May 02, 2024

To,
The Corporate Relations Department,
The National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor,
Plot No. C/1, G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051

To,
The Corporate Relations Department,
Department of Corporate Services,
BSE Limited,
25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Re: Script Symbol "EMBASSY", Scrip Code 542602 and Scrip Code 973434, 973545, 973546, 973910, 974885, 975051, 975056 and 975311 (NCDs) and Scrip Code 726239 and 726240 (CPs).

Dear Sir/ Madam,

Subject: Transcript of the Earnings Conference Call for the quarter and year ended March 31, 2024.

ln continuation to our letter dated Friday, April 26, 2024, regarding the link to access the audio recording of the Earnings Conference Call held on Thursday, April 25, 2024, at 1700 Hrs IST to discuss Embassy Office Parks REIT's financial results for the quarter and year ended March 31, 2024, please see enclosed the transcript of the aforesaid Earnings Conference Call.

The transcript referred to above has been uploaded on our website and can be accessed through the link as set out below:

https://eopwebsvr.blob.core.windows.net/media/filer_public/88/c7/88c7f535-e23c-455c-b0be-0e434df957dc/embassy_reit_earnings_call_q4_fy24_transcript_with_qa.pdf

Thanking you,

For and on behalf of **Embassy Office Parks REIT** acting through its Manager, **Embassy Office Parks Management Services Private Limited**

VINITHA ARAVIND MENON
Digitally signed by VINITHA ARAVIND MENON
Date: 2024.05.02 17:45:37 +05'30'

Vinitha Menon
Company Secretary and Compliance Officer
A25036

Encl: As above

Embassy REIT

Q4 FY2024 Earnings Call

April 25, 2024

CORPORATE PARTICIPANTS

Aravind Maiya – Chief Executive Officer (CEO)

Abhishek Agrawal – Chief Financial Officer (CFO)

Ritwik Bhattacharjee – Chief Investment Officer (CIO)

Sakshi Garg – Head - Investor Relations

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MANAGEMENT DISCUSSION SECTION

Operator: Good evening everyone. A very warm welcome to all for Embassy REIT's fourth quarter and full year FY2024 Earnings Conference Call. Currently, all participants are in a listen-only mode. Our speakers will address your questions during the question-and-answer session at the end. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference – Ms. Sakshi Garg, Head of Investor Relations for Embassy REIT. Mam, you may begin.

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Sakshi Garg

Head – Investor Relations

Thank you. Welcome to the fourth quarter and full year FY2024 Earnings call for Embassy REIT.

Embassy REIT released its financial results for the quarter and full year ended March 31, 2024 a short while back. As is our standard practice, we have placed our financial statements, earnings presentation discussing our performance, and a supplemental financial and operating databook in the Investors section of our website at www.embassyofficeparks.com.

As always, we would like to inform you that management may make certain comments on this call that one could deem forward-looking statements. Please be advised that the REIT's actual results may differ from these statements. Embassy REIT does not guarantee these statements or results and is not obliged to update them at any time. Specifically, any financial guidance and proforma information that we will provide on this call are management estimates, based on certain assumptions and have not been subjected to any audit, review, or examination procedures, and do not reflect the impact of any proposed acquisitions or fund-raises. You are cautioned not to place undue reliance on such information and there can be no assurance that we will be able to achieve the same.

Joining me today are Aravind Maiya, our CEO, Abhishek Agrawal, our CFO and Ritwik Bhattacharjee, our CIO. We will start off with brief remarks on our business and financial performance and then open the floor to questions.

Over to you, Aravind.

………

Aravind Maiya

Chief Executive Officer (CEO)

Thank you, Sakshi.

Good evening and thank you all for joining us on the call today.

We recently celebrated our 5th year anniversary as a listed REIT and I reflect back with pride as to what we have achieved in these years, notwithstanding a global pandemic that threatened the future of offices.

Over these last 5 years, we grew our completed office portfolio by 47% to 36.5 msf, added 619 keys to our Total Business Ecosystem, increased our in-place rents by 38% from ₹63 to ₹87 psf, expanded our occupier base from 165 to 255 leading companies and our investor base from 4k to over 91k today. All these efforts have translated to annualized returns of over 11% to our unitholders, including almost ₹9,900 crores in distributions. We are delighted to see the continued acceptance of this product class in India and have doubled our efforts to promote its further awareness, by partnering with the Indian REITs Association.

Coming to our annual results. FY2024 was an outstanding year. With 8.1 msf of total leasing, 2.2 msf of new office deliveries and ₹7,200 crores of debt refinancing at leading rates, we surpassed our leasing guidance for the year and met our financial guidance. Abhishek will shortly take us through our next year's guidance numbers, but I am pleased to announce that FY2025 is going to be a year of growth, with expected YoY growth of 10% for NOI and 7% for DPU, at the mid-point of our guidance range.

On the macro front

Global Capability Centers ('GCC's) continue to lead the office space take-up in India. As per recent reports, 85 such centers were set up newly or expanded further in CY2023, taking up around 25 msf space and contributing to around 40% of the total office absorption in India. Not surprisingly, around 30% of these centers were set up in Bangalore as the city continued to lead the charts in terms of office take-up globally. Even in this last quarter, Bangalore reported robust numbers, with absorption outpacing supply and market rents recording a 3-5% YoY growth (Source: JLL).

With this backdrop, let me give you an annual wrap-up of our leasing performance

- We leased our highest-ever annual total of 8.1 msf in FY2024 and exceeded our original 6 msf leasing guidance by 35%. This 8.1 msf was signed across 99 deals and included 4.4 msf of new leases, 1.3 msf of renewals and 2.4 msf of pre-commitments.
- GCCs contributed to over 65% of this total leasing, with the demand primarily driven by Technology, BFSI, Retail and Healthcare sectors. With 8 new GCC entrants this year, we now have 86 GCCs in our occupier roster of 255 corporates.
- Another highlight this year was the return of large deals. We signed five deals over 300k sf during the year, highlighting the confidence many of these companies have regained regarding their India footprint.
- We also noted 3.3 msf of tenant exits during the year, primarily from IT services occupiers. Of this, we have already leased around 64% of the area vacated at around 19% spreads and have a promising pipeline for the remainder. With this churn in the portfolio, while our occupancy levels dropped marginally during the year, our in-place rents went up by around 10%.
- We also met our occupancy guidance of 85% on a portfolio level and 87% on a same-store basis at year end. Especially, Bangalore and Mumbai, our two core cities which contribute to around 86% of REIT's value, continue to see an uptick in the occupancy levels with multiple demand tailwinds. Our Bangalore portfolio is now at 91% occupancy and Mumbai at 99% levels, with 2 properties in Mumbai 100% occupied.
- Our Pune and Noida markets continue to be soft, with around 70% occupancy levels, and will take some more time to increase.

On the SEZ front

- We had applied for denotification of 1.1 msf across two buildings in Bangalore and Pune. We have already received the state NOC for the 0.8 msf building in Bangalore and are in the process of receiving the same for the 0.3 msf building in Pune. We expect to complete the denotification process for these two buildings by the next quarter.

- We had also applied for demarcation of 1.1 msf area across our Bangalore, Pune and Noida properties in January. We are in the process of computing the final duties payable as per the recent clarifications received from the Ministry of Commerce. We expect to complete the demarcation process for these spaces in the next 2-3 months.

Moving to our development portfolio

- We have received the occupancy certificate for the 0.7 msf Tower 1 in Embassy Oxygen in Noida. This new tower is around 30% leased and has also been successfully converted to 'Non Processing Area' as per the SEZ demarcation process.
- Our current development pipeline now totals 6.1 msf, all of which is in Bangalore. Of this, 4.7 msf is scheduled for delivery over the next 2 years and is already over 70% pre-leased, along with expansion options for another 10%. This organic growth is a key lever of our NOI and DPU expansion over the next few years.

Lastly, on our hotels

- Our hotel portfolio continued to perform strongly with 64% occupancy in Q4, signifying a remarkable 900 bps QoQ uptick. With a 14% YoY ADR growth in FY2024, our hotels delivered an annual EBITDA of ₹184 crores, much ahead of our guidance.

Finally, we have recently announced the proposed acquisition of Embassy Splendid TechZone ('ESTZ') in Chennai and a proposed unit-capital raise through an institutional placement, subject to unitholder approval and other conditions. We will keep you updated as we progress on that.

With this, let me now hand over to Abhishek for our financial updates.

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Abhishek Agrawal

Chief Financial Officer (CFO)

Thank you, Aravind. Good evening everyone.

Let me begin with the financial highlights for FY2024 and then provide some color on FY2025.

- We met our FY2024 guidance for Net Operating Income ('NOI') and Distributions Per Unit ('DPU').
- Our Revenue from Operations stood at ₹3,685 crores and NOI at ₹2,982 crores, both up 8% YoY. This was mainly driven by new lease-up at high re-leasing spreads, contracted rent escalations, and a ramp-up in our hotel business. This was partially offset by the impact of exits in our office portfolio. Our commercial office margins of 84% and hotel margins of over 45% continue to lead the industry.
- We have declared Q4 distributions of ₹495 crores or ₹5.22 per unit, representing a 100% payout ratio. With this, our total distributions for the year amounted to ₹21.33 per unit, down 2% YoY. This was primarily led by an increase in our interest costs and other working capital changes, mainly related to security deposit refunds on tenant exits.

Moving to updates on our balance sheet

- We are focused on active debt management and optimization of our interest costs.
    - During the year, ₹4,100 crores of debt was due for maturity, which we successfully refinanced at an average rate of 8.2%. We also proactively refinanced an additional ₹3,100 crores of debt with lower rate instruments and achieved 103 bps proforma interest savings.
    - We did these refinances through a combination of listed debentures, bank loans and first-time commercial paper; all of which had rates locked in for less than 2 years on average. We followed this tactical approach to benefit from any turn in the rate cycle.
    - With this, we also expanded our debt investor base with 9 new entrants, including large public sector banks, private pension funds, domestic mutual funds and insurers.
- Our net debt book now totals ₹16k crores, implying a 29% leverage ratio and a 7.8% in-place cost. Also, less than 2% of our debt matures in the first half of the financial year, limiting any refinancing exposure.
- Moving to an update on our year end portfolio valuation. As per the independent valuer's assessment, our Gross Asset Value is at ₹55k crores and our Net Asset Value at ₹401.59 per unit. This increase was mainly driven by our new deliveries, ongoing development capex, improved hotel performance and an increase in in-place rents as well as market rents for our Bangalore and Mumbai properties.

Lastly, our outlook for FY2025

We expect our NOI to be in the range of ₹3,215 to ₹3,345 crores and our distributions to be in the range of ₹22.40 to ₹23.10 per unit. At mid-point, this guidance implies a 10% growth in NOI and a 7% growth in DPU, on a YoY basis.

Our outlook is based on the following key assumptions for the full year:

- We expect 5.4 msf of total leasing. This comprises 3.8 msf of new lease-up, including new building deliveries scheduled for the year, 0.6 msf of renewals and 1 msf of pre-commitments. We have 2.2 msf of lease expiries due for FY2025, implying a total of 1.6 msf of likely exits during the year.
- We expect a year-end portfolio occupancy of 89%. However, this does not factor potential downside risk of any further portfolio optimization initiatives by an occupier in the IT services sector.
- We are confident of achieving contracted rent escalations of 13% on 7.7 msf leases during the year.
- We expect our hotel NOI to increase by around 10% YoY on the back of occupancy and ADR growth.
- Our solar park NOI may decline by around 20% YoY due to the revised government tariff.
- Finally, we expect a 15-18% YoY increase in our interest costs. This will be driven by the full-year impact of refinancing, 2.2 msf of new deliveries in FY2024 and the interest cost related to 2.5 msf of new deliveries scheduled for FY2025.

Lastly, I want to clarify that this guidance excludes the impact of the proposed ESTZ acquisition as well as any associated fund-raise.

To date, we have always delivered on our guidance numbers and going forward, our single-most focus remains on delivering growth to our unitholders, year-after-year.

With this, let's now move to Q&A please.

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QUESTION & ANSWERS SESSION

(Note: The Q&A has been edited for clarity)

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Congratulations on a good outlook. My first question is on the demarcation of SEZ space. Is the final guideline for computations of payable duties now available in writing? And are you confident that there is no risk of delays because of additions, etcetera, and that you would be able to do demarcate the area within a quarter?

Secondly, on the leasing guidance of 5.4 msf. How should we think of it? Will it likely be backward ended? Or it is likely to be evenly spread out throughout the year?

Aravind Maiya: Okay, sure. I'll let Abhishek take the first and then I'll take the second one.

Abhishek Agrawal: Yes. So, Puneet on the demarcation, now we have received some clarity on how to compute the duty. With the recent instructions that we received, I think we have an understanding on how to compute the duty. With this, we expect that the duties for the buildings would be around, as we said, ₹400 per square feet and an additional duty on the common area infra, which would be around ₹40 to ₹50 per square foot.

We don't think there should be any delays now. It would take 2 to 3 months because this is the first time that the Ministry of Commerce are carrying out a transaction like this and post that it should be streamlined.

Puneet Gulati: So, this notification is now published?

Aravind Maiya: Yes. The FAQs were published 10 days ago, and it’s out there in public domain. The final FAQ gives all these answers.

Just moving to your second question on leasing. It has 3 components to it. One, about 3.8 msf is the new lease-up, including the deliveries, which are being delivered this year. Two, about 1 msf of precommitments and three, about 0.6 msf of renewals. And in terms of timing, I would say probably the precommitments would be a little front-ended and the new lease up of 3.8 msf will be more or less evenly spread through the year. That's the way we are looking at it as of now in the guidance.

Puneet Gulati: Right. So basically, if you had to think about it, of 5.6 msf current vacant area, about 1.4 msf is likely to be expiring and about 2.3 msf would be new area addition and roughly for the existing portfolio, 4.4 msf would be new leases. So that would still leave around 5 msf area vacant at the end of the year.

Aravind Maiya: A lot of clarifications, 5.6 msf is correct. 1.6 msf is the expected exits during the year and 2.5 msf is the expected completions. Of these 2.5 msf, around 1.8 msf is already pre-leased. So only 0.7 msf left to be leased, and we are confident that we will lease it out because it is at our prime asset - Embassy TechVillage. This is already included in the 3.8 million new lease-up number, which we've given.

Puneet Gulati: Sorry, these 1.8 msf is already pre-leased or will it be leased?

Aravind Maiya: Yes. So, 1.8 msf is already pre-leased, which include 1.2 msf pre-leased at Parcel 8 in Embassy TechVillage and 0.6 msf at M3 block B in Embassy Manyata. The remaining 0.7 msf is at Parcel 8 of ETV, which gets delivered in phases between October to December '24. And we believe in our guidance, that the balance 0.7 msf will also be leased by March '25. And this 0.7 msf is a part of 3.8 msf.

Puneet Gulati: It is a part of 5.4 msf, right, which is the full lease-up?

Aravind Maiya: Yes, it is part of 3.8 msf and a part of 5.4 msf. And at 89% occupancy, the area that would remain vacant as of March’25 would be around 4.5 msf.

Moderator: The next question is from Mohit Agrawal from IIFL.

Mohit Agrawal: Congratulations on giving a good outlook and guidance. My first question is on the new leasing guidance of 3.8 msf. If you could give some colour on leasing guidance for Embassy's assets, is it mainly coming from Bangalore or non-Bangalore? And does it include the entire 1.1 msf area that Embassy had applied for demarcation? So, some colour on that will be useful.

My second question is on the 2.2 msf expiries next year. We've seen last year that expiries increased during the year. As Abhishek mentioned that there is a risk of expiries even at 89% occupancy. But what is the kind of visibility you are seeing? Are you in touch with your tenants? And are they giving you confidence that these 2.2 million expiries won't substantially change during the year?

Aravind Maiya: Sure. First is on the 3.8 msf. I mean when you look at it, if I can go city by city, in Mumbai, there's no space for us to lease because it's 99% occupied. The big city for us is Bangalore, which at the year-end was 91% occupied, but a substantial portion of the 1.6 msf of exits are also in Bangalore and a large portion of these are in Manyata. So obviously, a large portion of this leasing guidance comes from Bangalore and from Manyata. I mean, roughly, almost 60% of the leasing guidance is from Bangalore and in that a substantial majority from Manyata. And the balance is from Pune and Noida, around 1 msf in Pune and around 500,000 square feet in Noida. That's the broad split we are looking at of the leasing guidance.

And secondly, in terms of expiries, I think that's a fair question considering what's happened in FY2024. But the way we're looking at it is in FY2024, a significant portion of expiries was coming from IT services. We had big exits in the form of Cognizant, TCS and Accenture. Now as we speak, IT services in the entire portfolio is just around 11%. So, a lot of exits have already happened. And the one sector that, I would say, from a commercial real estate point of view, which has not necessarily been doing well for us is IT services. So, the risk has already become minimal. Having said that, Abhishek has rightly called out one specific tenant who could be a downside risk for us. But beyond that, we've seen this happen over the last say, 5 to 7 years, that there will always be some additional expiries coming in, but we don't expect it to be substantial. That's the sense we have as we speak.

Mohit Agrawal: Okay. Can you quantify the downside risk from the one tenant you are talking about? Maybe I missed that number.

Aravind Maiya: We've not really quantified that, Mohit, but the way I would like to answer that is if this tenant were to take a different decision during the course of the year, we believe that we have factored the downside risk in terms of distributions already in the range. But from an occupancy point of view, it could have an implication of 1.5% to 2% downside.

Mohit Agrawal: Okay. This is very clear. Just one last question. This is for Abhishek. In December, SEBI had put out a revised NDCF framework. And that now kicks in from 1st of April 2024. Just trying to understand that firstly, has that been incorporated in our estimates? And also, what kind of impact, if any, it would have? And will it make the distribution on a quarter-on-quarter basis more volatile?

Abhishek Agrawal: So, Mohit, we have factored the impact of the revised NDCF framework and there is no impact. The revised NDCF that we have computed is based on the revised NDCF format only, while computing the guidance. The revised framework will not bring in any volatility in the distributions, for us, it's just a change of presentation. We don't start with the PAT; we start with the CFO (Cash Flow from Operations).

Moderator: The next question is from Kunal Tayal from Bank of America.

Kunal Tayal: I have 3 questions, if the third one is allowed. The first one is just looking at your walkdown from NOI growth of 10% to about 7% at a DPU level. I get the interest expense part of it, but I was just wondering that as security deposits worked against distributions in the past 2 years when your occupancy was going down, should it not work in favour now when it is expected to go up during FY2025?

Second, I just wanted to get some more colour on this annual escalation contributing to about 3% growth this year, and we were looking at data that even next 2 or 3 years, it's more in the range of 3%. So, I mean, we've often thought of it as being in the range of 4.5%, 5%. Any peculiar reasons as to why it's looking at 3% for the next few years?

And then finally, just on that NOI range of 7.5% to 12.5%. Is it fair to assume that the low end would account for the exit risk related to the IT services tenant you highlighted?

Abhishek Agarwal: So, Kunal, I'll take these questions one by one. On the escalations, some tenants have 5% escalation every year, and for most other tenants, it's the standard 15% every year. So that pulls down the average to around 13% to 14% every year. But effectively, it is 15%.

On the question on guidance for NOI to NDCF, where NOI is estimated to increase by 10%, while NDCF is not. The reason is, as you rightly said, there's a big impact of interest, because of the deliveries and the full year impact of past deliveries and refinancing. Also, there are a lot of non-cash items with non-cash NOI, which will also get generated during the next year because of leasing guidance that we have provided. Also, during this current year, we had a huge amount of other income, from insurance receipt and the receipt of scrap sale income, which is a one-off item.

On the NOI range for the guidance, we have considered at the lower end, the impact of the one tenant exiting fully.

Arvind Maiya: And Kunal if I can expand a little bit more on the first one. What's happening is, yes, the security deposit is playing out positively, but there's also a lot of straight line or non-cash revenue, which is included in the 10% upside, which does not necessarily flow down to distribution for FY2025 but will flow to FY2026. So that kind of somewhere offsets each other. That's why you don't see the full impact going through.

Kunal Tayal: Got it. Clear. Just if I might, there was one follow-up on the escalation split. I get the difference between 5% annual and 15% over 3 years, but if this is happening for 3 to 4 years straight, that feels a bit weird. I mean, do I understand if 1 year, it is more like 3% and next year, it goes up to 6%. Or is it more a case that we just had one of these prior years where the big escalations came in and in the next few years is more like catch-up now.

Aravind Maiya: We can come back on this, Kunal. We don't see any exceptions to our 15% escalation. I mean there are just very, very few where it might be a little lower, but we can probably pick this offline.

Moderator: The next question is from Praveen Choudhary from Morgan Stanley.

Praveen C: I have 2 questions. One was about EBITDA margin, which went up from 79% to 81% between FY2023 and FY2024. I just wanted to understand, as you continue to grow, how high can this go? Or have we reached the peak?

The second question was this 10% and 7% guidance that you have given in NOI and DPU growth. If I were to add the Chennai acquisition and QIP for which you had presented before that it is 2.9% to 2.2% accretive. Would it change the number from 10% and 7% to let's say, 13% and 10% or not really?

Aravind Maiya: Praveen, I'll take the second one first. We are constrained from answering that, considering all the things which we're working on. So probably I'll just skip that question. And I'll direct Abhishek to answer the first one on the EBITDA margin. Abhishek, over to you.

Abhishek Agrawal: Yes, what has happened is last year, we had certain expenses during the last year for the hotels. That's the reason why EBITDA margin was 79% last year and 81% this year. I think the sustainable EBITDA margin, which can be expected is between 80% to 81%.

Praveen C: Understood. If I may add one more question. You were explaining this question between 10% and 7% difference. For FY2024 Q4, just for Q4 specifically, will you be able to give us a little bit more on the difference between 13% NOI growth and a 7% decline in DPU. What portion of that decline was because of interest expense, which we understand? And what were some of the other things that you mentioned, insurance, etcetera?

Abhishek Agrawal: Yes, Praveen, there are a couple of reasons due to which there was a decline in DPU. One is obviously, the interest. Second was the other income, which is scrap income and insurance income, which was again lower by ₹10 crores to ₹12 crores. And the third component was the working capital change, which was significantly lower this year and this quarter also because of the security deposit payments.

Aravind Maiya: And also, there were some collections last year, right, Abhishek, which happened as one off.

Abhishek Agrawal: Right, because of which the working capital went down. And the last component of around ₹15 crores was because of the non-cash NOI.

Praveen C: Understood. I mean again, the question was asked before, but we are still wondering some of these things should reverse except for interest expense, hopefully, that should have helped in FY2025 or FY2026.

Aravind Maiya: Praveen, sorry, you're barely audible.

Praveen C: I'm sorry. I was just saying this question was asked before, but some of these things that we saw in fourth quarter, which declined versus FY2023. So that will reverse? And I'm just wondering from a quarterly perspective or half yearly perspective or annual perspective, which year, or quarter in FY2025 or FY2026, we could see the benefit of DPU versus NOI?

Aravind Maiya: So, the answer to that, Praveen is we are already seeing the benefit of that in FY2025, because of all the lease-ups done last year, including pre-leasing, plus the lease-ups done latter part of the year and the guided lease-up for FY2025, all of which will lead to positive working capital in the form of security deposits. All of that is baked in already.

Having said, there are 2 negatives in the FY2025 guidance. A large part of it is because of interest where Abhishek has said that the interest will increase by 15% to 18%, 2 reasons, rate increases as well as deliveries. And second is a significant portion of FY2025 lease-ups will not result in cash revenue next year. That's somewhere kind of becomes much smaller cash increase in NOI. So just to answer it in 1 line again, the guidance already bakes in the positive working capital in FY2025.

Praveen C: Yes. That's very clear. And I'm sorry that we are asking the same question. This is the key question. So, thank you for explaining it.

Moderator: The next question is from Pritesh Sheth from Motilal Oswal.

Pritesh Sheth: Just clarification on the new lease-ups of 3.8 msf. Does that include the full new development that are coming up, which is 2.5 msf or only the unleased portion, which is where we are confident that we would be able to lease that in this year itself?

Aravind Maiya: So why don't I loop in Amit Shetty, our Head of Leasing over here to answer this question. Amit, over to you.

Amit Shetty: Yes. I mean the answer is yes.

Pritesh Sheth: In these 2.5 msf full, that is coming up for delivery this year.

Amit Shetty: Correct.

Pritesh Sheth: Okay. And second, again, on the NOI to NDCF flow, how much working capital change, whatever positive or negative you would have assumed in that number, if you can quantify that for me?

Aravind Maiya: We'll skip quantifying that exact number for this.

Pritesh Sheth: Okay. And on the 18% increase in interest cost that has been assumed, you have mentioned about 2 components. One is the interest rate increase. Does this include refinancing of ₹ 2,000 odd crores that will be done at the start of the second half this year?

Abhishek Agrawal: Yes, Pritesh. We have included that also. So, it includes the full year impact of refinancing, which we did last year. The impact of refinancing in the next year. The full year impact of deliveries during the last year and the impact of deliveries due in FY2025. All 4 drivers are considered.

Pritesh Sheth: Sure. And part of your capital raise will also be used to repay some of the debt, right? So, if that happens, whether that interest benefit is being considered in this number?

Abhishek Agrawal: No, Pritesh. As I mentioned in my prepared remarks, this guidance doesn't take any impact of ESTZ acquisition or fundraise.

Moderator: The next question is from the line of Piyush Mittal from Kotak Alternate Asset Managers Limited.

Piyush Mittal: Congratulations on the results. I have 2 questions. The first one on the acquisition that we're doing. For the development, I understand we're expecting a 10% yield on the under-construction piece. Similarly, when we had done the acquisition of Embassy Business Hub last year, we had done the acquisition at 12% yield on cost for the under-construction piece. So, first question is around -- just wanted to understand why are we valuing them at different yields? That's number one.

And number two is, from an equity fundraise standpoint, how do we evaluate between various avenues that we may have, say, a rights issue or QIP? How do we choose between what we want to go ahead with?

Ritwik B: Let me take the second one first. The only actual real avenue available for us right now from an equity perspective is QIP. You could think about also potentially doing a preferential issue. But really, I think at this point in time, given where our stock is, given the re-rating in the stock price and the fact that we have a public float of 92%, we thought it was just in our interest to go out there and continue to expand the free float to a level, which allows sort of new pedigree blue-chip investors to also take advantage alongside our existing holders. The capital markets, like I've always said, continue to evolve for us. I don't think a rights issue at this point in time has the same cache it does maybe in other jurisdictions. So that's not an avenue that we really were looking to explore. So, I think the QIP route was probably the best one.

Secondly, I think just on yields on cost between Chennai and Hub, they are different markets. There's difference obviously in the sort of construction costs as well as the rents in the two markets. So, at this point in time, given that, that we are looking at Chennai, we have ownership of 61% of the asset by value, but we take on the whole construction cost. The yield on cost number just tops out at roughly 10% at this point.

Aravind Maiya: And just one additional point on that is that for Embassy Business Hub, the time for construction was shorter versus for Embassy Splendid TechZone, the construction time is a little longer. So, the IDC also plays a part in the yield on cost.

Moderator: The next question is from the line of Abhinav Sinha from Jefferies India.

Abhinav Sinha: In the beginning, you were alluding to some improvement in rentals in Bangalore. So, can you likely expand on that? And are we expecting this trend to strengthen in FY2025? Or what are you seeing on ground there?

Amit Shetty: This is Amit. So, the rental in Bangalore is growing stronger over the last 4 quarters. The rentals, especially in micro markets that we own and operate, are seeing upwards of about 5% to 8% year-on-year. Also, the relevant supply in Bangalore is also shrinking given some of the larger deals that have been completed in the marketplace. And also, the fact that some of the developers are moving towards residential, given the high residential demand in the city as well. So, this kind of puts us in a very, very strong position on the rental side.

Abhinav Sinha: And similarly, for Embassy Manyata and Embassy TechVillage when you are doing these pre-commitments, in particular for Embassy Manyata, how far are we above the market rent?

Amit Shetty: So typically, we are getting about anywhere between 5% to 8% above market as a premium.

Abhinav Sinha: Okay. So, we are leasing slightly north of ₹100 there, roughly today?

Amit Shetty: Yes.

Abhinav Sinha: Okay. I think that's helpful. Secondly, a quick question on the transaction, which we are looking at, what are the timelines if you can help us with that now for both the acquisition as well as the follow-on?

Ritwik B: Well, we put out the EM notice on April 6th. We are doing the unitholder vote on Monday, which is April 29th. And then really, I think the fundraise is a factor of market conditions and going out there and seeing what's optimal post that, an appropriate period between unitholder vote and us actually executing this. So, think we've got sort of a few weeks after the unitholder vote to do this.

Abhinav Sinha: And the asset acquisition is simultaneous, or will that take some more time?

Ritwik B: No, we would effectively look to close everything pretty much in a couple of months from now.

Moderator: Ladies and gentlemen, we will take that as the last question. On behalf of Embassy REIT, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.