

## EMBASSY OFFICE PARKS



December 31, 2019

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 (E), Mumbai 400 051

The Corporate Relations Department  
Department of Corporate Services  
BSE Limited  
25th Floor, Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001

**Scrip Code: 542602**

**Scrip Symbol: EMBASSY**

Dear Sir/ Madam,

**Subject: Intimation regarding proposed acquisition pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Regulation 19(5)(a) of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014**

We wish to inform you that in furtherance to the existing M3 Project, the Board of Directors of the Manager of the Embassy Office Parks REIT, Embassy Office Parks Management Services Limited, by way of a circular resolution dated December 30, 2019, approved an arrangement between Manyata Promoters Private Limited (“MPPL”), an Asset SPV of Embassy Office Parks REIT and Embassy Property Developments Private Limited (“EPDPL”), a sponsor of Embassy Office Parks REIT to co-develop and acquire leasable area of 597,789 square feet in Block B of the existing M3 Project (“**M3 Block B**”) located within the overall Embassy Manyata Business Park campus (an existing asset of Embassy Office Parks REIT) situated at Rachenahalli Village, Krishnarajapura Hobli, Bangalore East upon development completion within an estimated timeline of 39 months from the execution of definitive documents i.e., March 31, 2023. The Board also approved the appointment of EPDPL to market and lease the M3 Project Block B as part of the proposed transaction.

The proposed transaction to acquire leasable area of 597,789 square feet shall be at a 9.25% yield upon development completion. This proposed acquisition of M3 Block B building helps further consolidation of the M3 land parcel which also comprises 1msf of M3 (Block A).

Details of the proposed arrangement are annexed as **Annexure A**.

The Manager has obtained two independent valuation reports from Mr. Anuj Kumar (along with value assessment services provided by Jones Lang LaSalle Property Consultants (India) Pvt Ltd) and iVAS Partners (along with value assessment services provided by CBRE South Asia Pvt Ltd). In accordance with the terms of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, the transaction price is not greater than 110% of the average of the two valuation reports. Copies of the valuation reports are annexed as **Annexure B**.

Please take the above intimation on record.

Yours sincerely,

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

Ramesh

Periasamy

Digitally signed by Ramesh Periasamy  
Date: 2019.12.31 15:24:44 +05'30'

**Ramesh Periasamy  
Company Secretary & Compliance Officer**

**Embassy Office Parks Management Services Pvt. Ltd.**

Embassy GolfLinks Business Park, Pebble Beach, Off International Ring Road, Bangalore - 560071.

T: +91 80 4903 0000 F: +91 80 4903 0046

www.embassyofficeparks.com | CIN: U70100KA2014PTC073362

**Registered Office:** Embassy Point, 1st Floor, 150, Infantry Road, Bangalore - 560 001, India.

T: +91 80 4179 9999 F: +91 80 2228 6912

**ANNEXURE A**

Name(s) of parties with whom the agreement is entered	MPPL and EPDPL.
Purpose of entering into the agreement	<p>This agreement is being entered into for consolidation/expansion of the existing M3 Project of the REIT.</p> <p>Pursuant to this agreement, MPPL shall enter into a co-development arrangement with EPDPL in relation to a building comprising leasable area of 597,789 square feet (“<b>M3 Block B</b>”), adjacent to and in furtherance to existing M3 Project within the overall Embassy Manyata Business Park campus (an asset of Embassy Office Parks REIT) situated in Rachenahalli Village, Krishnarajapura Hobli, Bangalore East. MPPL shall also engage EPDPL to market and lease the M3 Project Block B.</p> <p>The proposed transaction to acquire leasable area of 597,789 square feet shall be at a 9.25% yield upon development completion estimated in March 31, 2023.</p>
Shareholding, if any, in the entity with whom the agreement is executed	<p>Not applicable.</p> <p>MPPL is a special purpose vehicle of the Embassy REIT and EPDPL is one of the Sponsors of the Embassy REIT.</p>
Significant terms of the agreement (in brief) special rights like right to appoint directors, first right to share subscription in case of issuance of shares, right to restrict any change in capital structure etc.	<p>The transaction is proposed to be completed within an estimated timeline of 39 months (i.e., March 31, 2023) from the date of execution of the definitive agreements for an estimated aggregate consideration of Rs. 736.73 crore.</p> <p>The final acquisition cost will be determined upon completion of the building and lease-up basis actual achieved rent.</p> <p>The acquisition cost is proposed to be funded through additional debt financing obtained by MPPL and shall be paid in tranches linked to agreed milestones (including acquiring transferable development rights by EPDPL).</p>
Whether, the said parties are related to sponsor/sponsor group in any manner. If yes, nature of relationship	<p>EPDPL is a sponsor of Embassy REIT.</p> <p>MPPL is a special purpose vehicle of the Embassy REIT.</p>

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<p>Whether the transaction would fall within related party transactions? If yes, whether the same is done at “arms-length”</p>	<p>Yes, the transaction is a related party transaction.</p> <p>The transaction shall be undertaken on an arms’ length basis.</p> <p>Further, the proposed transaction is a related party transaction as per Regulation 19 of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014. The value of the proposed transaction and all other related party transactions entered into by Embassy Office Parks REIT in the present financial year is less than 10% of the value of REIT assets. Accordingly, approval from the unit holders is not required for the proposed transaction.</p>
<p>In case of issuance of shares/units to the parties, details of issue price, class of shares/units issued</p>	<p>Not applicable.</p>
<p>Any other disclosures related to such agreements, viz., details of nominee on the board of directors of the listed entity, potential conflict of interest arising out of such agreements, etc</p>	<p>MPPL and EPDPL are related parties.</p> <p>Mr. Jitendra Virwani and Mr. Aditya Virwani are both directors on each of the boards of directors of EPDPL and the Manager.</p> <p>Mr. Jitendra Virwani is also a director on the board of directors of MPPL.</p> <p>Mr. Aditya Virwani is related to Mr. Jitendra Virwani.</p> <p>Mr. Jitendra Virwani and Mr. Aditya Virwani abstained from voting on the circular resolution passed by the Manager.</p>
<p>In case of amendment agreements, nature of the agreement and details of amendment and impact thereof or reasons of termination and impact thereof</p>	<p>Not applicable</p>

**Ramesh Periasamy** Digitally signed by Ramesh Periasamy  
Date: 2019.12.31 15:25:18 +05'30'

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*Valuation Report*  
*Jones Lang LaSalle Incorporated*

# *Opinion on Market Value of Block M3 of Embassy Manyata Business Park*

Location: Outer Ring Road, Nagavara, Bengaluru,  
Karnataka

India | December 2019



## COVERING LETTER

December 30, 2019

Embassy Office Parks Management Services Private Limited  
(in its capacity as Manager to the Embassy Office Parks REIT)  
Royal Oaks, Embassy Golf Links Business Park  
Off Intermediate Ring Road, Bengaluru - 560 071

Dear Madam / Sir,

This has reference to your instructions to provide an independent opinion on Market Value of additional proposed area as part of Block M3 within the Embassy Manyata Business Park located along Outer Ring Road, Nagavara, Bengaluru, Karnataka, India (hereinafter referred to as the 'Project'). The Valuation Instructions are provided by Embassy Office Parks Management Services Private Limited in its capacity as Manager to the Embassy Office Parks REIT (hereinafter referred to as the 'Client')

Based on the information provided by the Client, the leasable area of the Project is estimated as 597,789 sq. ft. and the is considered under this assessment. The assessment is related to co-development rights and assessed for the acquisition purpose. We are pleased to submit herewith the Valuation Report containing our opinion on Market Value of the Project. The table below summarizes the details of the Project valued.

GENERAL ATTRIBUTES	
<b>Property Assessed</b>	Additional Area of 597,789 sq. ft. of Block M3 located in Manyata Embassy Business Park, Nagavara Outer Ring Road, Nagavara, Bengaluru, Karnataka, India
<b>Property Address</b>	Nagavara Village, Kasaba Hobli, Bengaluru North Taluk, Bengaluru District and Rachenahalli and Thanisandra Villages, Krishnarajapuram Hobli, Bengaluru East Taluk, Karnataka
<b>Total Area</b>	Based on review of the Title Report (for M3 Block), total land area of the Project Site is approximately 6.64 acres. The assessment is limited to additional leasable area of 597,789 sq. ft. of Block M3
<b>Access</b>	Main access to the Manyata Embassy Business Park is through 60 m. wide Outer Ring Road. Internal road is over 30 m. wide
<b>Power and Telecommunication</b>	Available in the surroundings of the Project Site
<b>Water Supply, Sewerage &amp; Drainage</b>	Available in the surroundings of the Project Site
LEGAL AND REGULATORY ISSUES	
<b>Registered Owner</b>	As represented by the Client, the Project Site is under the ownership of Embassy Property Developments Private Limited (EPDPL) and EPDPL & Manyata Promoters Private Limited (MPPL) are Co-Developers for this Project
<b>Planning Jurisdiction</b>	Bengaluru Development Authority (BDA)
<b>Usage / Zone</b>	Project Site is categorized under 'Industrial (Hi-Tech)' and 'Mutation Corridor' as per the Revised Master Plan - 2015 (RMP-2015) of the BDA.
OPINION ON MARKET VALUE	

<b>Nature of the Assignment</b>	Opinion on Market Value
<b>Purpose of Valuation</b>	Acquisition purpose as indicated by the Client
<b>Interest Valued</b>	Co-Development Rights
<b>Date of Valuation</b>	December 30, 2019
<b>Date of Inspection</b>	November 04, 2019 and December 18, 2019
<b>Date of Valuation Report</b>	December 30, 2019
<b>Currency</b>	Indian National Rupees (INR)
<b>Prepared by</b>	Mr. Anuj Kumar and Jones Lang LaSalle Property Consultants (India) Private Limited
<b>Statement of Assets</b>	Based on the information provided by the Client, the area details for the proposed additional area is 597,789 sq. ft. and the same is considered in this assessment.
<b>Guideline Value / Ready Reckoner Rate</b>	<ul style="list-style-type: none"><li>▪ Land Rate: INR 78,200 per sq. m.</li><li>▪ Built-Up Rate: INR 62,800 per sq. m.</li></ul>
<b>Opinion on Market Value of the Project on Completed basis</b>	INR 8,793.24 million
<b>Aspects, which may Affect the Market Value</b>	The Value assessed is contingent on the buildability of the proposed additional area on the larger M3 land
<b>Assumptions, Qualifications, Limitations and Disclaimers</b>	The assessment and opinion on Market Value is subject to assumptions, qualifications, limitations and disclaimers detailed in the Valuation Report, which are made in conjunction with those included under the Section 1.7 of the Valuation Report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. The assessment and opinion on Market Value is for the use of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this assessment and opinion on Market Value. The Valuer has no pecuniary interest that would conflict with the proper valuation of the Project.

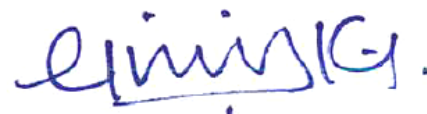
Thanking you,

For and on behalf of Consultants

*for Valuer under SEBI (REIT) Regulations, 2014 for Value Assessment Service Provider*



Anuj Kumar  
B.Tech. (Civil), M. Tech. (Structures)  
IBBI Registered Valuer (Land & Building)  
Reg. No. IBBI/RV/02/2019/10759



Girish K. S. MRICS  
Senior Director, Strategic Consulting and  
Valuation  
Jones Lang LaSalle Property Consultants  
(India) Private Limited

Mr. Anuj Kumar



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# 1 THE ASSIGNMENT

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## 1.1 INSTRUCTIONS

Embassy Office Parks Management Services Private Limited in its capacity as Manager to the Embassy Office Parks REIT (hereinafter referred to as the 'Client') has Instructed Mr. Anuj Kumar and Jones Lang LaSalle Property Consultants (India) Private Limited (JLL) (hereinafter collectively referred to as the 'Consultants') to provide an independent opinion on Market Value of additional proposed area as part of Block M3 within the Embassy Manyata Business Park located along Outer Ring Road, Nagavara, Bengaluru, Karnataka, India (hereinafter referred to as the 'Project'). Based on the information provided by the Client, the leasable area of the Project is estimated as 597,789 sq. ft. and the is considered under this assessment.

In order to comprehensively and holistically address the instructions, JLL has acted as the 'Value Assessment Service Provider' by providing market intelligence to the 'Valuer' (Mr. Anuj Kumar, SEBI Approved Valuer) and forecasting cash flows from the Project. The Valuer has utilized the market intelligence provided by JLL and independently reviewed the cash flows to arrive at the Market Value of the Project.

## 1.2 RELIANT PARTY AND THE PURPOSE

The Reliant Party to the Valuation Report will be the Client, Embassy Office Parks Management Services Private Limited (in its capacity as Manager to the Embassy Office Parks REIT) and Axis Trustee.

The Consultants understand that the Client is expecting independent opinion on Market Value of the Project, for acquisition purpose, as informed by the Client.

## 1.3 VALUATION CAPABILITY

Valuer under SEBI (REIT) Regulations, 2014 - Mr. Anuj Kumar

Mr. Anuj Kumar is a SEBI Approved Valuer (Valuer Registration No. IBBI/RV/02/2019/10759) and has over 10 years of experience in real estate industry in providing real estate advisory and valuation services to various Clients like financial institutions, private equity funds, developers, lenders, corporate houses and landowners.

Value Assessment Service Provider - Jones Lang LaSalle Property Consultants (India) Private Limited

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL is a Fortune 500 company with operations in over 80 countries and a global workforce of over 90,000. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. Jones Lang LaSalle Property Consultants (India) Private Limited (JLL India) is India's premier and largest professional services firm specializing in real estate. JLL India has an extensive geographic footprint across 10 major cities (Ahmedabad, Delhi, Mumbai, Bengaluru, Pune, Chennai, Hyderabad, Kolkata, Kochi and Coimbatore) and presence in over 130 Tier 2 & Tier 3 locations with cumulative strength of over 10,000 staff. It provides investors, developers, local corporates and multinational companies with a comprehensive range of services. This includes research, strategic advisory & consultancy, capital markets, transaction management, project & development services, integrated facilities management and property & asset management. These



services cover various asset classes such as commercial, residential, industrial, retail, warehouse and logistics, hospitality, healthcare, senior living and education.

JLL India has dedicated and experienced professionals having professional membership of Royal Institute of Chartered Surveyors (RICS) and qualifications like Master Planning, Architecture, Chartered Accountants, etc. and has been closely working with several clients both globally and locally, including investors, developers, local corporates and multinational companies.

## 1.4 SCOPE OF THE ASSESSMENT

The scope of the assessment is to ascertain the Market Value of the Project, reflecting prevailing market conditions. This entails a detailed assessment of the site and surroundings, change in dynamics impacting the values and the optimal use of the Project vis-à-vis the surrounding micro-market, etc.

The micro-market from the perspective of this assessment has been defined as the Hebbal Nagavara Outer Ring Road and its surroundings. The market research is carried out to ascertain the performance of competing commercial / office developments using in-house database on transactions, extensive stakeholder interactions involving developers, investors and real estate professionals.

## 1.5 VALUER'S INTEREST AND QUALIFICATIONS

The Valuer certifies that the Valuer does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property (including the parties with whom the Client is dealing, including the lender or selling agent, if any); accepts instructions to value the property only from the Client.

The scope of the assessment is to ascertain the Market Value of the Project, reflecting prevailing market conditions. This entails a detailed assessment of the site and surroundings, change in dynamics impacting the values and the optimal use of the Project vis-à-vis the surrounding micro-market, etc.

The valuations is conducted in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014, RICS Valuation - Professional Standards (Red Book) and IVSC valuation standards. The valuation exercise is undertaken by appropriately qualified Valuers and would be aimed at assessing the **Market Value** of the Project.

As per the Appraisal and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS), UK, the **Market Value** is defined as:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.*

The team involved in this assignment comprises of RICS members with significant experience of valuations in Indian real estate market.

## 1.6 LIMITATION OF LIABILITY

- The Consultants have provided the Services exercising due care and skill, but the Consultants do not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation, which may affect the value of the Project assessed. Further, the Consultants shall not accept liability for any errors, misstatements, omissions in the Valuation Report caused due to false, misleading or incomplete information or documentation provided to the Consultants by the Client.
- Maximum aggregate liability of the Consultants to any involved parties arising from, or in relation to, this assignment (in contract, tort, negligence or otherwise), howsoever arising shall not in any circumstances exceed the professional indemnity cover obtained by the Consultants.
- The Consultants shall neither be responsible for any legal due-diligence, title search, technical due-diligence (zoning verification, development control regulations, approvals and compliance) and physical measurements nor undertake any verification/ validation of the zoning regulations, development control regulations, approvals and compliance, etc. The Consultants have not carried out any structural survey nor tested the building services. No geographical or geo-physical survey was carried out. No environmental assessment has been carried out.

## 1.7 ASSUMPTIONS, QUALIFICATIONS, LIMITATIONS AND DISCLAIMERS

Following are the major assumptions, qualifications, limitations and disclaimers to be kept in mind while reviewing the Valuation Report:

- a. Type of Valuation: This opinion of Market Value of the Project is a real estate valuation of a specified property and not a business valuation for either the Client or Instructing Party or any of their subsidiaries or associated companies, etc. The opinion on Market Value is offered based on prevailing market dynamics as on the date of assessment and does not take into account any unforeseeable developments, which could impact the same in the future.
- b. Assumptions: The Valuer has adopted assumptions for the purpose of providing opinion on Market Value as some matters are not capable of accurate calculation or fall outside the scope of expertise and/or instructions. The reliant parties accept that the valuation contains certain specific assumptions and acknowledge & accept the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the opinion on Market Value
- c. Information provided by the Client and/or Instructing Party and Others: The Consultants have relied on the information provided by the Client and/or Instructing Party and the same has been assumed to be correct and has been used in the assessment. Where it is stated that another party has supplied information to the Consultants, this information is believed to be reliable. The Consultants cannot accept any responsibility for accuracy and non-reliability of such information.
- d. Site Investigation and Illustrations: The Consultants have carried out the site visits and based on the information made available by the Client and/or Instructing Party, the assessment is carried out considering that the Project Site is a contiguous land parcel and is free from any encroachments and encumbrances as on the date of assessment. The Consultants have not carried out any structural survey nor tested the building services. No geographical or geo-physical survey was carried out. No environmental

assessment has been carried out. Any sketch, plan or map in the report is included to assist reader while visualizing the Project and assume no responsibility in connection with such matters.

- e. Legal Due Diligence: Legal due diligence for establishing clarity of title, ownership, encumbrances if any, notices or disputes if any, among other legal-related issues are not part of scope of work for this assignment. In all likelihood, an independent legal agency would be covering this aspect, details of which can be obtained from the Client and/or Instructing Party. Opinion on Market Value assumes that the Project Site has a clear & marketable title and is free from any encumbrances, disputes & claims. The Consultants has made no further enquiries with the relevant local authorities in this regard and does not certify the Project Site as having a clear and marketable title. The Client has made available the title due diligence report undertaken by King & Partridge. As per the title due diligence report, the Consultants understand that the exact address of the Project Site is Rachenahalli Village, Bengaluru East Taluk, Nagavara Village, Bengaluru North Taluk, Bengaluru, Karnataka.
- f. Environmental and Regulatory Compliance: The Consultants have assumed that the Project Site is not contaminated and is not adversely affected by any existing or proposed environmental law and any processes which are carried out on the Project Site are regulated by environmental legislation and are Project Site licensed by the appropriate authorities. The current zoning and regulatory compliance of the Project Site is provided by the Client and the same is considered for the purpose of this assessment. The assessment assumes that the Project Site complies to the building regulations as prescribed by the relevant authorities. The Consultants have not made any enquiries with the relevant development authorities to validate the legality and/or validity of the same. The report has identified certain limitations to the investigations, to enable the reliant party to instruct further investigations where considered appropriate or where the Consultants have recommended as necessary prior to reliance. The Consultants are not liable for any loss occasioned by a decision not to conduct further investigations.
- g. Auditing of Project Figures: This opinion on Market Value of the Project Site does not account for any capital expenses incurred by the Client and/or Instructing Party, on the existing and/or ongoing development works in the Project Site. Auditing the project figures is not part of the scope of work under this assignment. In all likelihood, an independent auditing agency would be covering this aspect, details of which can be obtained from the Client and/or Instructing Party.
- h. Present Ground Conditions: In the absence of any information to the contrary, the Consultants have assumed that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the current or future occupation, development or value of the Project. The assessment assumes that the Project Site is free from rot, infestation, structural or latent defect and no currently known deleterious or hazardous materials or suspect techniques will be used in the construction of or subsequent alterations or additions to the property and comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.
- i. Future Development and Prospects: This opinion on Market Value of the Project Site account for future development and prospects to the extent information known to the Consultant as on the date of assessment. The Consultants do not warrant that such statements are accurate or correct.

- j. Miscellaneous: The Consultants have not made any allowances with respect to any existing or proposed local legislation relating to taxation on realization of the sale value of the Project. The Consultants are not required to give testimony or to appear in court by reason of this Valuation Report, with reference to the property in question, unless arrangement has been made thereof.
- k. Disclaimer and Limitation: Given the confidential nature of real estate transactions, transaction details for most properties, which are privately actually transacted, are not in the public domain. Consequently, there is reliance on information from market sources, which may not be completely accurate. Thus, information has been crosschecked independently from other market sources to ascertain the broad credibility of information being provided by the market sources. This assignment has been done on best effort and knowledge basis. Considering the above, all comparable evidences (if any) provided in the Valuation Report are limited to the basic details such as the area, rate at which transacted, broad location, etc. other specific details would be provided only if the information is available in public domain.

## 1.8 DISCLOSURES

The Consultants hereby certify that:

- Mr. Anuj Kumar, Valuer Registration No. IBBI/RV/02/2019/10759 (hereinafter referred to as the 'Valuer'), is eligible to be appointed as a Valuer in terms of Regulation 2(1)(zz) of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014;
- Neither the Valuer nor JLL are an associate of the instructing party / Client;
- The Valuer has a minimum of five years of experience in the valuation of real estate;
- The Valuer has not been involved with the acquisition or disposal of the Project in the last twelve months;
- The Valuer has adequate and robust internal controls to ensure the integrity of the Valuation Reports;
- The Valuer has sufficient key personnel with adequate experience and qualification to perform services related to property valuation at all times;
- The Valuer has sufficient financial resources to enable them to conduct their business effectively and meet their liabilities;
- The Valuer has acquainted itself with all laws or regulations relevant to such valuation;
- The valuation of assets undertaken is impartial, true and fair and in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014;
- The Valuer has acted with independence, objectivity and impartiality in performing the valuation;
- The Valuer shall not make false, misleading or exaggerated claims in order to secure assignments;
- The Valuer shall not provide misleading valuation, either by providing incorrect information or by withholding relevant information;
- The valuation undertaken by the Valuer abides by international valuation standards and valuation standards as may be specified by the Institute of Chartered Accountants of India for valuation of real estate assets. Provided that in case of any conflict, standard specified by the Institute of Chartered Accountants of India shall prevail;
- The Consultants shall inform and/or disclose to the Embassy Office Parks Management Services Private Limited, before accepting any assignment from any related party of the REIT, and any direct or indirect consideration, which the valuer may have in respect of such assignment; and

- The Consultants understands that the asset is wholly owned by related party, hence, the acquisition of the asset from the related party being valued would be related party transaction.



## 2 DETAILS OF THE PROJECT

### 2.1 LOCATION OF THE PROJECT AND PROJECT SITE

The Project Site is located in the northern part of Bengaluru and is located within the Embassy Manyata Business Park, located along Outer Ring Road, Nagavara in Bengaluru. The map below presents the location of the Project Site with respect to the Bengaluru City.



Source: Real Estate Market Research & Analysis; JLL, December 2019

The table below presents distance of the Project Site from major landmarks in the city.

Location / Landmark	Approximate Distance from Project (km)
City Bus Station & City Railway Station	14
MG Road (City Center)	13
Kempegowda International Airport Bengaluru	20
Hebbal Junction	1.5

Source: Real Estate Market Research & Analysis; JLL, December 2019

## 2.2 DESCRIPTION OF THE PROJECT SITE AND PROJECT

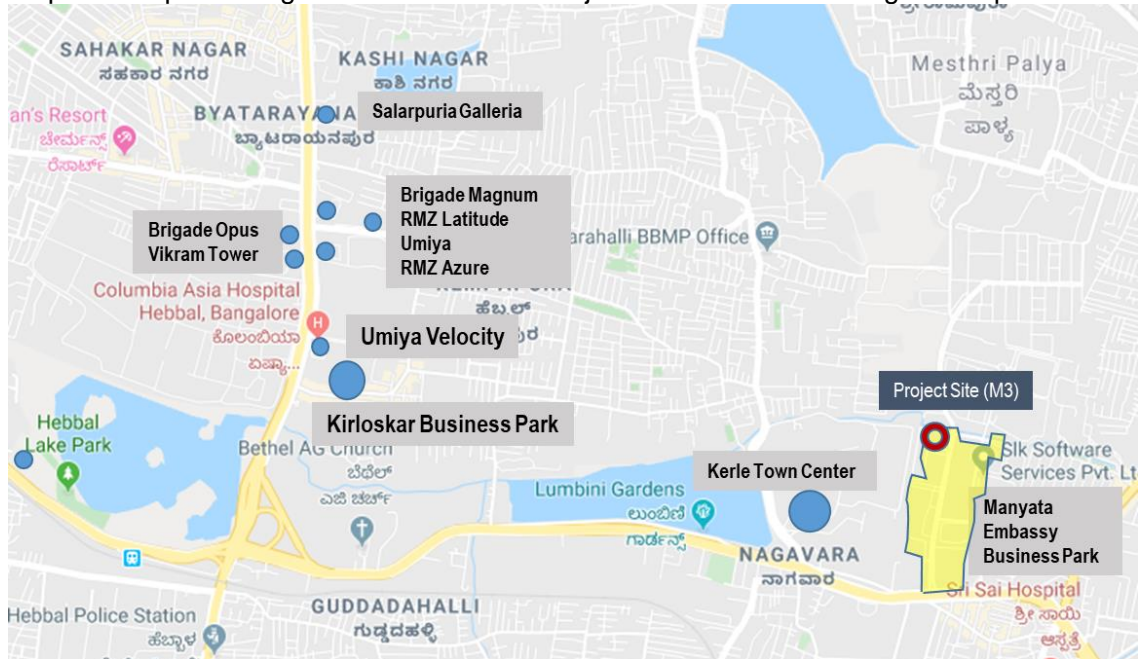
The table below presents some of the salient features of the Project Site and Project

<b>Property Assessed</b>	Additional Area of 597,789 sq. ft. of Block M3 located in Manyata Embassy Business Park, Nagavara Outer Ring Road, Nagavara, Bengaluru, Karnataka, India
<b>Property Address</b>	Nagavara Village, Kasaba Hobli, Bengaluru North Taluk, Bengaluru District and Rachenahalli and Thanisandra Villages, Krishnarajapuram Hobli, Bengaluru East Taluk, Bengaluru District, Karnataka
<b>Total Area</b>	Based on review of the Title Report (for M3 Block), total land area of the Project Site is approximately 6.64 acres. The assessment is limited to additional leasable area of 597,789 sq. ft. of Block M3
<b>Access</b>	Main access to the Manyata Embassy Business Park is through 60 m. wide Outer Ring Road. Internal road is over 30 m. wide
<b>Boundary Conditions</b>	North: Private Property (Residential Development) South: Primary access road (Outer Ring Road) East: Private Property (Residential Development) West: Karle Town Centre
<b>Shape, Contiguity and Topography</b>	Based on the site inspection, the Project Site is regular in shape, contiguous in nature and has relatively flat terrain
<b>Power and Telecommunication</b>	Available in the surroundings of the Project Site
<b>Water Supply, Sewerage and Drainage</b>	Available in the surroundings of the Project Site
<b>Planning Jurisdiction</b>	Bengaluru Development Authority (BDA)
<b>Usage / Zone</b>	Project Site is categorized under 'Industrial (Hi-Tech)' and 'Mutation Corridor' as per the Revised Master Plan - 2015 (RMP-2015) of the BDA.

As stated earlier, the Project Site is located in eastern quadrant, which is Secondary Business District (SBD) of Bengaluru City, within the planning jurisdiction of BDA. The Project Site is located in the close proximity to many IT-ITES offices, Special Economic Zone (SEZ) campuses, residential apartment, villas and row houses. Prominent real development in the micro market includes, Karle Town Center, Kirloskar Business Park, RMZ Latitude & Azure, Brigade Magnum & Opus, etc. The map in the following page presents geographic location of the Project Site and its surrounding developments.

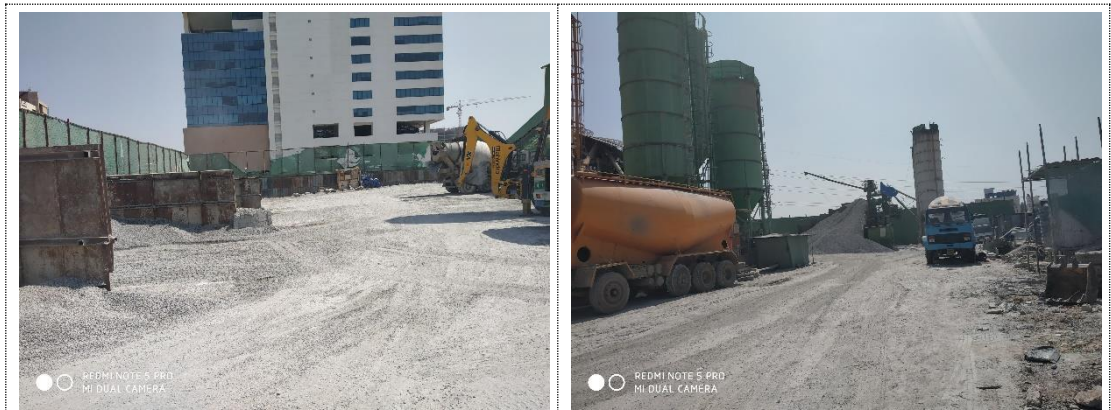


Map 2.1: Map Showing the Location of the Project Site and Surrounding Developments



Source: Real Estate Market Research & Analysis; JLL, December 2019

Some of the photographs of the Project Site and its surroundings are presented below.



Different Views of the Project Site



View of the Access Road

View of the Surroundings

## 2.3 DEVELOPMENT CONTROLS AND REGULATIONS

### Land Use Zoning

As stated earlier, the Project Site is categorized under 'Industrial (Hi-Tech) and Mutation Corridor' use as per the RMP-2015 of the BDA. The map below presents the land use zoning and location of the Project Site as per the RMP-2015 of the BDA.

The permissible land use adopted by the Consultants for the Project has been based on information/review of various documents provided by the Client. It must be noted that all factual data viz. permissible development control regulations, land area and achievable FSI have also been based on information/review of various documents (such as title deed, plan sanction letter, site plan, etc.) provided by the Client or assumed based on building regulations, and no physical verification/ measurement has been undertaken for the purpose of this assessment.

For the purpose of this exercise, it has been assumed that all developments (existing / under construction / proposed) adhere to building regulations as prescribed by the relevant authorities. The Consultants have not validated the information provided by the Client with the relevant development authorities.

### Development Restrictions

As represented by the Client, there are no restrictions on the current use of the Project Site.

### Statutory Approvals

As per information provided by the Client, the Consultants understand that the Project is under planning stages and all necessary statutory approvals to undertake construction will be obtained before undertaking the construction activity. The table below presents current status of the approvals, as shared by the Client.

Sl. No.	List of Applicable Approvals	Issuing Authority	Status	Timeline
1.	Land Conversion Documents	Revenue Department / DC Office	Not Shared	
2.	Change in Land Use (if required)	Bengaluru Development Authority	Not Shared	6 months onwards
3.	Sensitive Zone Clearance	Bengaluru Development Authority	Not Shared	2-3 months (based on Committee Meeting Schedule)
4.	Approval of Development Plan / Modified Development Plan	Bengaluru Development Authority	DP Received, Amendment Yet to Receive	3-4 months for Amendment Approval
5.	Height Clearance NOC	Airports Authority of India	Received	
6.	Height Clearance NOC	Airforce NOC (Yelahanka)	Yet to Apply	5-6 months
7.	Height Clearance NOC	HAL NOC	Yet to Apply	3-4 months
8.	Building Plan Sanction (Parcel 1 & 2)	Bruhat Bengaluru Mahanagara Palike	Received. Amendment Required	

<b>Sl. No.</b>	<b>List of Applicable Approvals</b>	<b>Issuing Authority</b>	<b>Status</b>	<b>Timeline</b>
9.	Bridge Approval/ Buffer Exemptions for Defunct Drains	Bruhat Bengaluru Mahanagara Palike	Received (for connecting Parcel 1 & 2)	
10.	Environmental Clearance	SEIAA / MoEF	Yet to apply	4-6 months
11.	Fire NOC / Clearance Certificate	State Fire & Emergency Services (FES)	Received. Amendment Required	
12.	Electricity NOC	BESCOM	Received	
13.	Water Supply & Sewerage NOC	Bangalore Water Supply Sewerage Board	Received	
14.	Telecommunications NOC	BSNL	Received	
15.	Consent for Establishment (CFE)	Karnataka State Pollution Control Board	Yet to apply	1-2 months
16.	Commencement Certificate	Bruhat Bengaluru Mahanagara Palike	Yet to apply	1 month (to be applied after structure reaches Plinth level)
17.	Consent for Operation (CFO)	Karnataka State Pollution Control Board	Applicable later	On completion of building
18.	Occupancy Certificate (in case of completed buildings)	Bruhat Bengaluru Mahanagara Palike	Applicable later	On completion of building

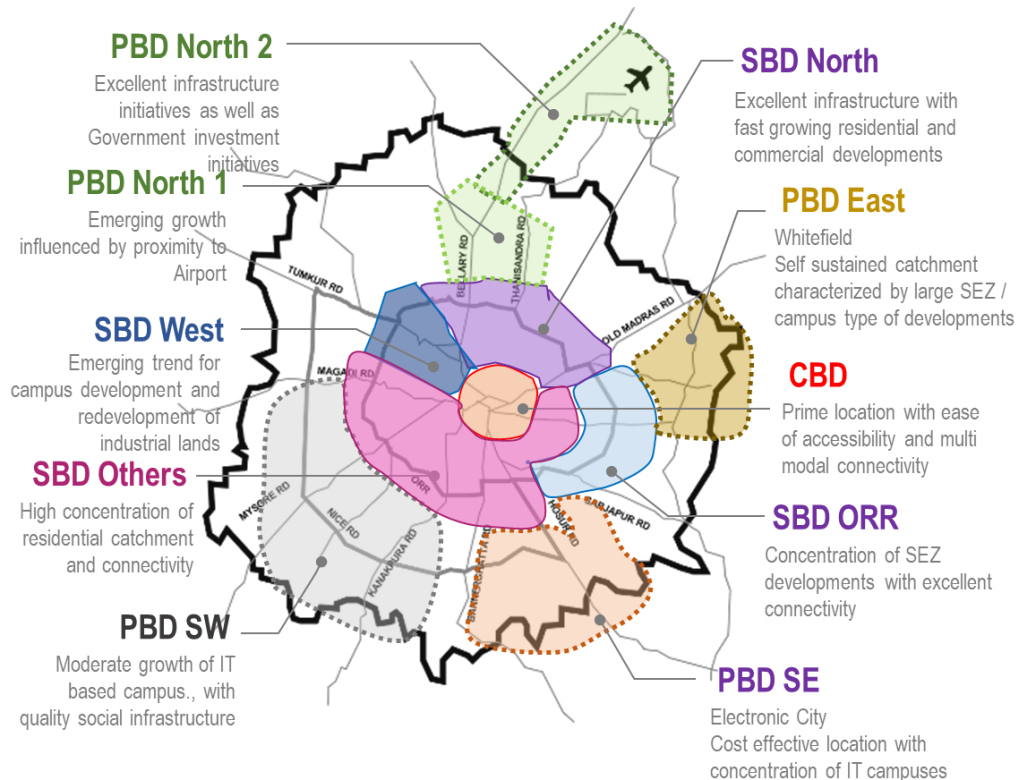


## 3 REAL ESTATE MICRO-MARKET REVIEW

### 3.1 COMMERCIAL / OFFICE MARKET OVERVIEW

#### Commercial / Office Zones

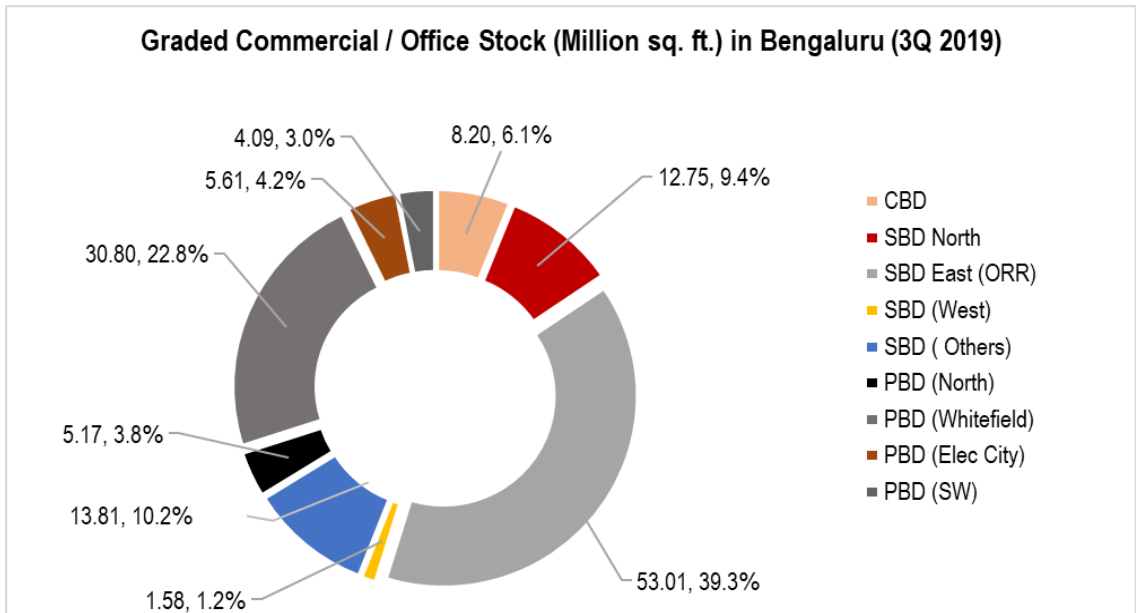
Bengaluru has grown in radial direction along the main corridors. The center is the Central Business District (CBD) followed by the Secondary Business District (SBD). Peripheral Business Districts (PBD) are located in suburban locations beyond SBD. The city is divided into 10 zones for assessment of commercial / office, viz. CBD, SBD (ORR-East, North, West and Others), PBD (North, Electronic City, Whitefield and Mysore Road). The map below presents geographic distribution of the above zones.



Source: Real Estate Market Research & Analysis; JLL, December 2019

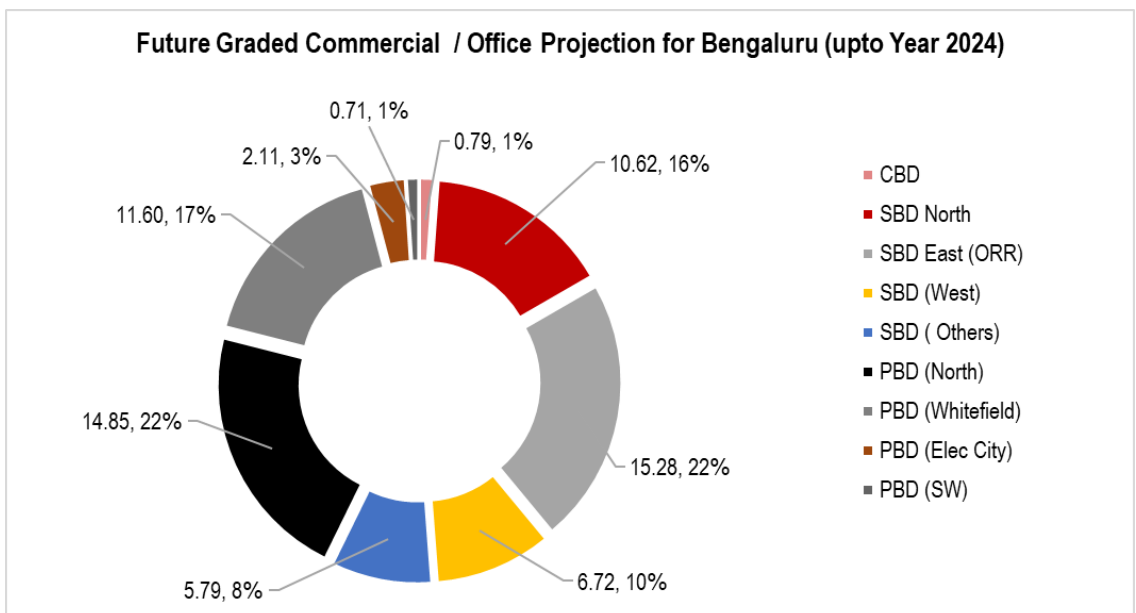
#### Present Stock and Supply Scenario

Bangalore commercial / office market has total stock as 135.01 million sq. ft. as of 3Q 2019. SBD-East (ORR) has the major share of market, estimated at about 39% (53.01 million sq. ft.) followed by PBD East (Whitefield), estimated at 23% (30.80 million sq. ft.) of the total city stock followed by SBD (Others) and SBD (North), which have market share of 10.2% and 9.4% respectively. The remaining micro markets namely, CBD, PBD North, PBD (Electronic City & Surroundings) and PBS-SW (Mysore Road & surroundings) have market share varying between 3% to 6.1%. The chart in the following page presents micro-market wise share of graded commercial / office space in Bengaluru City.



Source: Real Estate Market Research & Analysis; JLL, December 2019

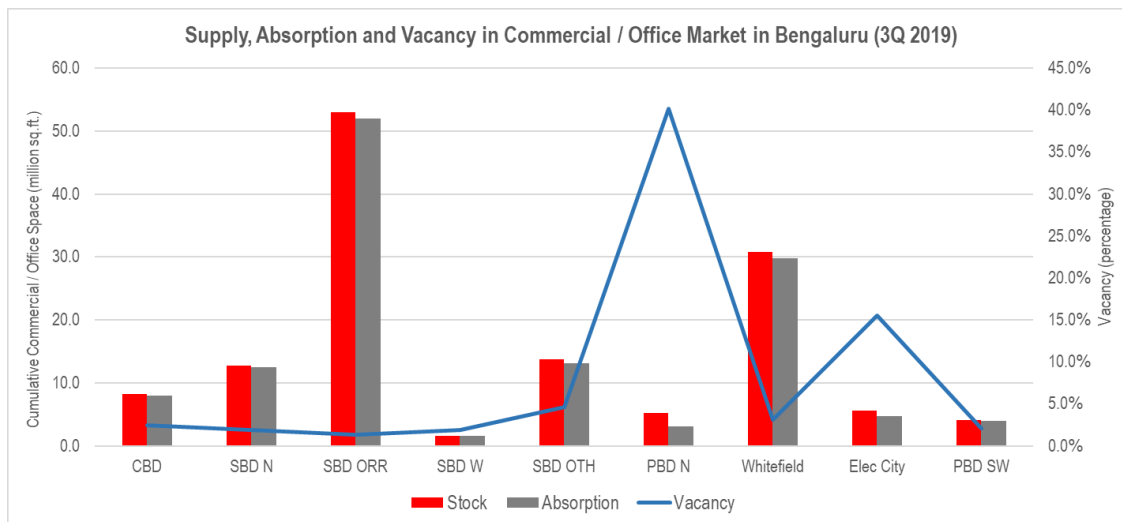
There is substantial supply in pipeline over next five years with clear indication of increasing stock towards north of the city. This can be attributed to availability of larger land parcels and improved connectivity along with the proximity to the International Airport. By the year 2024, additional area of 68.46 million sq. ft. is expected to be operational. The new supply in pipeline across Bengaluru City is either under-construction or under advanced stage of planning. Maximum supply is planned towards SBD East (ORR) followed by North Market (SBD & PBD). The chart below presents micro-market share of future graded commercial / office supply in Bengaluru City.



Source: Real Estate Market Research & Analysis; JLL, December 2019

### Absorption and Vacancy

While gross leasing in year 2018 was nearly 11 million sq. ft., year 2019 till 3Q 2019 has witnessed absorption of commercial (office) space of about 8.4 million sq. ft. with maximum share in the SBD sub-market. The chart below presents supply, absorption and vacancy of commercial / office space in Bengaluru.

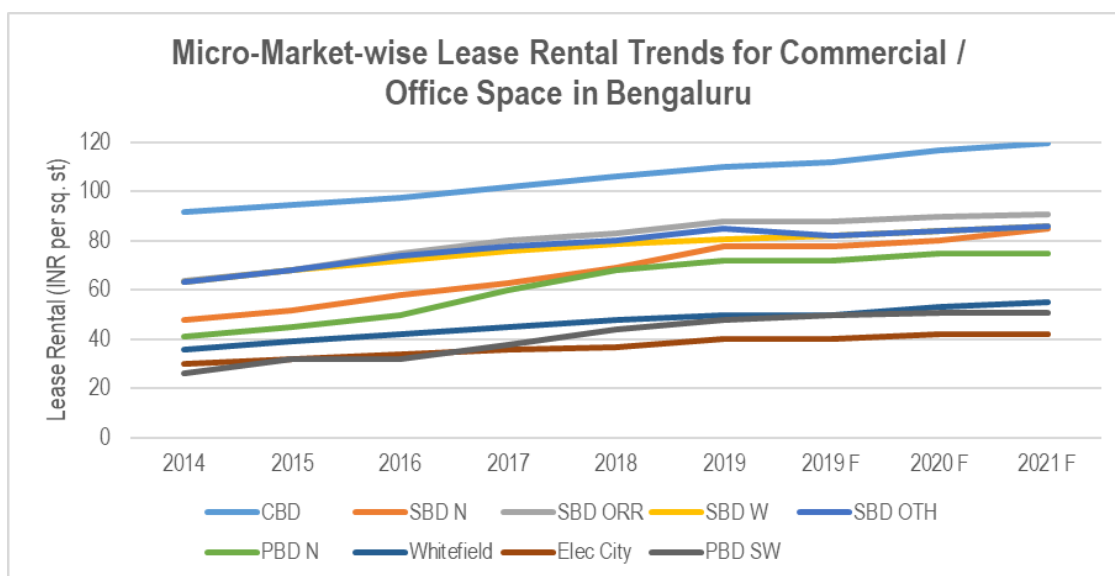


Source: Real Estate Market Research & Analysis; JLL, December 2019

Limited availability of space in the SBD-East and South-East stretch of the Outer Ring Road is likely to push the demand towards the northern part of the city in projects along Bellary Road, due to expected expansion by major sectors such as Manufacturing, Information Technology, and Banking and Financial Services and e-Commerce.

### Rental Trends

The commercial / office spaces are let out on lease rental basis, under different formats such as cold / bare shell, warm shell, extended warm shell, fitted out and built to suit options. The chart below presents lease rental trends in various commercial / office micro-markets in the city.



Source: Real Estate Market Research & Analysis; JLL, December 2019

The average rents in CBD are at INR 110 per sq. ft. per month, increased from INR 106 per sq. ft. per month (year 2018) and INR 102 per sq. ft. per month (year 2017). Similarly, in the SBD, the average rents have moved up from INR 80 to INR 85 per sq. ft. Rents in the Whitefield and Electronic City sub-market are at INR 48 and INR 40 per sq. ft. Based on this analysis of historical rental trends, the city has witnessed rental increase of 5.6% over last 4 years on Compounded Average Growth Rate (CAGR) basis.

Areas in SBD and towards Marathahalli-Outer Ring Road have continue to be the most preferred areas for the commercial / office. Among SBD sub markets, the ORR micro-market in particular has witnessed highest increase over the last year due to non-availability of ready to occupy graded stock. Quoted rentals have moved upwards of INR 100 per sq. ft. per month and some of the recent confirmed leases are signed in the range of INR 70-85 per sq. ft. per month.

### 3.2 COMMERCIAL / OFFICE MICRO-MARKET OVERVIEW

Commercial / office development in the micro-market was triggered by the announcement of International Airport towards Bengaluru North during early 2000. Embassy Manyata Business Park along Outer Ring Road, and Kirloskar Business Park on Bellary Road are some of the early commercial / office projects contributed to the present eco-system of commercial / office developments within the micro-market.

The micro market houses occupiers under different segments comprising consulting, banking & financial institutions, IT/ITES, etc. including IBM, which is one of the largest occupiers in this micro-market. The area surrounding has substantial residential development to accommodate the housing needs of employees working in the micro market. At present, this is one of the rapidly growing micro markets of the city.

Connectivity is one of the major factors for this market. The proposed Metro Rail connectivity is expected to ease the traffic issues and increase further interest of occupiers in the market. Access to all support facilities such as residential and other social infrastructure are reasonably favorable. Currently, land availability for large-scale development is limited.

### 3.3 DEMAND AND SUPPLY DYNAMICS

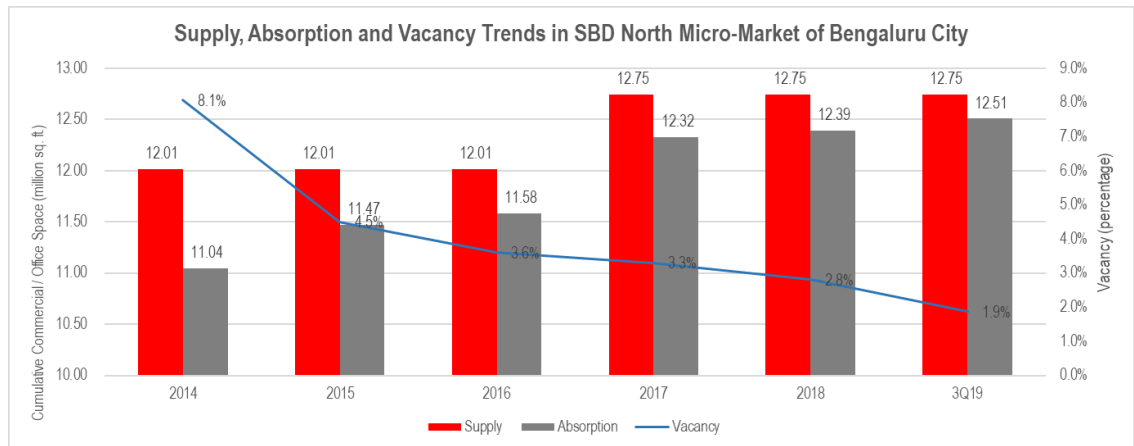
The Project is located in SBD North. Total commercial / office stock in the city is estimated to be 135.01 million as on 3Q 2019 while that of SBD North is estimated to be 12.75 million sq. ft., which accounts for approx. 9.44% of the total city stock. The table below presents demand supply dynamics of the city and that of the SBD North.

Table 3.1: Demand-Supply Dynamics of Commercial / Office Market in Bengaluru City and SBD North Micro-Market

Particulars	Bengaluru City	SBD North
Total Stock (3Q 2019)	135.01 million sq. ft.	12.75 million sq. ft.
Absorption (3Q 2019)	128.92 million sq. ft.	12.51 million sq. ft.
Vacancy (3Q 2019)	4.51%	1.87%
Average Annual Office Absorption (2015 - 19)	10.79 million sq. ft.	0.29 million sq. ft.
Future Supply (till 2024)	68.46 million sq. ft.	10.62 million sq. ft.

Source: Real Estate Market Research & Analysis; JLL, December 2019

The chart below presents supply, absorption and vacancy of Bengaluru North SBD market on cumulative basis.



Source: Real Estate Market Research & Analysis; JLL, December 2019

Some of the select graded commercial / office developments within the micro-market and surroundings of the Project are given in the table below.

Building Name	Micro Market	Developer	Leasable Area (Million sq. ft.)	Rental Range (INR per sq. ft. per Month)
MFAR Manyata Embassy Business Park	SBD North	MFAR	0.23	85 - 90
Manyata Business Park	SBD North	Embassy	10.90	80 - 85
Karle Town Centre	SBD North	Karle	1.62	78 - 80
Kirloskar Business Park	SBD North	Kirloskar	0.36	70 - 75
Brigade Magnum	PBD North	Brigade	0.30	75 - 78
Hinduja Ecopolis	PBD North	Hinduja	0.60	45 - 50
Brigade Magnum	PBD North	Brigade	0.45	70 - 73
RMZ Galleria	PBD North	RMZ Corp.	0.35	65 - 68
RMS Azure	PBD North	RMZ Corp.	0.45	70 - 80

Source: Real Estate Market Research & Analysis; JLL; December 2019

### 3.4 LEASE RENT ANALYSIS

Leasing activity is witnessed in Karle Town Center, Mfar Manyata Embassy Business Park and Embassy Manyata Embassy Business Park. Some of the recent leases witnessed are presented in the table below.

Sl. No.	Name of the Project	Name of the Developer	Name of the Occupier	Leased Area (sq. ft.)	Lease Rentals	Type of Shell
1.	Brigade Opus	Brigade Group	Alif Semiconductor	19,050	75.00	WS

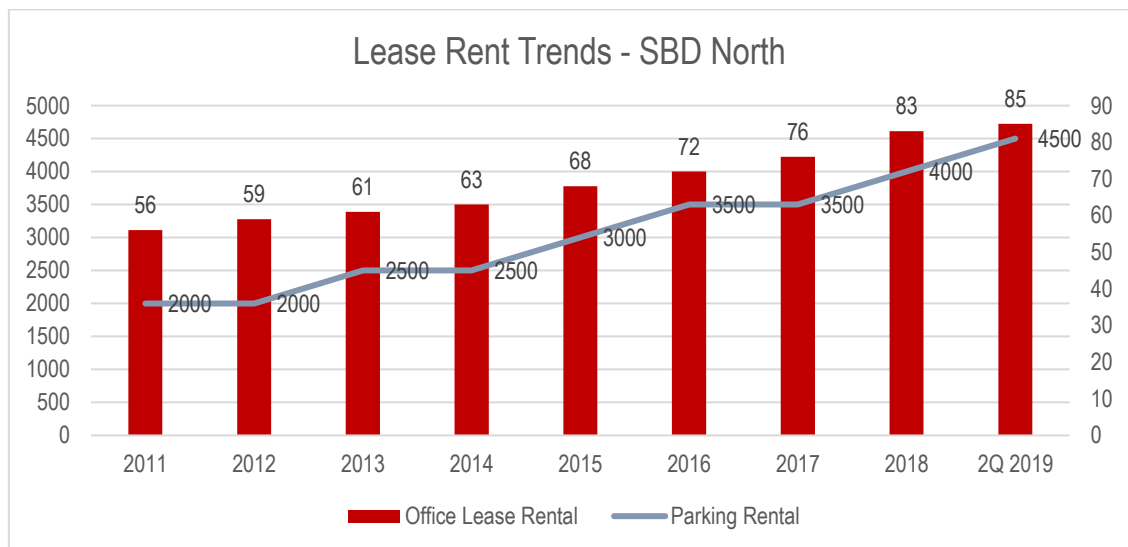


Sl. No.	Name of the Project	Name of the Developer	Name of the Occupier	Leased Area (sq. ft.)	Lease Rentals	Type of Shell
2.	BCIT - Block 2	Bharatiya Group	Mr Cooper	46,000	52.00	WS
3.	BCIT - Block 2	Bharatiya Group	Xome - Nation Star	45,720	52.00	WS
4.	MFAR Greenhart	Mfar Constructions	Cap Gemini	5,600	110.00	WS
5.	RMZ Latitude	RMZ Group	PWC Kolkata	22,823	63.00	WS
6.	Manyata Embassy Business Park - C1(Jacaranda)	Embassy Group	Nvidia Graphics	124,099	95.00	FF (Second Generation Fitouts)
7.	Manyata Embassy Business Park - C1(Jacaranda)	Embassy Group	ANZ Support Services	37,094	94.00	FF (Second Generation Fitouts)

WS - Warm Shell; FF - Fully Fitted

Source: Real Estate Market Research & Analysis; JLL; December 2019

Based on the above, rental range in the surroundings of the Project is INR 77-90 per sq. ft. per month till 4Q 2018. Due to the increased demand for space and limited availability of quality, ready to occupy buildings, the rentals have witnessed significant increase. Quoted rentals are in the range of INR 85-95 per sq. ft per month and recent leases are signed between INR 77-90 per sq. ft per month. The chart below presents lease rental trends in the micro-market.



Source: Real Estate Market Research & Analysis; JLL; December 2019

The micro market has witnessed a rental growth of 6% CAGR over the last 5 years. Based on the micro-market and location advantage, the rental growth over the next 5-10 years is expected to be conservatively at 5% per annum.

### 3.5 SELECT COMPARABLE COMMERCIAL / OFFICE ACQUISITION TRANSACTIONS

The table below presents some of the select commercial / office transactions within Bengaluru City and elsewhere in India, where the project is developed in future.

Sl. No.	Location and City	Year of Transaction	Name of the Seller/ Building	Name of the Buyer	Leasable Area (sq. ft.)	Capital Value (INR per sq. ft.)	Estimated Transaction Yield
1.	Bellary Road, Bengaluru	2019 #	Confidential	Godrej Properties	1,000,000	8,500	9.39%
2.	Hinjewadi, Pune	2019	Nalanda Shelter & Brickmix Developers	Ascendas India Trust	1,800,000	5,533	10.30%
3.	Bellary Road, Bengaluru	2019*	Garden City Realty	Ascendas India Trust	1,000,000	7,500	10.64%
4.	Nagavara, Bengaluru	2019*	MFAR Developers	Confidential	100,000	12,000	9.50%
5.	Bellary Road, Bengaluru	2019*	Salarpuria Sattva	Confidential	275,000	11,000	9.33%
6.	Hinjewadi, Pune	2019*	Global Group	TRIL & Actis	2,400,000	5,500	10.36%
7.	Navi Mumbai	2018	AURUM IT SEZ	Ascendas India Trust	1,400,000	6,643	10.30%
8.	HITEC City, Hyderabad	2018	Phoenix Ventures	Ascendas India Trust	1,850,000	7,600	10.50%
9.	Gachibowli, Hyderabad	2018	Phoenix Group	Xander	4,500,000	5,667	11.06%
10.	Whitefield, Bengaluru	2018	L&W Constructions	Mapple Tree	1,000,000	6,000	9.50%

# Term Sheet Signed. Legal Due-diligence is under process. \* Transaction is under discussion / advances stages of negotiation  
Source: Real Estate Market Research & Analysis; JLL; December 2019

Comparable Transactions within Bengaluru City
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Based on the above table, some of the comparable acquisition transactions have witnessed / likely to witness transaction yield in the range of 9.25% to 9.50%. Based on discussion with market stakeholders, generally, the transaction yield of transactions for acquisition of interest in projects to be developed in future is higher by 75-100 basis points compared to transactions for completed and/or operational commercial / office spaces. Such transactions also involve staged payments payable during the construction phase with initial advance payment towards land value.

The Client has represented that the finalized transaction yield for the Project is 9.25% and the same is reflective of the prevailing market & is within the transaction yield range of 9.25% to 9.50%, as evidenced from the above listed comparable transactions.

## 4 VALUATION ANALYSIS FOR PROJECT

### 4.1 BASIS OF VALUATION

The valuation has been carried out in accordance with the “International Valuation Standards” published by the International Valuation Standards Committee (“IVSC”), subject to variation to meet local established law, custom, practice and market conditions.

**Market Value** is defined by IVSC and adopted by RICS:

*‘The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’.*

### 4.2 AREA DETAILS AND TYPE OF STRUCTURE

The table below presents area details and type of structure as represented by the Client.

<b>Name of the Block and Project</b>	Embassy Manyata; M3 Additional Area																	
<b>Leasable Area</b>	597,789 sq. ft.																	
<b>Current Status</b>	Land stage																	
<b>Type of Development</b>	Commercial / Office Space (Warm Shell) under SEZ																	
<b>Tentative Date of Completion</b>	39 months from execution, estimated to be Q4 FY 2022-23																	
<b>Other Details</b>	<table border="1"> <tr> <td>Grade of Building</td> <td>Grade A</td> </tr> <tr> <td>LEED Certification</td> <td>Not Available</td> </tr> <tr> <td>Type of Shell</td> <td>Warm Shell</td> </tr> </table>		Grade of Building	Grade A	LEED Certification	Not Available	Type of Shell	Warm Shell										
Grade of Building	Grade A																	
LEED Certification	Not Available																	
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<b>Site Services and Finishes</b>	<table border="1"> <tr> <td>Type of Shell</td> <td>Warm Shell</td> </tr> <tr> <td>Power Back-Up</td> <td>Part of Warm Shell Scope</td> </tr> <tr> <td>Air-Conditioning (HVAC)</td> <td>Part of Warm Shell Scope</td> </tr> <tr> <td>Building Management System</td> <td>Will be provided</td> </tr> <tr> <td>Security System</td> <td>Will be provided</td> </tr> <tr> <td>Passenger / Service Elevators</td> <td>Will be provided</td> </tr> <tr> <td>Fire Fighting Services</td> <td>Will be provided</td> </tr> <tr> <td>Car Parking</td> <td>Basement Covered and Open Car Parking</td> </tr> </table>		Type of Shell	Warm Shell	Power Back-Up	Part of Warm Shell Scope	Air-Conditioning (HVAC)	Part of Warm Shell Scope	Building Management System	Will be provided	Security System	Will be provided	Passenger / Service Elevators	Will be provided	Fire Fighting Services	Will be provided	Car Parking	Basement Covered and Open Car Parking
Type of Shell	Warm Shell																	
Power Back-Up	Part of Warm Shell Scope																	
Air-Conditioning (HVAC)	Part of Warm Shell Scope																	
Building Management System	Will be provided																	
Security System	Will be provided																	
Passenger / Service Elevators	Will be provided																	
Fire Fighting Services	Will be provided																	
Car Parking	Basement Covered and Open Car Parking																	

In addition to the above proposed on-site facilities, amenities offered by the larger development include intra-city transportation, outdoor sports zone, rooftop football arena, refurbished food court, etc. This enables the larger development to offer an integrated business ecosystem to its occupiers.

### 4.3 VALUATION METHODOLOGY

Given the nature of the Project (developable land with significant approvals in place) and with due consideration to the objective of the assessment and Client requirements, the recommended valuation approach is 'Discounted Cash Flow Approach' on market basis. Below paragraph describes the above approach.

*Discounted Cash Flow Approach is based on the present value of the future receivable net income from the current operational leases / revenues. The current revenues and the future achievable revenues derived from the operational project components of the Project would be adjusted for the outgoing expenses to derive cash flows till the stabilization of the Project. The same is then discounted at an appropriate discounting rate linked with risk adjusted discounting factor to arrive at the sale value for the operational project components. Considering that present assessment is for under-construction project, the assessment also duly factors capital expenditure to be incurred for completion of the project as on the date of assessment.*

### 4.4 DEVELOPMENT ASSUMPTIONS AND INPUTS

#### Development Assumptions

As represented by the Client, MPPL shall appoint EPDPL to act as a development advisor and manager to perform the co-developer services, that is conversion of bare shell premises of M3 Project Phase II to warm shell premises within 39 months of execution of the definitive agreements. These agreements will be entered for an area of 597,789 sq. ft., proposed to be included as part of Block M3 and the same is considered for the purpose of this assessment.

For the proposed additional area, the Client will be entitled to a specific guaranteed rent of INR 100 per sq. ft. of leasable area per month (excluding any fees for common area maintenance and fit-out rent) and 95% of which is considered to be net operating income (NOI) for a specific time period, which will be co-terminus with the initial agreement.

#### Client Inputs

As stated earlier, the assessment is limited to the additional area to be included as part of Block M3, within Embassy Manyata Business Park, which is estimated to be 597,789 sq. ft. of leasable area. The Client has represented with inputs pertaining to additional area of Block M3 as presented in the table below:

Particulars	Description	Remarks
Total Leasable Area	597,789 sq. ft.	As represented by the Client
Fixed NOI for the Client	INR 95.00 per sq. ft. per month	From date of commencement / operation, escalated by 15% every 3 years
Development Consideration	Approximately INR 2,000 million	As represented by the Client

Source: As Represented by the Client; October 2019

As represented by the Client, EPDPL shall assist Client to obtain co-developer status as per provisions of SEZ Act. The Client will get the rights to a contracted NOI of INR 95.00 per sq. ft. per month (subject to escalation of 15% once in 3 years) from the date of operation / commencement of additional area in Block M3, estimated to be 39 months of execution of the definitive agreements (i.e. Q4 FY 2022-23). In addition, Client shall pay a development consideration (construction cost to be paid to EPDPL for execution of construction activities), which is estimated to be approximately INR 2,000 million. Further, the Client has represented that entire additional area will be generated from Development Rights Certificate (DRC).

As represented by the Client, in case of a delay, EPDPL shall pay MPPL interest on monthly basis at the Interest Rate on the entire consideration disbursed to EPDPL from the date of disbursement and computed till completion of warm shell for M3 Phase II. For the purposes of clarity, "Interest Rate" shall mean the higher of (i) 9.25% per annum or (ii) 100-200 basis points mark-up (depending upon the completion timeline) above the rate at which REIT borrows funds, shall have to be paid on the agreed costs and fees incurred, till the project is completed and 85% leasing achieved.

#### 4.5 KEY VALUATION SPECIFIC ASSUMPTIONS

The table below summarizes some of the key valuation specific assumptions used in the assessment, based on the prevailing market conditions and market practices.

Particulars	Description	Remarks
Capitalization Rate	8%	Estimated based on the historical entry yields for graded commercial / office space, which is ranging between 7.5% to 8.5%  Recommended capitalization / yield rate is adjusted for demand-supply dynamics of commercial / office market in Bengaluru and inflation (and rate of interest) expected to be under control due to intervention of the regulators
Discount Rate (for Asset on 'Completed' basis)	12.50%	As prevalent in the market based on bond yield rate (6.47%) and mark-up towards country risk (3.0%), real estate sector risk (2.0%) and operation & management risk (1.0%) and rounded off



## 4.6 OPINION ON MARKET VALUE OF THE PROJECT

The Consultants verify that, to the best of their knowledge and belief:

- The statements of fact contained in this report are true and correct, and have been verified wherever possible;
- All possible factors affecting the value of the Project have been considered;
- The analysis, opinions and conclusions reported herein are unbiased views and are limited only by the Underlying Assumptions and Limiting Conditions and other qualifications contained herein;
- The Consultants have no past, present or contemplated (prospective) future interest in the real estate that is the subject of this report and have no personal interest or bias with respect to the parties involved;
- The assessment and the procedures related thereto follow the Codes of Ethics and the Standards of Professional Practice of the professional institution noted; and
- Jones Lang LaSalle Property Consultants (India) Private Limited has inspected the Project Site on November 04, 2019 and December 18, 2019.

Based on information provided by the Client, subsequent market analysis and configuration (size and location) of the Project, the Valuer's opinion on Market Value of the Project on 'completed' basis as on the date of completion, is estimated to be **INR 8,793.24 million**.

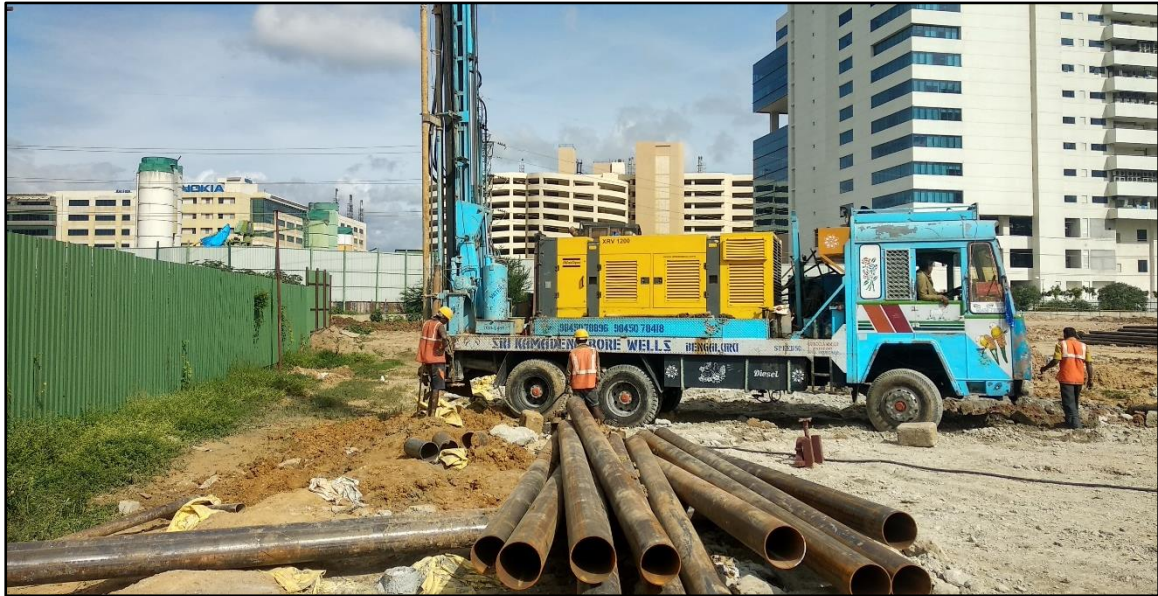
Please note that any acquisition undertaken by the REIT (directly or through its SPV) under the aforementioned valuation would be value accretive to the REIT.

# VALUATION REPORT

PROPOSED ADDITIONAL AREA - M3 PROJECT PHASE II,  
EMBASSY MANYATA

PART OF LARGER COMMERCIAL OFFICE BUSINESS PARK  
DEVELOPMENT LOCATED IN OUTER RING ROAD,  
NAGAVARA, BENGALURU, KARNATAKA

REPORT DATE: 30 DECEMBER 2019



View of Subject Property

Proposed Additional Area - M3 Project Phase II, Embassy Manyata

Outer Ring Road, Nagavara,  
Bengaluru, Karnataka

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## 1 Instruction

iVAS Partners has been instructed by **Embassy Office Parks Management Services Private Limited (in its capacity as Manager to the Embassy Office Parks REIT) (the 'Client')** to advise upon the Market Value (MV) of proposed Additional Area - M3 Project Phase II, Embassy Manyata. Based on information provided by the Client, the area details for the proposed additional area is 597,789 sft and the same is considered for this valuation exercise.

CBRE has been instructed by the Client to be the **'Value Assessment Service Provider'** for providing market intelligence to the 'Valuer' (Mr. Manish Gupta, iVAS Partners - SEBI Approved Valuer) and forecasting cash flows for the subject property. The Valuer has utilized the market intelligence provided by CBRE and independently reviewed the cash flows to arrive at the Market Value of the subject property as per the REIT regulations 2014.

iVAS Partners and CBRE are collectively referred to as the **'Consultants'** for the purpose of this report.

### 1.1 Purpose

The Valuer understands that the valuation is required by the Client for acquisition purposes.

### 1.2 Reliant Party

The Reliant Party to the valuation report will be **Embassy Office Parks Management Services Private Limited (in its capacity as Manager to the Embassy Office Parks REIT) (the 'Client', the 'Reliant Party')**.

### 1.3 Limitation of Liability

- The 'Consultants' provide the Services exercising due care and skill, but the 'Consultants' do not accept any legal liability arising from negligence or otherwise to any person in relation to possible environmental site contamination or any failure to comply with environmental legislation which may affect the value of the properties. Further, the 'Consultants' shall not accept liability for any errors, misstatements, omissions in the Report caused due to false, misleading or incomplete information or documentation provided to the 'Consultants' by the Instructing Party.
- CBRE extends liability to Manish Gupta (viz. the Valuer under SEBI REIT Regulations 2014) and the Valuer's Client (viz. the Reliant Party) for the market intelligence provided by CBRE. CBRE extends liability to the Reliant Party for the relevant scope for which it is engaged together with the preceding clause. CBRE's maximum aggregate liability for claims arising out of or in connection with market intelligence it provides under this contract shall not exceed the professional indemnity insurance obtained by it. As on the date of this letter the professional indemnity insurance maintained by CBRE is for Indian Rupees 56 Million.
- The Consultants will neither be responsible for any legal due diligence, title search, zoning check, development permissions and physical measurements nor undertake any verification/ validation of the zoning regulations/ development controls etc.

## 1.4 Valuation Capability

### **Valuer under SEBI (REIT) Regulations, 2014: Mr. Manish Gupta, Partner: iVAS Partners**

Mr. Manish Gupta, Partner: iVAS Partners, is a SEBI Approved Valuer (Valuer Registration Number: IBBI/RV/02/2019/11505) and has over 11 years of experience in real estate industry with nearly 9 years of experience in providing real estate consulting and valuation services to a wide spectrum of Clients including financial institutions, private equity funds, developers, NBFCs, corporate houses and landowners.

### **Value Assessment Service Provider: CBRE South Asia Pvt. Ltd.**

CBRE Advisory Services India is an integral part of CBRE Global Valuation & Advisory Services team. The Global VAS team comprises of over 1,500 professionals across approximately 280 offices globally and India Advisory Services team comprises of more than 280 professionals.

CBRE Advisory Services India have completed over 80,000 valuation and advisory assignments across varied asset classes spread across 20 states and 300+ cities. We provide quality valuation, risk advisory and consulting services across a range of property types including residential, hospitality, retail, commercial, institutional, Special Economic Zone (SEZ), industrial, etc. We derive global best practices while maintaining the complexities of Indian real estate markets and are ideally positioned to help solve any valuation related real estate challenge, ranging from single asset valuations to valuation of multi-market and multi-property portfolios.

Our dedicated and experienced professionals provide quality services from 9 offices across India (Delhi, Mumbai, Bengaluru, Chennai, Kolkata, Gurgaon, Hyderabad, Pune and Ahmedabad). Our professionals have a varied qualification base such as Royal Institute of Chartered Surveyors (RICS) or IOV, IIV certified valuation professional, master planner, architect, MBA, CA, CFA, etc. and this entire multi-faceted experience helps us in achieving our commitment to provide the highest level of professional expertise to our clients.

CBRE Advisory Services India team has substantial experience with several institutional clients including financial institutions, real estate funds, private equity funds, developers, corporates, banks, NBFCs, etc.

## 1.5 Valuer's Interest

The Valuer certifies that; he/she do not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property (including the parties with whom our Client is dealing, including the lender or selling agent, if any); accepts instructions to value the property only from the instructing party.

## 1.6 Scope of Appraisal

The appraisal has been undertaken to ascertain the market value of the subject property given the prevalent market conditions. In consideration of the same, a detailed assessment of the site and surroundings has been undertaken with respect to the prevalent activities, change in dynamics impacting the values and the optimal use of the subject property vis-à-vis the surrounding sub market, etc.

The primary catchment for the appraisal has been defined as the Hebbal Nagavara Outer Ring Road and its surrounding micro-markets. A primary research exercise has been conducted in the said vectors to ascertain the performance of competing commercial office developments. This has been achieved through interactions with various market players such as hospitality personnel, developers, etc.

### 1.7 Scope of Services for Value Assessment Service Provider

CBRE has been engaged by the Instructing Party to value assessment services and accordingly, would be responsible for the below scope as part of this exercise.

- Provide market intelligence to the Valuer on the following aspects:
  - Economic and Investment Overview
  - India Real Estate Overview
    - IT/ ITES Industry Dynamics
    - Key Office Markets
    - Outlook
  - For subject property location
    - Key Office Markets
    - General market practices
    - Demand Supply for Key Office Markets & Rental Trends
    - Outlook
- Forecast cash flows from the subject property for the Valuer to independently review and work towards assessing the valuation of the Asset

### 1.8 Qualifications

This valuation is prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and is in compliance with the International Valuation Standards (IVS).

The team involved in this engagement comprises of RICS members with significant experience of valuations in Indian real estate market. The detailed professional profiles of key personnel in the team have been annexed as a part of the report.

### 1.9 Disclosures

The Consultants hereby certify that:

- Mr. Manish Gupta, Partner: iVAS Partners, Valuer Registration Number: IBBI/RV/02/2019/11505 (hereinafter referred to as the valuer), is eligible to be appointed as a valuer in terms of Regulation 2(1)(zz) of the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014

- Neither CBRE nor iVAS Partners are an associate of the instructing party
- The Valuer has a minimum of five years of experience in the valuation of real estate
- The Valuer has not been involved with the acquisition or disposal of the subject property in the last twelve months
- The Valuer has adequate and robust internal controls to ensure the integrity of the valuation reports
- The Valuer has sufficient key personnel with adequate experience and qualification to perform services related to property valuation at all times
- The Valuer has sufficient financial resources to enable them to conduct their business effectively and meet their liabilities
- The Valuer has acquainted itself with all laws or regulations relevant to such valuation
- The valuation of assets undertaken is impartial, true and fair and in accordance with the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014
- The Valuer has conducted the valuation of the subject property with transparency and fairness and shall render, at all times, high standards of service, exercise due diligence, ensure proper care and exercise professional judgement
- The Valuer has discharged its duties towards the Client in an efficient and competent manner, utilizing its knowledge, skills and experience in best possible way to complete the said assignment
- The Valuer shall not accept remuneration, in any form, for performing a valuation of the subject property from any person other than the Client or its authorised representatives.
- The Valuer has acted with independence, objectivity and impartiality in performing the valuation
- The Valuer shall not make false, misleading or exaggerated claims in order to secure assignments
- The Valuer shall not provide misleading valuation, either by providing incorrect information or by withholding relevant information
- The Valuer shall not accept an assignment that includes reporting of the outcome based on predetermined opinions and conclusions required by the Client
- The valuation undertaken by the Valuer abides by international valuation standards and valuation standards as may be specified by the Institute of Chartered Accountants of India for valuation of real estate assets. Provided that in case of any conflict, standard specified by the Institute of Chartered Accountants of India shall prevail
- The Valuer shall before accepting any assignment from any related party to the **Embassy Office Parks Management Services Private Limited**, shall disclose to the **Embassy Office Parks Management Services Private Limited**, any direct or indirect consideration which the valuer may have in respect of such assignment

- The Valuer understands that the asset is wholly owned by related party, hence, the acquisition of the asset from the related party being valued would be related party transaction


## 2 Assumptions, Disclaimers, Limitations & Qualifications

Valuation Subject to Change:	Premise 1 - The subject appraisal exercise is based on prevailing market dynamics as on the date of appraisal and does not take into account any unforeseeable developments which could impact the same in the future
Our Investigations:	Premise 2 – The Consultants are not engaged to carry out all possible investigations in relation to the subject property. Where in our report the Consultants identify certain limitations to our investigations, this is to enable the reliant party to instruct further investigations where considered appropriate or where the Consultants recommend as necessary prior to reliance. The ‘Consultants’ are not liable for any loss occasioned by a decision not to conduct further investigations
Assumptions:	Premise 3 - Assumptions are a necessary part of undertaking valuations. The Valuer adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. The reliant parties accept that the valuation contains certain specific assumptions and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation
Information Supplied by Others:	Premise 4 - This appraisal is based on the information provided by the Client / Developer. The same has been assumed to be correct and has been used for appraisal exercise. Where it is stated in the report that another party has supplied information to Consultants, this information is believed to be reliable, but Consultants can accept no responsibility if this should prove not to be so
Future Matters:	Premise 5 - To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to the ‘Consultants’ at the date of this document. The ‘Consultants’ do not warrant that such statements are accurate or correct
Map and Plans:	Premise 6 – Any sketch, plan or map in this report is included to assist reader while visualizing the property and assume no responsibility in connection with such matters
Site Details:	Premise 7 - Based on title due-diligence information provided by the Client, the Valuer understands that the subject property is free from any encroachments and are available as on the date of the valuation
Property Title:	Premise 8 - For the purpose of this valuation exercise, the Valuer has relied on the Title Report prepared by King & Partridge for the subject property and has made no further enquiries with the relevant local authorities in this regard. The Valuer understands that the subject property may have encumbrances, disputes and claims. The Valuer does not have the expertise or the preview to verify the veracity or quantify these encumbrances, disputes or claims. For the purpose of this valuation, the Valuer has assumed that the subject property has title deed that are clear and marketable
Environmental Conditions:	Premise 9 – The Valuer has assumed that the subject property is not contaminated and is not adversely affected by any existing or proposed environmental law and any processes which are carried out on the property are regulated by environmental legislation and are properly licensed by the appropriate authorities
Town Planning:	Premise 10 - The current zoning of the subject property has been adopted on the basis of review of various documents (title deed) provided by the Instructing Party and the current land use map for the subject region. The same has been considered for the purpose of this valuation exercise. Further, it has been assumed that the development on the subject property adheres/ would adhere to the development regulations as prescribed by the relevant authorities. The Valuer has not made any enquiries with the relevant development authorities to validate the legality of the same.
Area:	Premise 11 - Based on information provided by the Client, the area details for the proposed additional area is 597,789 sft and the same is considered for this valuation exercise.
Condition & Repair:	Premise 12 - In the absence of any information to the contrary, the Valuer has assumed that there are no abnormal ground conditions, nor archaeological remains present which might adversely affect the current or future occupation, development or value of the property; the property is free from rot, infestation, structural or latent defect; no currently known deleterious or hazardous materials or suspect techniques will be used in the construction of or subsequent alterations or additions to the property and comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts
Valuation Methodology:	<p>Premise 13 – For the purpose of this valuation exercise, the valuation methodology adopted is <b>Discounted Cash Flow method</b>. The Discounted Cash Flow Methodology is based upon an estimation of future results. The methodology begins with a set of assumptions as to the projected income and expenses of the property. The income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions. The result is the best estimate of value The Valuer can produce, but it is an estimate and not a guarantee and it is fully dependent upon the accuracy of the assumptions as to income, expense and market conditions. This methodology uses market derived assumptions, including discount rates, obtained from analysed transactions.</p> <p>Where reliance has been placed upon external sources of information in applying the valuation methodologies, unless otherwise specifically instructed by Client and/or stated in the valuation, the Valuer has not independently verified that information and does not advise nor accept it as reliable. The person or entity to whom the report is addressed acknowledges and accepts the risk that if any of the unverified information in the valuation is incorrect, then this may have an effect on the valuation.</p>
Not a Structural Survey:	Premise 14 – The Valuer state that this is a valuation report and not a structural survey



Legal:	Premise 15 - Unless specifically disclosed in the report, the Valuer have not made any allowances with respect to any existing or proposed local legislation relating to taxation on realization of the sale value of the subject property.
Others:	Premise 16 – Considering the unorganized nature of real estate markets in India, all comparable evidence (if any) provided in the valuation report has been limited to the basic details such as the area of asset, rate at which transacted, broad location, etc. other specific details would be provided only if the information is available in public domain
Additional:	Premise 17 – The cost inputs and construction timelines for the under construction / proposed portion have been provided to us by the Client. The Valuer has assumed the same to be true and have incorporated the same for the valuation

### 3 Valuation Certificate

<b>Property:</b>	Subject property – Proposed Additional Area - M3 Project Phase II, Embassy Manyata, located in Outer Ring Road, Nagavara, Bengaluru, Karnataka	
<b>Property Address:</b>	Nagavara Village, Kasaba Hobli, Bangalore North Taluk, Bengaluru District and Rachenahalli and Thanisandra Villages, Krishnarajapuram Hobli, Bengaluru East Taluk, Bengaluru District, Karnataka	
<b>Land Area:</b>	Based on review of the title report (prepared by King & Partridge, dated November 8, 2019 for M3 Block), the Valuer understands that the total land area of the subject property is approximately 6.636 Acres	
<b>Client:</b>	Embassy Office Parks Management Services Private Limited (in its capacity as Manager to the Embassy Office Parks REIT)	
<b>Registered Owner:</b>	Based on the inputs provided by the Client, the Valuer understands that the subject property is under the ownership of <b>Embassy Property Developments Private Limited (EPDPL)</b>	
<b>Purpose:</b>	Acquisition Purpose	
<b>Interest Valued:</b>	Co-development rights (based on review of the term sheet between Client and EPDPL)	
<b>Basis of Valuation:</b>	Market Value	
<b>Town Planning:</b>	The subject property is zoned for “Industrial Hi-tech” use and same has been adopted for the purpose of the valuation exercise. Further, the subject property is located along the mutation corridor (viz. Outer Ring Road), thereby allowing flexibility on the land use.	
<b>Brief Description:</b>	<p>The subject property is proposed to be part of the second largest commercial office asset in India (in terms of scale), largest in Bengaluru and is a landmark in North Bengaluru. The property is accessible through the internal road within the larger development emanating from Nagavara Outer Ring Road. Further, the subject development is strategically located in proximity to micro-markets of Thanisandra &amp; Hennur Road which are amongst the fastest developing vectors in North Bengaluru.</p> <p>The Nagavara Outer Ring Road, connects the subject location to prominent locations such as Yeshwanthpur, KR Puram, Whitefield, Sarjapur Outer Ring Road, Old Madras road, etc. Further, it is located at a distance of 1-2 km from Nagavara Junction, 3-4 km from Hebbal Junction, 7-8 km from Yelahanka Junction, 11-14 km from MG Road (CBD) and 29-31 km from Kempegowda International Airport.</p> <p>As per information provided by the Client and the Co-developer agreement, it is understood that the leasable area for Block M3 is 997,057 sft. However, the Client intends to revise the leasable area of Block M3 with an additional area of 597,789 sft and this incremental area is considered as part of this valuation exercise. Further, as per information provided by the Client, it is understood that the above additional area will be acquired as part of Transferable Development Rights (TDR) and the cost towards the same has been factored as part of this appraisal.</p>	
<b>Statement of Assets (sf):</b>	Based on information provided by the Client & Architect certificates, the area details for the proposed additional area is 597,789 sft and the same is considered for this valuation exercise.	
<b>Valuation Approach:</b>	<b>Income Approach – Discounted Cash Flow Method</b>	

**Date of Valuation:** As per instruction from the Client, the date of assessment of cash flows is as of 31<sup>st</sup> December 2019 and the value is opined "As-if Completed". Based on review of the term sheet between Client and EPDPL, the Valuer understands that the proposed acquisition is for the asset to be acquired on an as completed basis. Accordingly, no development cost has been adopted as part of this valuation. Additionally, the proposed completion (viz. obtaining of occupancy certificate) is expected to be Q2, CY 2023 and the rental adopted for the purpose of this valuation is keeping in purview that date. Should the completion be before or after the date, the same would result in a change to the valuation

**Date of Inspection:** December 16, 2019

**Date of Report:** December 30, 2019

**Purchase Price for the property:** NA

**Ready Reckoner Rate (as per documents published by State Government):** Land Rate: INR 78,200 per sqm of land area  
Built-up Rate: INR 62,800 per sqm of covered area

**Assessed Value:** The assessed value for the subject property is highlighted below

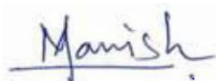
- Value as if completed – INR 8,664 Mn

**Any matters which may affect the property or its value**

The Value assessed is contingent on the buildability of the proposed additional area on the larger M3 land

**Prepared By:** iVAS Partners

Official Signatories of the Valuer:



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**Name:** Mr. Manish Gupta  
**Designation:** Partner, iVAS Partners  
**Valuer Registration Number:** IBBI/RV/02/2019/11505

## 4 Proposed Additional Area - M3 Project Phase II, Embassy Manyata

### 4.1 Property Description

Brief Description	
Particulars	Details
<b>Property Name</b>	Proposed Additional Area - M3 Project Phase II, Embassy Manyata
<b>Address</b>	Land measuring 6.636 acres (i.e., 6 acres 25.46 guntas) comprised in Survey Nos. 35/2 (Part) (0.35 acre i.e., 14 guntas out of 28 guntas), 35/3A (Part) (1.349 acres i.e., 1 acre 13.96 guntas out of 1 acre 30 guntas), 37/1 (Part) (0.612 acre i.e., 24.5 guntas out of 1 acre 22 guntas), 39/1, (1.325 acres i.e., 1 acre 13 guntas), 39/2B (1.475 acres i.e., 1 acre 19 guntas), 40/3 (1.40 acres i.e., 1 acre 16 guntas excluding 01 gunta kharab), and 40/6 (0.125 acre i.e. 05 guntas) all situate at Rachenahalli Village, Krishnarajapuram Hobli, Bangalore East Taluk, Bangalore
<b>Land Area</b>	Based on review of the title report (for M3 Block), the Valuer understands that the total land area of the subject property is approximately 6.636 Acres
<b>Leasable Area</b>	Based on information provided by the Client & Architect certificates, the area details for the proposed additional area is 597,789 sft and the same is considered for this valuation exercise.

Source: Title Report, Architect Certificate

#### 4.1.1 Site Details

**Situation:** Subject property – additional area admeasuring 597,789 sft as part of Block M3, Embassy Manyata located in Outer Ring Road, Nagavara, Bengaluru, Karnataka

**Location:** On account of being accessible through the Outer Ring Road, the subject property enjoys good connectivity to other established sub markets such as Yeshwanthpur, KR Puram, Whitefield, Sarjapur Outer ring road, etc. The location has emerged as a prominent real estate hub in the past 5-6 years, post operation commencement of the International Airport in Devanahalli. Embassy Manyata (larger development) is a prominent large-scale Office Park in the sub-market, which has driven the demand for residential and other support real estate components in the region (including further office). The larger development (Embassy Manyata) is surrounded by a dense residential catchment which supports the over 100,000 people working in the park.

Organized real estate developments in the subject location are primarily limited to residential activity (with hospitality components recently concluded) and have limited presence of other real estate components such as retail, etc. The initial stretches on North Bengaluru sub market has emerged as a key commercial office market with residential projects at various stages of development to support the working population.

Further to the North, as the location is emerging in terms of real estate activity, majority of the developments are at various stages of construction/ planning stages, with few completed developments. Howard Johnson and Country Inn Suites are the only organized hotel developments in the immediate vicinity of the subject

property, whereas Elements Mall (Thannisandra) & Esteem Mall (Bellary road NH-44) are the only operational retail developments. Infrastructure initiatives such as the Elevated Expressway, Aerospace SEZ, and the proposed Devanahalli Business Park are expected to further boost infrastructure development and attract investments into North Bengaluru. In addition, planned development of Bengaluru metro, connecting Nagavara in North Bengaluru, will act as a major demand catalyst going forward. Additionally, the state government has proposed connecting North Bengaluru and Airport. It is understood that metro connectivity will be in close proximity of Embassy Manyata. Some of the prominent tenants having their operations in the subject market include IBM, Cognizant, Rolls Royce, Nokia, L&T, Phillips, etc.

The distances from key hubs to the subject property are presented in the table below:

Landmark	Distance (km)
Nagavara Junction	1 – 2
Hebbal Junction	3 – 4
Yelahanka Junction	7 – 8
MG Road (CBD)	11 - 14
Bengaluru International Airport	29 – 31

Source: CBRE Research

Surrounds: The subject property is surrounded as follows:

- **North:** Private Property (Residential Development)
- **South:** Primary access road (Outer Ring Road)
- **East:** Private Property (Residential Development)
- **West:** Karle Town Centre

Potential changes in surroundings: As highlighted earlier, the subject location has emerged as one of the prominent real estate activity hubs in the city. Activity in the subject region was initiated with establishment of Embassy Manyata (subject property) in 2006 and Kempegowda International Airport in 2008. In addition, infrastructure initiatives such as the completion of Outer Ring Road, elevated expressway connecting Hebbal to airport improved the connectivity of the subject sub-market. Continued planned development within Embassy Manyata (commercial office, retail, hotel & convention components, etc.) is expected to further augment growth of the sub market.

Going forward, infrastructure initiatives such as the planned development of Bengaluru metro, connecting Nagavara in North Bengaluru, will act as a major demand catalyst. Additionally, the state government has proposed connecting North Bengaluru and Airport via the Nagavara – Bagalur route. It is understood



that metro connectivity will be in close proximity of Embassy Manyata. Additionally, the construction of a new flyover by the Client (expected completion by Q4, FY2021) at the entrance of the asset will further improve connectivity to the park.

**Suitability of existing use:** Considering the profile of surrounding developments, the subject property is opined to be suited for its proposed use viz. Office development.

**Shape:** Based on site plan provided by the Client and visual inspection during the site visit, it is understood that the subject property is a regular shaped land parcel.

**Topography:** Based on the site plan and corroborated with our site visit, the site appears to be even and on the same level as abutting access roads and adjoining properties.

**Frontage:** Based on review of site plan, visual inspection and measurements made on Google maps, the Valuer understands that the frontage of the larger development is approximately 250 meters along the ORR.

**Accessibility:** Based on the site map provided by the Client and visual inspection, the access to the subject property is by the service road, emanating from the northern section of the Outer Ring Road (viz. main arterial road circling Bengaluru) and arterial road within the larger development and this serves as the primary access to the subject property. By virtue of the same the property enjoys excellent accessibility and frontage.

#### 4.1.2 Legal Details

As per the title due-diligence undertaken by King & Partridge and as provided by the Client (dated November 8, 2019), the Valuer understands that the exact address of the subject property is Rachenahalli Village, Bengaluru East Taluk, Nagavara Village, Bengaluru North Taluk, Bengaluru, Karnataka

Further, this appraisal exercise is based on the premise that the subject property has a clear title and is free from any encumbrances, disputes, claims, etc. The Valuer has not made any inquiries in this regard with the relevant legal/ statutory authorities.

#### 4.1.3 Town Planning

**Zoning** As per the RMP 2015, the Valuer understands that the subject property is zoned as "Industrial Hi-Tech" for IT/ITeS (SEZ) and IT/ITeS (Non-SEZ) use. As per the Occupancy Certificates it is located within the jurisdiction of Karnataka Industrial Areas Development Board (KIADB). The same has been considered for the purpose

of this appraisal. The Valuer has made no further inquiries with the local authorities in this regard.

The permissible land use adopted by the Valuer for the subject property has been based on information/review of various documents provided by the Client. It must be noted that all factual data viz. permissible development control regulations, land area and achievable FSI have also been based on information/review of various documents (such as title deed, plan sanction letter, site plan, etc.) provided by the Client or assumed based on building regulations, and no physical verification/ measurement has been undertaken for the purpose of this valuation exercise.

For the purpose of this exercise, it has been assumed that all developments (existing / under construction / proposed) adhere to building regulations as prescribed by the relevant authorities. The Valuer has not validated the information provided by the Client with the relevant development authorities.

**Approved Usage:** The current use of the subject property (commercial office development) has been provided by the Client and is broadly in agreement with the rules and regulations as prescribed by the local development authority. However, the Valuer has not made any enquiries with the relevant local authorities to validate the same for its specific applicability to the subject property.

**Restrictions:** As per feedback received from the Client, there are no restrictions on the current use of the property.

**Natural or induced hazards:** The Valuer are of the opinion that the project/ site has been developed to withstand natural or induced hazards (with the exception of extreme/ out of the ordinary hazards).

#### 4.1.4 Statutory Approvals, One time Sanctions & Approvals

##### 4.1.4.1 Statutory Approvals received and to be received

As per information provided by the Client, the Valuer understands that the subject property is under planning stages and all statutory approvals to undertake construction will be obtained before undertaking the construction activity. Below is the list of approvals applicable for the subject property

Approval/NOC	Status (Applied/Received)	Authority	Date of Issue (DD-MM-YY)
Development Permission/ Development plan approval	Received*	BDA	22-02-2018
Commencement Certificate	To be applied	KIADB	NA
Fire NOC	Received*	Office of the Director General of Police	10-06-2016

Approval/NOC	Status (Applied/Received)	Authority	Date of Issue (DD-MM-YY)
Height Clearance	Received**	AAI	03-05-2016
Clearance for Water Supply	Received**	BWSSB	01-03-2016
Clearance from Electricity Authority	Received**	BESCOM	25-07-2018
Clearance from Pollution Control Board	To be applied	KSPCB	NA
Environment clearance	To be applied	MOEF	NA
Final Fire NOC	To be applied	Office of the Director General of Police	NA
Occupancy Certificate	To be applied	Bruhat Bengaluru Mahanagara Palike (BBMP)	NA

\*Note: The following approvals have been received for the existing plan for Block M3 (i.e. 997,057 sft). The Client will have to re-apply and secure approvals with the additional proposed area.

\*\* No amendment required in these NOCs due to change in area

#### 4.1.4.2 One-time Sanctions & Periodic Clearances

NA

#### 4.1.5 Area Details, Type and Age of Existing Structures

Subject Property	Developable area (sf)	Completed Area (sf)	Committed Area (sf)	Occupied Area (sf)
Embassy Manyata			597,789	NA NA NA

Source: Architect certificate provided by Client

The table below highlights the detailed area break-up of the subject development:

Block Name	Building Elevation	SEZ/Non-SEZ	Age (Years)	Leasable Area (sf)
M3 additional area	NA	SEZ	Q1, FY 2023	597,789
<b>Total</b>				<b>597,789</b>

Source: Architect certificate provided by Client

Details	Land Stage Blocks
Grade of the Building	Grade A
LEED Certification	NA
Structural Design	NA
Status of Finishing	Warm Shell
Comments on Obsolesce	NA

#### 4.1.6 Site Services and Finishes

Particulars	Details
Handover condition	Warm Shell
Passenger elevators	Will be provided
Service elevators	Will be provided

Particulars	Details
Power back-up	Will be provided
Building management system	Will be provided
Security systems	Will be provided
Air conditioning (HVAC)	Will be provided
Firefighting services	Will be provided
Car parks	Basement, Covered and open car parks

In addition to the above proposed on-site facilities, amenities offered by the larger development include intra-city transportation, outdoor sports zone, rooftop football arena, refurbished food court, etc. This enables the larger development to offer an integrated business ecosystem to its occupiers.

#### 4.1.7 Condition and Repair

Not Applicable as the subject property is under planning stages.

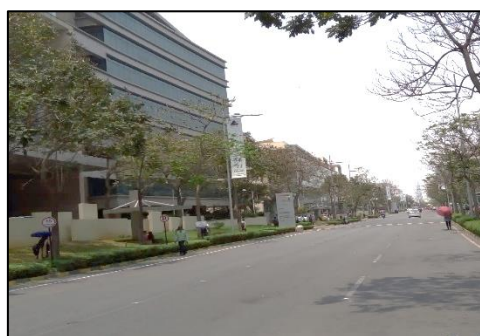
#### 4.1.8 Property Pictures



View of the subject property



View of Access Road of subject property - Mysore



View of internal access road



View of the primary access road/entrance

## 5 Market Assessment

As highlighted earlier, the subject property is a proposed office development located near Hebbal, on Nagavara Outer Ring Road, Bengaluru. Hebbal region, especially the stretch from Hebbal flyover to Yelahanka is considered as one of the most established locations of North Bengaluru; primarily on account of the superior infrastructure initiatives, easy connectivity to the CBD and the International Airport via NH-44 and ORR. In addition, it was observed that majority of the developments along this stretch are a mix of commercial and residential.

Given the limited availability of land parcels in the initial stretches of Bellary Road; real estate development activity has been witnessed off NH-44 in locations such as Thanisandra Road, Jakkur Main Road, Hennur Road, Yelahanka and Doddaballapur Road. Further, the region is also characterised by Government promoted hardware, aerospace parks as well as planned townships. Owing to the presence of large land banks towards the later stretch of Bellary road being held by prominent developers which are expected to be developed in the near future, coupled with infrastructure initiatives, the Valuer are of the opinion that the subject sub market is expected to transform from an emerging location to an active real estate hub in the short to medium term.

### 5.1.1 Demand and Supply Dynamics

#### 5.1.1.1 Demand, Supply and Vacancy Trends – Bengaluru and North Bengaluru sub market

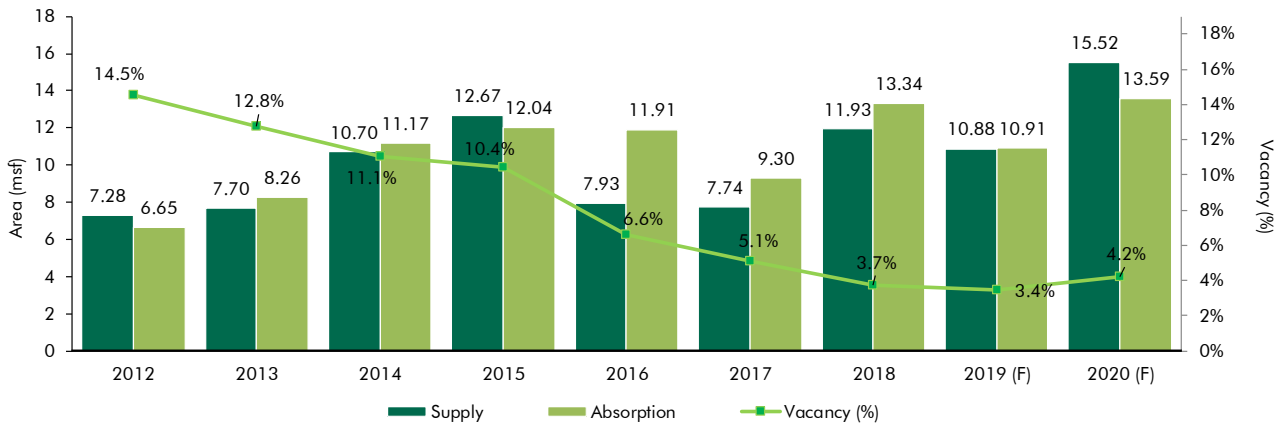
Total completed stock in Bengaluru as of Q3, 2019 is 156.6 msf, out of which North Bengaluru account for Approx. 12.5%.

Particular	Bengaluru	North Bengaluru
Cumulative completed office stock (Q3 2019)	Approx. 156.6 msf	Approx. 19.6 msf
Cumulative occupied stock (Q3 2019)	Approx. 149.9 msf	Approx. 18.2 msf
Current vacancy (Q3 2019)	Approx. 4.2%	Approx. 7.5%
Average annual office absorption (2013 – 2019)	11.0 – 11.2 msf	1.5 - 1.6 msf
Future supply (Q4 2019 – 2020)	Q4 2019 – 0.94 msf 2020 – 15.52 msf	Q4 2019 – Nil 2020 – 3.2 msf

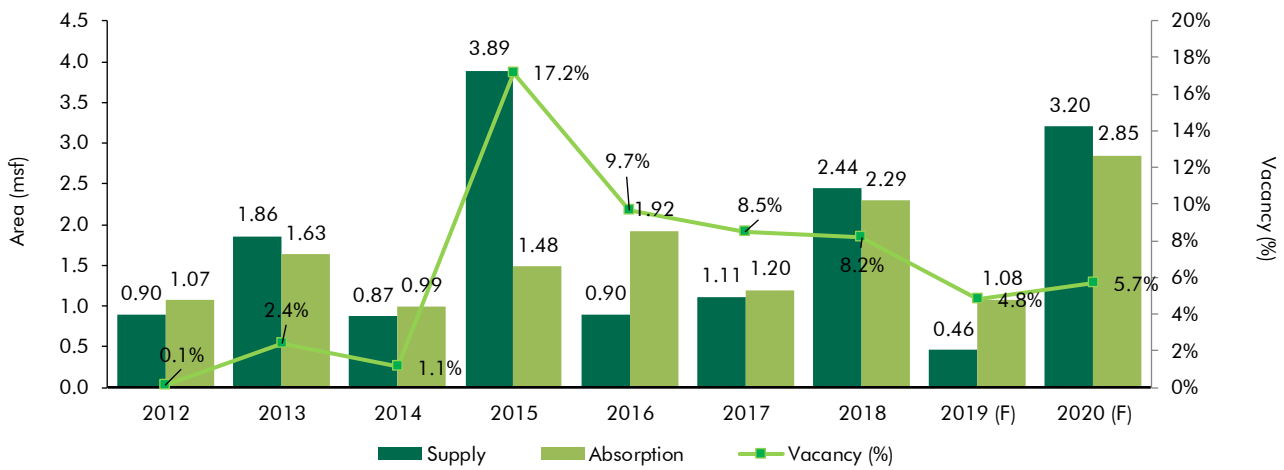
Source: CBRE Research



**Demand – Supply Dynamics (Bengaluru)**



**Demand – Supply Dynamics (North Bengaluru)**



Source: CBRE Research; Note: Supply – refers to fresh completed supply added each year; Absorption – refers to the quantum of leasing witnessed in each year as part of completed space; the vacancy in the chart accounts for the gap between cumulative stock and demand in the city in any given year. Bengaluru – Till Q3 2019 (msf): Supply – 9.9, Absorption – 8.7; North Bengaluru – till Q3 2019 (msf): Supply – 0.46, Absorption – 0.60

The initial stretch of North Bengaluru, where subject property is located has emerged as a prominent growth corridor for office developments. Locations north of the subject property are gradually emerging as a prominent growth corridor owing to its connectivity to the international airport, good connectivity to the city centre, availability of large tracts of developable land and residential inventory (completed and upcoming) to support the working population.

North Bengaluru sub market gained prominence in the city’s office space landscape, with the completion of Embassy Manyata. The largest operational Office Park in Bengaluru, gained prominence, as it offered superior amenities for both occupiers and employees. With benefits such as, within the park infrastructure ~ ample parking and provisions to host events, availability of quality office spaces and option of scalability, the park attracted occupier interest from various sectors. Proximity to the international airport

acted as another demand driver for not only the subject property, but also the entire North Bengaluru sub market.

Availability of quality spaces and a sizable supply pipeline across organized business parks has placed this sub market on track to emerge as one of the long-term growth vectors for commercial leasing in Bengaluru.

#### 5.1.1.2 Key Developments in Sub Market

The table below highlights the prominent developments in the subject sub market:

Building Name	Developer	Development Type	Leasable Area (in msf)	Approx. Vacancy (%)	Quoted Rent (INR psf pm)
MFAR Manyata Tech Park	MFAR	Non-SEZ	1.70	Minimal	90.0 – 95.0
RMZ Galleria	RMZ Corp	Non-SEZ	0.33	Minimal	65.0 – 70.0
Karle Town Centre	Karle	SEZ	0.87	Minimal	75.0 – 80.0
Kirloskar Business Park	Kirloskar	Non-SEZ	0.36	5 - 10.0%	75.0 – 80.0
Brigade Magnum	Brigade	Non-SEZ	0.53	Minimal	72.0 – 77.0

Source: CBRE Research

#### 5.1.1.3 Future Supply

The table below highlights few of the developments proposed to be completed in the next year in the subject sub market:

Building Name	Developer	Expected Completion	Leasable Area (in sf)
VSPL Pinnacle	VSPL	2020	105,000
Embassy Manyata	Embassy	2020	780,000
Karle Town Centre	Karle Infrastructure	2020	990,000
Brigade Senate	Brigade Group	2020	376,000
Umiya Velocity	Umiya	2020	820,000

Source: CBRE Research

### 5.1.2 Lease Rent Analysis

The current rent in subject sub market typically varies between INR 70.0 – 95.0 psf pm on leasable area basis depending upon specifications offered, location and accessibility of the development (viz. along/off the main arterial roads), quality of construction, developer brand, amenities offered, etc. In addition, the maintenance charge for these developments varies in the range of INR 8.0 – 12.0 psf pm. The parking charges in such developments range between INR 3,000 – 5,000 per bay per month for covered car parks.

Based on our market research the Valuer understands that the rent in the completing developments in the subject sub market has witnessed appreciation of approx. 6.7% between 2013 & Q3, 2019. Larger development is a major contributor to the supply in the sub market. Given the market leader in terms of

existing supply (advantage of early entry), Embassy Manyata enjoys a premium in terms of market rent ~ in the range of 10.0-15.0% year on year.

Introduction of supply in Karle Town Centre, MFAR Manyata in 2012-14 led to subdued rent escalations. However, the market is witnessing an increase in the growth rate over the last 3-4 years and is expected to continue achieving superior growth over the next 2 to 3 years, owing to lack of ready to move-in supply in large scale business parks.

The table below highlights some of the recent transacted rent for office parks/ assets in the influence region of the subject property:

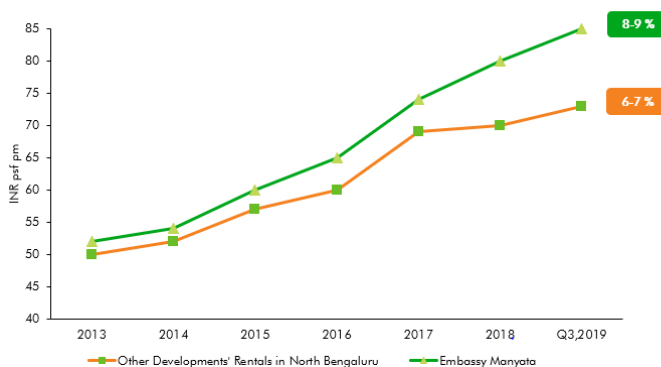
Embassy Manyata Comparables				
Date of Transaction	Development	Area (sf)	Tenant	Transacted Base Rent Value (INR psf pm)*
<b>Embassy Manyata (the subject property)</b>				
Q2, 2019		124,099	Nvidia	95.00 (WS)
Q2, 2019		37,094	ANZ	94.00 (WS)
Q4, 2018	Embassy Manyata (Larger development)	47,873	Legato Health Technologies	80.0 (WS)
Q4, 2018		23,174	Qualitest	80.0 (WS)
Q3, 2018		56,529	Mavenir Systems	77.0 (WS)
Q3, 2018		96,218	ANSR	72.0 (WS)
<b>North Bengaluru</b>				
Q2, 2019	Brigade Opus	19,000	Alif Semiconductor	75.0 (WS)
Q2, 2019	Manyata (Landlord)	25,000	Incubex	83.0 (WS)
Q2, 2019	RMZ Azure	120,000	Boeing	70.0 (WS)
Q2, 2019	Bhartiya City	46,000	Xome - Nation Star	52.0 (WS)
Q1, 2019	North Gate	290,000	Cerner	42.0 (WS)
Q1, 2019	Brigade Opus	46,000	Indiqube	75.0 (WS)
Q4, 2018	Brigade Magnum	15,000	Simpliwork	70.0 (WS)
Q3, 2018	Brigade Opus	92,000	ABB	70.0 (WS)

Source: CBRE Research\* Rent is base rent (viz. exclusive of property tax & insurance) on leasable area basis; Note: W – Warm shell; FF – Fully Fitted-out

### 5.1.2.1 Movement in Rent

The chart below depicts the movement in rent for office parks/assets in the subject sub market since 2013.

**North Bengaluru / Embassy Manyata – Movement in Rent**



Source: CBRE Research; excludes rent of Bhartiya City and Hinduja Ecopolis, ^ Indicates sub-market rent growth CAGR over 2013- Q3 2019; Other competing developments include MFAR Manyata Tech Park, Karle Town Centre, Kirloskar Tech Park

### 5.1.2.2 Rent ~ Future Outlook for Sub Market

While ORR has been preferred sub market in the context of the city, North Bengaluru has been witnessing sustained occupier interest. However, supply has been largely concentrated in Embassy Manyata in North Bengaluru historically and has enabled the developer to successfully lease over 10.9 msf over the years.

While ORR would continue to be a preferred sub market over the next 4-5 years, North Bengaluru leads other sub markets on its potential in the medium to long term. This is largely attributable to North Bengaluru's proximity to the International Airport, existing and proposed infrastructure initiatives, and ample availability of developable land parcels at competitive prices, growing residential catchment and connectivity to other parts of the city via Outer Ring road.

Given the development potential of the sub market and the development of residential/ lifestyle infrastructure, it will emerge as a preferred destination for corporates looking for office options for expansion/consolidation – resulting in increased market share going forward.

Larger development Embassy Manyata in North Bengaluru with its largest share in operational stock as well as a strong development pipeline in the next 3-4 years is expected to be a prominent player in the North Bengaluru sub market (keeping in context its proximity to the city centre vis-à-vis properties with future development potential).

Official Signatory for  
Value Assessment  
Service Provider:



**Name:** Vamshi KK Nakirekanti | MRICS | FIE | FIV | CEng (India)

**Designation:** Executive Director, Head – Valuation and Advisory Services, India & South East Asia

**Valuer Registration Number:** CBRE South Asia Pvt Ltd

## 6 Valuation Rationale

### 6.1 Scope of Valuation

The valuation exercise is aimed at the assessment of the Market Value (MV) of the subject property. In considering the value of the property, the Valuer have considered the guidelines laid out in the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors (RICS), U.K.

### 6.2 Market Value

The Market Value is defined as

*'The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'*

### 6.3 Market Value

The Market Value is defined as:

*'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'*

### 6.4 Approach and Methodology

The purpose of this appraisal exercise is to estimate the Market Value of the subject asset. This has been achieved by a systematic gathering, classification and analysis of data, which is required in the development as discussed below.

#### 6.4.1 Direct Comparison Approach

**'Direct Comparison Approach'** involves a comparison of the property being valued to similar properties that have actually been sold in arms - length transactions or are offered for sale. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis.

Post obtaining the values of property been transacted or offered for sale, as discussed above, a fair transaction value is determined based on the prevailing market dynamics.

However, the RICS under the clause Evidence of Market Transactions indicates that:

*"Generally, market valuations are based on evidence of market transactions of similar properties. A valuation, however, is an exercise in judgment and should represent the Valuer's opinion of the price which would have been obtained if the property had been sold at the valuation date on the terms of the definition of Market Value. The Valuer is not bound to follow evidence of market transactions unquestioningly but should take account of trends in value and the market evidence available to him, whether or not of directly comparable transactions, adjusting such evidence to reflect the MV definition*

and attaching more weight to some pieces of evidence than others, according to the Valuer's judgment. It is seldom that a Valuer has evidence of contemporaneous transactions of precisely similar properties to that being valued. The art of valuation often involves subjective adjustments to evidence of transactions, which are not wholly comparable together with interpretation of trends in value. A Valuer must exercise skill, experience and judgment in valuing and in making such adjustments and comparisons, even to the extent of making a market valuation (of a property for which it is thought there would have been a market) in the absence of any direct transaction evidence.”

The Direct Comparison Approach is typically being used for vacant plots or properties that are being traded on unit basis.

#### 6.4.2 Income Approach

Income Approach is based on the premise that value of an income producing asset is a function of future benefits and income derived from that asset. There are two commonly used methods of income approach in real estate valuation namely, Income Capitalization and Discounted Cash Flow (DCF).

##### A. Income Capitalization Method

Income capitalization involves capitalizing a ‘normalized’ single - year net income estimated by an appropriate market based yield. This approach is best utilized with stable revenue producing assets, whereby there is little volatility in the net annual income.

##### B. Discounted Cash Flow Method

Using this valuation method, future cash flows from the property are forecasted using precisely stated assumptions. This method allows for the explicit modelling of income associated with the property. These future financial benefits are then discounted to a present day value at an appropriate discount rate.

In our opinion, it is a more accurate determinant of value than the direct capitalization method when valuing income producing/ development properties. This method allows for explicit modelling of income associated with the development of the property.

#### 6.5 Methodology Adopted

The Valuer acknowledge that the approaches to valuation differ considerably and that for a particular purpose, alternative approaches to the valuation can be utilized subject to the Client’s consultations and giving due consideration to the Client’s requirements. Considering the objective of this exercise and the nature of asset involved, the value of the subject property has been assessed through the **Discounted Cash Flow Method**.



## 6.6 Value Assessment

### 6.6.1 Development Assumptions

As per information provided the Client, a Co-Developer Agreement and Development Management Agreement had been entered between Embassy Property Developments Private Limited and Manyata Promoters Private Limited (Client) for the development of a sector specific Special Economic Zone for Information Technology & Information Technology Enabled Services. Based on information provided by the Client and under Co-developer agreement, EPDPL has assisted MPPL to obtain co-developer status as per provisions of SEZ Act. This agreement was entered for a proposed leasable area of 997,057 sft. Further, as per information provided by the Client, an additional area of 597,789 sft is proposed to be included as part of Block M3 and the same is considered for the purpose of this valuation. For the proposed additional area MPPL will be entitled to a specific contracted net operating income (NOI) from the date of operation commencement.

### 6.6.2 Inputs pertaining to Block M3 additional area

As detailed earlier, the scope of this valuation exercise is for the additional area to be included as part of Block M3, within Embassy Manyata i.e. 597,789 sft.

Based on information provided by the Client, EPDPL has assisted the Client to obtain co-developer status as per provisions of SEZ Act. This agreement was entered for a proposed leasable area of 997,057 sft. Further, as per information provided by the Client, an additional area of 597,789 sft is proposed to be included as part of Block M3 and the same is considered for the purpose of this valuation.

Client will be getting the rights to a contracted NOI of INR 95.0 per sft per month (subject to escalation of 15% every 3 years) from the date of operation commencement of additional area in Block M3 i.e. Q2, CY 2023. Based on review of the term sheet between Client and EPDPL, the Valuer understands that the proposed acquisition is for the asset to be acquired on an as completed basis. Accordingly, no development cost has been adopted as part of this valuation. Additionally, the proposed completion (viz. obtaining of occupancy certificate) is expected to be Q2, CY 2023 and the rental adopted for the purpose of this valuation is keeping in purview that date. Should the completion be before or after the date, the same would result in a change to the valuation

Further, it is understood that the additional area will be obtained as Transferable Development Rights (TDR).

### 6.6.3 Capitalization Rates

The capitalization rate adopted for valuing various assets has been based on factors such as:

- Historical entry yields (going in cap rates) for yield/ core office asset transactions across various key markets in India which have steadily shown a downward trend over last 7 - 8 years from 10.5- 11.5% to about 7.5% - 8.5% in 2018-2019.
- The increased appetite for income producing assets and availability of various modes of finance (real estate credit flows) backing such acquisitions

- The demand supply situation in Bengaluru and expected dynamics of demand leading supply - given the barriers to entry such as land availability, higher initial cost outlays etc. developers are expected to focus on fully built to suit or semi-speculative projects (with key tenants tied in prior to launch of construction)
- Inflation – inflation (and interest rates) expected to be maintained in check with interventions from regulators in case of severe swings

Based on the above highlighted attributes, the cap rate adopted for the purpose of our valuation is 8.0%.

#### 6.6.4 Discount Rate

For discounting the cash flows, the appropriate discounting rate has been calculated on the basis of estimated 'Weighted Average Cost of Capital' (WACC).

##### Cost of Equity

The Valuer has computed the cost of equity as per the Capital Asset Pricing Model (CAPM), which is derived as follows:

$$\text{Cost of equity} = \text{Risk Free Rate (Rf)} + \text{Beta } (\beta) * (\text{Market Return (Rm)} - \text{Risk Free Rate (Rf)})$$

As mentioned above, the cost of equity computed using CAPM constitutes of the following components:

- Risk free rate (Rf) i.e. long term (10-year) treasury bond rate in India
- Market return (Rm) based on the returns of Broad Based BSE 500 stock index for the past 10 to 15 years
- Computation of 'Beta ( $\beta$ )' of key listed realty stocks in India with respect to the Broad Based BSE 500 stock index

The cost of equity adopted for specific projects has been adjusted for market/ project specific risk pertaining to a real estate project such as execution risk (construction status), approval risk, marketing risk etc. and adjusted for taxation. While the assumptions regarding the quantum of these risks have no quantitative basis, the Valuer have adopted them based on our understanding of the market and our opinion on the project performance

##### Cost of Debt

The cost of debt for as if completed has been considered based on prevalent Lease Rental Discounting (LRD) rates for Grade A office parks within Bengaluru city.

For under construction/ proposed block, the cost of debt has been considered based on prevalent Construction Finance (CF) rates for Grade A office parks across Bengaluru Market.

##### Weighted Average Cost of Capital

As highlighted earlier, the cost of debt for as if completed development has been assumed based on the prevalent LRD rates while the cost of equity assumed has been adjusted for asset and market specific attributes to reflect the market expectations from an operational Grade A office development.

Based on above, the following WACC rate has been assumed for the subject property (to assess the value upon completion)

Component	Proportion	Component Cost
Debt	40%	9.0%
Equity	60%	14.5%
<b>WACC</b>		<b>12.30%</b>

As highlighted earlier, the cost of debt to assess the asset value has been assumed based on the prevalent CF rates. Further, on the base cost of equity assessed which would be applicable on an operation development (as highlighted above), additional risk premium towards construction and marketing has been adopted to arrive at the cost of equity for under construction/ proposed block. Additionally, the proportion of debt and equity has been derived considering the leverage extended for construction of Grade A office developments based on industry benchmarks and feedback received from financial institutions.

Based on above, the following WACC rate has been assumed for the subject property:

Component	Proportion	Component Cost
Debt	60%	11.50%
Equity	40%	16.00%
<b>WACC</b>		<b>13.30%</b>

The cash flows are assumed to realize evenly during the course of every quarter, hence a mid-quarter discounting convention has been adopted for the purpose of this valuation. Additionally, the Valuer have also not factored any cash flows attributable to working capital requirement/expenses for valuation as the same is immaterial.

## 6.7 Value of the Subject Property

Based on the above mentioned analysis, the value of the subject property is estimated as follows:

Particulars	INR Mn
Value as if completed	8,664

## 6.8 Representative comparative acquisition transactions

A few representative comparative acquisition transactions are highlighted in the table below:

Location	Date of Transactions	Building	Buyer Name	Area (Mn sft)	Value (INR Mn)	Yield (%)
North Bengaluru, Bengaluru	2019*	NA	Ascendas India Trust	1.00	7,500	NA

Location	Date of Transactions	Building	Buyer Name	Area (Mn sft)	Value (INR Mn)	Yield (%)
North Bengaluru	2019	MFAR	Under Negotiation	0.10	1,200	8.75 – 9.00%
North Bengaluru	2019	Salarpuria	Under Negotiation	0.28	3,025	9.0 – 9.5%
Hinjewadi, Pune	2017	Blue Ridge SEZ – Phase II	Ascendas India Trust	1.50	6,900	10.5 – 10.75%
Hi-Tech City, Hyderabad	2011	aVance Business Hub	Ascendas India Trust	1.75	6,810	11.0 – 11.2%

Source: CBRE research; \* The following transaction was a proposed forward sale agreement, where the commercial (as highlighted in the table) were finalized, however, the deal finally did not conclude.

Based on CBRE’s market research it is observed that transactions to acquire interest in projects to be developed in future are concluded at a 100-125 basis points higher spread as compared to transactions for completed & operational commercial developments. For example, in 2011, Ascendas India Trust entered into an agreement in aVance Business Hub, Hyderabad for acquisition of future development at a cap rate in the range of 11.0 – 11.2%. During the same time, Ascendas India Trust acquired the operational block within the same development admeasuring 430,000 sft at a cap rate of 10.0 – 10.2%.

Considering that the subject property will be developed and interest thereto acquired in future, a similar spread (100-125 basis points higher) is expected in comparison to the operational area within the larger development.

- The above spread is typically observed in comparable agreements because the buyer locks-in the value of the asset based on market rent estimates as of date of transaction.
- Further, in such arrangements the buyer will start receiving cash flows at a future date which is subject to market movements, leasing of the asset, rental downtime, etc. there is higher cash flow risk compared to transaction in an operational development, resulting in higher yield/cap rate for such transaction.
- The subject property is part of a larger landmark office development in North Bengaluru (Embassy Manyata) which is approx. 99% leased as of date. The total operational leasable area within the larger development is approx. 11.0 mn sft and has witnessed a healthy year on year demand on account of re-leasing, renewals and fresh space take-up. Considering the historical leasing, tenant profile, amenities & specifications, park level eco-system, tenant relationships, strong marketing team, etc. we are of the opinion that there is limited leasing risk for the proposed development as part of the subject property.
- Given the construct of the proposed agreement for the subject property, it is understood that the buyer will receive contracted NOI (as detailed in section 5.6.2) from the date of operation commencement of the subject property. Considering the same the construction and leasing risk of the subject property is undertaken by the seller, resulting in low risk profile for the buyer in the said transactions.

- Further, the consideration towards the development of the asset is incurred by the buyer, thus resulting in low cash flow risk during construction period as well.
- Additionally, such transactions also involve milestone payments payable during the construction phase, with initial advance pay-out towards land value.

## 7 Valuation Conclusion

As per instruction from the Client, the date of assessment of cash flows is as of 31<sup>st</sup> December 2019 and the value is opined "As-if Completed"

The Valuer verifies that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct, and have been verified wherever possible
- All possible factors affecting the value of the subject property were considered
- The analysis, opinions and conclusions reported herein are unbiased views and are limited only by the Underlying Assumptions and Limiting Conditions and other qualifications contained herein
- The Valuer has no past, present or contemplated (prospective) future interest in the real estate that is the subject of this report and the Valuer have no personal interest or bias with respect to the parties involved
- These appraisals and the procedures related thereto follow the Codes of Ethics and the Standards of Professional Practice of the professional institution noted
- The property inspection was undertaken on December 16, 2019

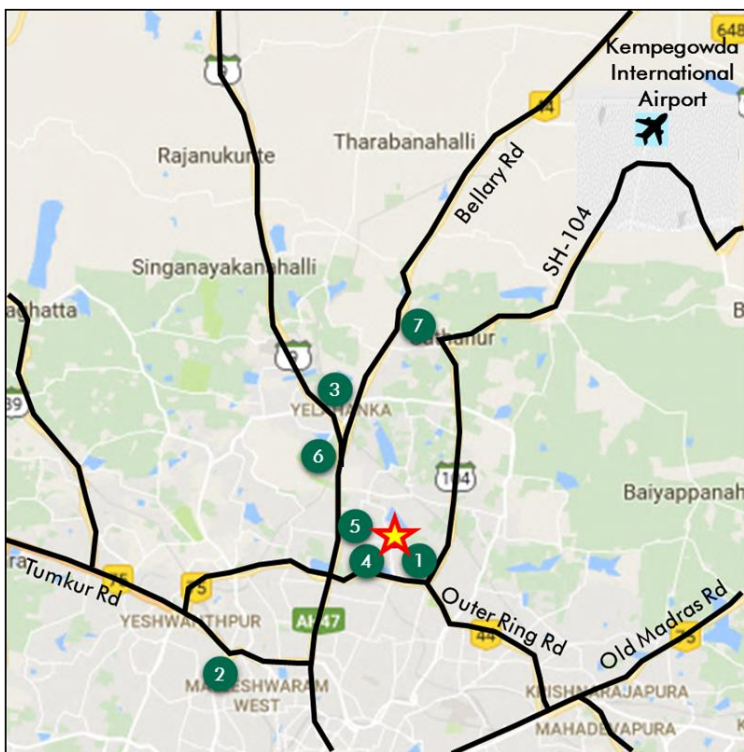
Based on information provided by the Client, subsequent market analysis and configuration (size and location) of the subject property, The Valuer's opinion on the market value of the subject property on an "As-If Completed" is highlighted in the table below:

<i>Particulars</i>	<i>INR Mn</i>
Value "As-If Completed"	8,664



## 8 Appendices

### 8.1 Location Map



#	Key Office Developments
	Embassy Manyata
1	MFAR Manyata Tech Park
2	Brigade Gateway (WTC)
3	RMZ Galleria
4	Karle Town Centre
5	Kirloskar Business Park
6	NCC Urban Windsor
7	Hinduja Ecopolis

Source: CBRE Research