Ram, the distribution of Rs. 6 over Rs. 6.42 is essentially a conscious decision from our side to make it more predictable and repeatable and do this in whole numbers. So, next quarter, again, you will see a number close to that amount. Having said that, NDCF is still 6.42. Now, if you see our projection that was given in RHP, you will see we are distributing about 86% of our NOI as NDCF. At that rate, we still intend to maintain for this 7.5-month period like you are talking about. Our current NOI run rate is about 170, what we did in the period from February to June was about 270. So, you do 270 plus 170, you get to about 440. And when you do an 86% of that, you will see that we are close to our guidance.

**Ram Kumar:** Okay, you have distributed 86% of the cash flow, is it?

**Rachit Kothari:** That is our target. I think it might be a little lower this quarter because we had some one-time items, but we will make up for that in the next quarter.

- Sanjeev Sharma:** Sorry, just to clarify, we are distributing almost 94% of our NDCF, the 86% number is calculation of NOI to NDCF, so that ratio is 86%. Regulations are required to distribute atleast 90%.
- Ram Kumar:** Correct, right. So, 94% of NDCF is anyway getting distributed.
- Ankur Gupta:** Absolutely. And this number could be closer to 100% also, but a prudent management of REIT cash flows suggests that we should be in the mid to high 90s. And that is what we are doing. And this number can easily be 100% as well in the future.
- Ram Kumar:** Understood. So, Rs. 6 per unit is something a broader sense of target you can say, even though you are not willing to give a guidance. So, to maintain a consistency is what Rs. 6 per unit gets arrived at, is it?
- Sanjeev Sharma:** Ram, as Rachit mentioned, we are not giving any guidance for the second half of the year. We will see how the market evolves. But we have tried to give Rs. 6 so that at least to the extent of visible quarters it should be evenly distributed.
- Moderator:** Thank you. The next question is from the line of Saurabh from JPMorgan. Please go ahead.
- Saurabh:** I just want to follow-up on this guidance question again. So, at the time of IPO, the NOI guidance which was given in your prospectus of Rs. 770 crores, you have achieved Rs. 170 crores, so to annualize this Rs. 680 crores, and then you are talking about exit. So, can you please explain as to what do you think is the driver for, I mean, number one, do you expect to meet that NOI guidance? And if the miss comes, then what's driving that? So, that's the first one.
- The second is of the area which is expiring, 11% of your rent expiring. I mean, just quantify in terms of percentage terms, what percentage of the rents you expect to get renewed? I know you quantified in area terms, but the percentage of rents which you expect to get renewed? Thanks.
- Sanjeev Sharma:** On NOI guidance, Saurabh, as we maintained in the last quarter also post COVID, and even post that even second wave has come, and in this quarter also we are maintaining our stand that we are not giving any guidance for the half year starting from October.
- Saurabh:** Sir, I am talking about guidance from the prospectus only the Feb numbers I just want to understand what has changed between Feb and July for this kind of go down?
- Rachit Kothari:** So, Saurabh, basically there was a recovery curve in leasing, right, that was built into those numbers. Essentially what has happened with second wave is, a lot of those timelines have gotten pushed out, maybe by a quarter, maybe by two quarters. The stabilized achievable numbers of the business remains the same, it's literally a question of one or two quarters being delayed.
- Ankur Gupta:** And Saurabh, to address your question more directly, will we hit the Rs. 770 crores for this financial year? Most likely not. But has our business rental program being impacted? No, the



rental that we are achieving for very large leases also is on point with our projections. And the headroom rentals, the headroom in rental growth on the same store basis, as evidenced by tenants who are renewing, continuing to pay escalations remains robust. Now, as Rachit said, the path to stabilize number may look different given where we are. And the reason why we are not willing to give guidance beyond what we stated is to be conservative in a way because, remember, we are talking about a quarter in which India suffered the worst wave ever witnessed in any pandemic globally ever, in recorded history. Despite that, we are achieving strong and solid business and that business continues to expand.

We talked about one of the identified assets, achieving not just completion, but significant lease up also. Now, for new assets, we have seen that even in the larger Brookfield portfolio, which are not part of the identified assets in India, where we achieve significant lease up for tenants looking for new spaces. The question becomes, when tenants are looking for renewal trends, are they making a decision closer to the time? Or are they making a decision a year or so in advance, as used to be the trend? We don't have visibility for tenants making decisions too far up into when the lease expiration is happening. That impact, then we can issue guidance. So, as tenants are coming more closer to making a decision, compared to what they used to do, similarly, we as the management team are more confident of giving near term guidance than giving a very long-term guidance. But all the trends are showing to us that the rental levels are firmly in place. And hence the path to stabilize number could be different. And it's a matter of a few quarters rather than the absolute numbers.

**Rachit Kothari:** On your second question, Saurabh, I think it's an 11% of rentals, it's captured on Page 17 year-on-year.

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

**Sameer Baisiwala:** If you can just help us on the occupancy trends as we go forward, both same store and committed, if you can? Where do you think this will bottom out and when?

**Alok Aggarwal:** So, Sameer, I mean, we are talking about 89% same store occupancy and that's what it is today as well. Now, as we have said, maybe, some of the expirees may not get renewed, and it could maybe for next one or two quarters it could go down, and then we expect it to kind of move up. That's on the same store occupancy. And the new buildings which have come up which is especially again the building in N1, we have already seen a new lease signed up at almost a projected rentals, slightly more than that. And we are having good discussions with some of the tenants. And we feel very confident that in quarter two new leases could also get signed up and occupancy on overall bases will also move up.

**Ankur Gupta:** So, just to summaries that question, our portfolio pre pandemic ran in the mid to low 90s. And that's a very high-quality number. And we expect that by the end of this financial year most of our assets should be running at those levels.

- Sameer Baisiwala:** Okay. So, you expect to be back up to mid to early 90s by the end of this fiscal?
- Ankur Gupta:** Yes.
- Sameer Baisiwala:** Okay. So, does that assume that the new leasing will pick up in Q3, Q4, I mean, otherwise, how will you get to that point?
- Alok Aggarwal:** Definitely new leasing will pick up and discussions are on, and we have seen strong traction in one of our identified assets. It's just a question of time that we can see new leasing closing up in REIT assets also.
- Sameer Baisiwala:** Okay, great. That's very heartening. Sir the second question is, and I think last two people have talked about it, but just to have it out of the way. So, what you have declared DPU pertaining to five months of cash flows, roughly about four and a half, five months is Rs. 6. And to meet your first half guidance, what you are saying is in Q2 for three months you will do Rs. 6.75. So, if you can confirm that? And second, therefore, what are the one-time charges that you had borne in first five months, if you can quantify that?
- Sanjeev Sharma:** Yes, we are on the track to meet our guidance for distribution till September. As far as one-time expenses are concerned, you can just see in those slides also, there were certain capex which we originally planned to be funded through debt, which we have funded as of now from internal accruals. And then when initially in the February month we did refinancing at a lower interest rate, there were certain one-time charges related to the loan which have come in the expense as a one-time expense into our cash flows, which is not going to be repeated every quarter.
- Sameer Baisiwala:** Okay. I will take a look at that. But does that mean that 6.75 roughly about DPU in 2Q is a clean number, it's devoid of any one-off pluses or minuses, so that's your underlying sort of earnings power of the assets?
- Ankur Gupta:** Sameer, can I just clarify, the 6.75, if you are deducting from 12.75 guidance, that's an NDCF number and that's on a DPU number. The DPU for this quarter that the board has approved is Rs. 6, whereas our NDCF was 6.42. So, just want to clarify that the terms that we are using are like to like, for this conversation.
- Sameer Baisiwala:** Okay. So, that's fine. But I thought your 12.75 was a DPU guidance and 6 is a DPU, so I am talking like for like. I understand your NDCF is 6.4, so I am not talking about that at all.
- Sanjeev Sharma:** Sure. So, 12.75, Sameer, was our NDCF guidance. Now, again, as I said, the distributions we will streamline to make them more predictable and repeatable, right, as far as the whole number distribution that you see. So, all I can tell you right now is that we are on track to meet 12.75, so you can expect an NDCF of close to 6.3 next quarter. This is broad approved matter and we will of course announce it in the next quarter.

- Sameer Baisiwala:** Absolutely. So, if you're talking to NDCF to NDCF, that's fine. So, 6.3 is your clean number for 2Q which is devoid of any one-off pluses or minuses, I mean, that's what I am trying to get to.
- Rachit Kothari:** So, 6.3 next quarter will catch us up to our 86% of NOI, which is the target that we want to keep achieving and we have forecasted in our projections as well. So, right now, you will see that number close to 72%, because of reasons that Sanjeev just answered, but we will catch it up to 86%, which is our run rate.
- Ankur Gupta:** Sameer, I just want to clarify one thing. When we say earnings power, we are talking about occupancies in the high 80s right now. So, I would say, the earning power of our business is higher because our business runs in the 90s on a run rate basis. And the headroom in rentals that we have today is also an earning power of our business, which is, as Alok mentioned, in the high 20s and low 30s across the board. So, as a business, our earning power is actually higher than these current cash flows suggest.
- Sameer Baisiwala:** That's a fair point. That's fine. I was more focusing a bit more on the cost side, holding the occupancy at the same level that, pluses, and minuses. But I take your point completely, as occupancies move up and mark-to-market, of course, the earnings power would move up. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Akshay Malhotra from HSBC. Please go ahead.
- Akshay Malhotra:** I just have a quick question around the NDCF walkdown, so it was in the working capital IndAS adjustments is 96.7 crores number and as it was discussed around the derivative accounting could you please elaborate a bit on this?
- Sanjeev Sharma:** Akshay this is derivative accounting related to the CCDs which was held by REIT in K1 which got converted into equity on 1st April. So, the reversal of that derivative has come in as IndAS adjustment positive lines and the derivative expense side have come in the net other expenses.
- Moderator:** Thank you. The next question is from the line of Venkat Samala from Tata AMC. Please go ahead.
- Venkat Samala:** See what I am trying to understand is we had given a NDCF guidance of Rs. 12.75 for H1 out of which we did manage to get 6.42 and you had mentioned we remain on track to meet that guidance, but broadly what I am getting to understand is 12.75 carry a spillover of Rs. 2 from the period REIT was listed to March 31, so in this 6.42 NDCF that we have received in Q1 how much of that spillover of Rs. 2 are we capturing in here, so what I am trying to understand is what is the normalized cash flow that the REIT is throwing up for Q1?
- Sanjeev Sharma:** Venkat if you just see the numbers it is 6.42 you rightly said it is for the period from February till June, but our onetime expenses which we mentioned earlier pertains to the period before March only. So, it is not evenly distributed otherwise our quarterly NDCF is more or less 86% of our NOI as projected in our prospectus also.

**Venkat Samala:** Sir if you could just adjust both I mean the spillover and these expenses which was sort of one off and what would be adjusted NDFC per unit in Q1?

**Sanjeev Sharma:** It should be around Rs. 4.78.

**Venkat Samala:** And roughly you expect this to continue into Q2 right based on your guidance?

**Sanjeev Sharma:** It should be little more in Q2 Venkat. This was for the period up till June as you mentioned earlier. We have not distributed 86% we have distributed about 72% and that cash is also lying on the balance sheet to some extent and there is some working capital etcetera that we can get release so we will catch this 72% also up to 86% so 4.8 plus the spillover will catch you up to in the 6.3 NDCF we have quote in the next quarter.

**Venkat Samala:** So, broadly what you are arriving at is part of the spillover is being retained by you and that would come through in Q2 as well?

**Sanjeev Sharma:** I will say Venkat that some portion of the spillover has come in this quarter up to June and some will come into the next quarter. As Rachit has mentioned earlier when he was briefing that to make more predictable and repeatable we kept our distribution to the tune of Rs. 6 for this period only.

**Venkat Samala:** And the second thing is with respect to NDCF to DPU conversion if you could guide us I mean what could we look forward to moving forward if these onetime expenses were to not occur again because generally what we have noticed is in the other REIT the payout ratio is close to 100%, so is that something that we should look forward to I know this quarter had a lot of one off so if that were to be left behind what should we expect as shareholders moving forward.

**Ankur Gupta:** And again, it is a board matter this quarter the board approves Rs. 6 a unit and I would say that it is still 93% plus of DPU as distribution. Our REIT is a collection of operating assets we do not have other income of coming from noncommercial assets. We do not have too much developments going around here. So, our payout ratio still should be very high they should be touching a 100% but again as you said this is the first distribution that we are making we want to have a predicable number that all of you can underwrite to, that number should be an increasing number that number should be a under writable number. So, the number can hover around 95 to 100 I see no reason why it could not be a 100 going to the future, but as businesses these businesses are perpetual businesses, assets are not quarterly and they change next quarter. So, when the cash is sitting where the cash can distribute at any point in time next quarter or the quarter after. So, I would focus not too much on DPU, but on NDCF while as a board and as a REIT board we are conscious and there is no need for cash sitting that idle. So, the DPU should be in the mid-to high 90s if not a 100% and the board may be receptive to even a 100% payout in future. Again, I would request everybody to understand where we are coming from, we are talking about the quarter and a period where the country and many countries in the world were turned upside down.

**Venkat Samala:** No sir I understand it is just that you know I know the current environment is very fluid, but as we move into more predictable environment if you could just give some guidance as to what is the range that we would look forward that would be very helpful?

**Ankur Gupta:** The guidance is trending towards the 100% payout because there is no need for cash we are leveraged we can always draw on our credit facilities for any small capex here or there and hence the number should be closer to a 100%, but 94 and 100 in my opinion are the trend line is quite visible to everybody.

**Venkat Samala:** And my last question would be sir any update on the identified assets pipeline I mean how are you looking at it at this point in time?

**Ankur Gupta:** Alok gave a very strong summary of the progress we have made in one of the identified assets we did not touch upon the other one, but even that asset is now fully completed the final touch up work is going on in terms of the final sort of lease ready assets. So, both assets on the development side have achieved significant progress. I do want to compliment the teams involved in that despite so much of lockdown related events that part has not suffered or teams have been able to make up the time within budget. We talked about a very quality lease that has happened in one of the assets that is one part of the business that is progressed significantly towards a stabilized occupancy number and we have seen a very close eye as the board of the REIT to embark upon the growth that is in front of us. Again as we always said REIT should be predictable, REIT should not take risks that the market cannot understand and hence the timing of that should mirror the progress of developments and lease up trend which is what is happening. So, in fact our strategy when we talk to all our investors at the IPO was to ensure that the pipeline remains available, but the risk is not put on the REIT and its investors and I am very glad that strategy is playing out in full force that may not have been very visible to people if the markets were very buoyant, but the experience of having run these businesses across the world and the sponsorship that is coming along for all of our investors I think it is visible to the markets today. So, I am very glad that the strategy is playing out and in fact playing out better in times when markets may not have been more supportive.

**Moderator:** Thank you. The next question is from the line of Rajiv Malhotra from Skanda Investments. Please go ahead.

**Rajiv Malhotra:** I think it has been a great quarter while of course a little confusion still stays about what the earlier participants had also asked about the DPU and NDCF, so could you give a little color on the expected expiries in the next quarter and current quarter?

**Ankur Gupta:** I will just take the first part which is you mentioned there is confusion still can we clarify any confusion.

- Rajiv Malhotra:** So, we are trying to understand that what is you are giving as NDCF and the DPU which you are giving now is that calculative for 4.5 months first of all that is a first subpart of the question is that calculated for four and half months?
- Sanjeev Sharma:** Yes Rajiv NDCF of 6.42 is calculated for four and half month and distribution is for the total period which board has decided that okay whether it should be evenly distributed over the quarters in future also so that we should be more predictable that is why that fixed is the DPU.
- Ankur Gupta:** NDCF is a periodic calculation DPU is given at a point in time.
- Rajiv Malhotra:** So, the DPU is for four and half months and NDCF is for the quarter and should we understand it like that?
- Sanjeev Sharma:** No Rajiv NDCF is for four and half months and as Ankur mentioned the DPU is as on a day that when quarter ends how much board decided out of that 6.42 to distribute.
- Rajiv Malhotra:** So, what we are saying is that let us not take this word four and half months let us say that whatever cash was available the board decided let us distribute 6. Now the confusion which now exists I am sure in other participants mind also is that even if we need to have let us say a sort of balance run rate of 6 or so, would you have enough for the next quarter I mean we are looking a little dicey on that part?
- Sanjeev Sharma:** Rajiv two things as Rachit has also mentioned that our endeavor or our target is to achieve 86% NDCF of NOI. So, basis that there will be a reasonable amount of NDFC available which can be distributed plus there is opening cash which is not being considered while calculating 6.42 which will also get added into that and we are very confident that we will be able to achieve our guidance of 12.75 NDCF for the period up to 30th September hope that clarifies Rajiv.
- Rajiv Malhotra:** That clarifies to quite an extent I think now it is giving great color on the situation?
- Sanjeev Sharma:** Rajiv I will also add so we achieved 170 crores of NOI for the period from Feb to June and 270 crores of NOI from the period from Feb to June we have a run rate of 170 which we will achieve for this quarter as well. So, 270 plus 170 is about 440 crores of NOI. Our target is to distribute 86% of NOI to compute NDCF as 86% of NOI. So, 440 into 86 is about 380 odd crores of which how much we distribute is the board approved matter, but whatever we do not distribute is lying on the balance sheet and that belongs to the unit holder only whether they are distributed in one quarter or distributed into two quarters the money belongs to unit holders only. So, that is why I think in place of distribution one should see how much is NDCF then the distribution.
- Rajiv Malhotra:** And second part was what is the color on the expiries from this quarter and next quarter anything because seeing from the presentation that we are running of course there is a pandemic sort of pandemic going on. So, we are running at bit close to the finish line I mean it is not of course you even hinted that look we used to get one year ahead and now we do not run out to almost the last date.

**Alok Aggarwal:** I mean if you really see in last as you know what Ankur said our renewals rates have been almost and that is in a business which is almost to the extent of 90%. This year we are saying renewals is already down the worst numbers about 45 that is the number in tough times we are talking about and that is something we should expect that is something we want to talk about and of course closer to expiries tenants feel more comfortable in continuing and occupancy start moving up business could be bit different, but I think let us kind of overall take a 45% renewal and that should be the right number to say.

**Rajiv Malhotra:** I take one more question is that what is stopping our REITs from refinancing it now because your interest rates are already going into a higher trajectory or are you waiting for the G1 and N2 expressway induction and any timeline on that?

**Ankur Gupta:** There is nothing is stopping us from being in market every day of the week. We have kept liquidity at close to 30 if we say a REIT like our could be running in the low to mid-30s of LTV which is what we said always it can, we are keeping liquidity for growth and we do not have any obligations to fund around a capex through cash flows etcetera and growing the REIT has always been a big focus for the management team and for the board and for the sponsorship of the REIT. Now we can refinance it yesterday or tomorrow that is the question that has to be considered in context of the plans that we have not just for today, but also for the REIT in perpetuity and the form of debt is also important. We have seen the massive amount of regulatory tailwinds regarding allowing different forms of capital to come into the REIT business. Now why should we lock ourselves up into something while the environment is progressively getting better and that we have a need for that liquidity as the call option or the identified assets become mature and that is the consideration that we in the board and in the management always take into account as we plan for a vehicle that we sponsored for perpetuity.

**Moderator:** Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

**Kunal Tayal:** I just had one clarification on the comments that occupancy could take us through low to mid-90s by end of the year I am assuming that the spirit of the statement was how we should think about new signings going ahead because even if you sign a deal today I think by the time it is unsafe to occupancy we could easily see a lag of one to two quarters and therefore those have much time left in the year?

**Ankur Gupta:** So, the spirit was to give guidance as to where we see the business running. Now you are right that rental agreements take time to generate cash flow and that has to be factored into your cash flow and as I mentioned that the run rate and the potential of that run rate remains intact, the path could be different than what we had imagined call it two years ago for sure and certainly before the second wave hit us, but I also mentioned that the fundamentals of our business are stronger and but for the lockdowns these properties would have been on a very different trajectory of occupancy and they will come back to that same trajectory is our expectation as vaccination picks up and occupiers who now realized the power of being in office environment

and very publicly so. So, all the trends as I say stars are lying towards that path and we certainly believe that trend is near term rather than long term in nature.

**Alok Aggarwal:** And just to add what Ankur has said most of the IT companies have done hiring which is you know their workforce has increased by 20% to 40% of their over all workforce in one year and this entire workforce is right now kind of a working from home. Wee know this workforce has to be brought to offices. This has to be integrated with the office culture for most of the tenants occupiers we are talking to. They understand if people keeping sitting at home they do not come to office the turnover of these employees will go up and this is war of a talent which is going on. So, people are devising strategies to come back to offices and is evident and that is going to kind of speed up more as the vaccination program roles out.

**Kunal Tayal:** Just on a comment and then another data point if you could share any indicative physical occupancy of your assets let us say at the month of July and then last quarter you had mentioned that the size of advance rate pipeline stands at about 0.4 million square feet, any updates to that number?

**Alok Aggarwal:** Let me just answer the questions on occupancy there are some of the tenants let me be very honest they have just at about 5% to 10% occupancy and this is again a question from tenant-to-tenant or it is a policy decision they have taken. Some of the tenants it has gone up it is almost about 30% to 40%. I would probably not give a average number right now, but I would say from tenant-to-tenant it is a number which is kind of a varying up. Now in terms of N1 we already have one small LOI cum lease good advance decision, discussions are going on with some of them, every month we see some new people, some new tenants coming talking to us and we are positive on new leasing getting ramped up in next couple of quarters.

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

**Sameer Baisiwala:** I was just looking at your capex slide and 220 crores the largest part is for Kolkata once so if you can just expand on that what area that you are looking to does capex represent and second is I see that the occupancy for Q1 is high of 91% so why not accelerate the Brownfield in Kolkata?

**Alok Aggarwal:** So, this capex part we already have kind of a guided that we are planning to construct around 5 lakh square feet office plus amenity area and that something we have in advance stage of design and we would start the construction and development at appropriate time. In terms of occupancy yes it is around 90% and we are in discussions with some of the tenants now when and how does it fructify that has to be seen, but we see good interest from our existing occupiers, take more space I do not think it is going to happen in a quarter, but I think the discussions are positive and we are confident occupancies can go on.



- Sameer Baisiwala:** Sir the question remains is that if it is a two-year view do you not want to accelerate the Brownfield over there a larger size and a shorter timeframe?
- Ankur Gupta:** Alok said the same thing which is we are starting work on 5 lakh square feet in Kolkata there is a lot of area. So, you are right in fact you are spot on that we should be doing and we are doing it.
- Sameer Baisiwala:** Should we do more of it?
- Ankur Gupta:** Let us pace ourselves if we are successful on 5 lakh square feet today we can always land has entitlement we can always fast track another 5 lakh square feet, but should we starting a million square feet today I do not think that will be prudent to start a million square foot of development. So, we are reacting to what the park need, the park needs some misused development right now and the park is 91% occupied which means on the 3 million square foot footprint we already have about 3 lakh square feet of area. So, we are 3 lakh we are starting to build 5 lakh out of which about 75% will be office. So, good quality management would also mean that we are pacing ourselves appropriately and there is no reason why we cannot fast track it should there be as Alok said more tenant requirements.
- Sameer Baisiwala:** Last one slide number 16 it shows the gap between yourself and the micro market as far as occupancy is concerned and over through this pandemic I think the 10% wide gap has narrowed down now 2% between you and the micro market, so any thoughts on just why have we seen much higher vacancies versus the competition around?
- Ankur Gupta:** We have to read data with a little bit of a wider spectrum what this trend line suggest to us is that we are the market leaders even in our micro markets forget the larger markets and quarter over quarter it is very difficult to gauge whether there is any trend line, but I would say over a three year period what this demonstrate is that we are always ahead of the micro market that we are present in and mind you we are present in extremely good micro markets a very high quality spaces that we have and many of our competition also is present in those micro markets, but I think picking one quarter over the next one will be a short term view of data may not be the right analytics.
- Sameer Baisiwala:** No we see as five, seven quarters over there, but that is fine you are ahead of the competition in that point is that the 10% has narrowed down to 200 basis point that was a question.
- Moderator:** Thank you. Ladies and gentlemen I would now like to hand the conference over to Mr. Ankur Gupta for his closing comments. Over to you, sir.
- Ankur Gupta:** Thank you very much everybody for your support of our business. I do want to congratulate Alok, Sanjeev the entire team on having a fantastic quarter again and focus on the business plans and on execution of those business plan on behalf of all the unit holders and as a number of people asked questions the REIT on its growth track would feel as committed to the growth of

the street through organic and inorganic strategies and we look forward to catching up with you again next quarter. Thank you very much. Have a good day ahead.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Brookfield India Real Estate Trust that concludes this conference call. Thank you for joining us and you may now disconnect your lines.