



Embassy REIT
Q4 FY2022 Earnings Call
April 28, 2022

CORPORATE PARTICIPANTS

Michael Holland – Chief Executive Officer (CEO)

Vikaash Khdloya – Deputy CEO & Chief Operations Officer (COO)

Aravind Maiya – Chief Financial Officer (CFO)

Abhishek Agarwal – Head of Investor Relations and Communications

MANAGEMENT DISCUSSION SECTION

Operator: Good evening everyone. A very warm welcome to all for the Embassy REIT's fourth quarter and full year FY2022 Earnings Conference Call. Currently, all participants are in a listen-only mode. Our speakers will address your questions at the end of the presentation during the question-and-answer session. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference – Mr. Abhishek Agarwal, Head of Investor Relations and Communications for Embassy REIT. Sir, you may begin.

Abhishek Agarwal

Head of Investor Relations and Communications

Thank you, operator.

Welcome to the fourth quarter and full year FY2022 Earnings call for Embassy REIT. Embassy REIT released its financial results for the quarter and financial year ended March 31, 2022 a short while back. As is our standard practice, we have placed our financial statements, earnings presentation discussing our performance, and a supplemental financial and operating databook in the Investors section of our website at www.embassyofficeparks.com.

As always, we would like to inform you that management may make certain comments on this call that one could deem forward-looking statements. Please be advised that the REIT's actual results may differ from these statements. Embassy REIT does not guarantee these statements or results and is not obliged to update them at any time. Specifically, the financial guidance and any proforma information that we will provide on this call are management estimates, based on certain assumptions and have not been subjected to any audit, review, or examination procedures. You are cautioned not to place undue reliance on such guidance and information and there can be no assurance that we will be able to achieve the same. Further, there are significant risks and uncertainties related to the scope, severity and duration of the Covid pandemic, and the direct and indirect economic effects of the pandemic and related containment measures on Embassy REIT and on our occupiers.

Joining me today are Michael Holland, the CEO; Vikaash Khdloya, the Deputy CEO and COO; and Aravind Maiya, the CFO. Mike will start off with the business and industry overview followed by Vikaash and Aravind. We will then open the floor to questions.

Over to you, Mike.

Michael Holland

Chief Executive Officer (CEO)

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

We recently completed the third year since our listing, crossing multiple milestones and we are set on a clear growth path for the future. While we will take you through the details of our full year performance in a while, I am pleased to report that we have delivered in-line with the enhanced guidance set out in January this year, and comfortably exceeded our original expectations outlined in July last year.

Despite Covid disruptions, we have successfully delivered on our leasing, development and financial targets. In the last year, we leased a total of over 2.2 msf, including over 1 msf of new leases, in-line with our enhanced leasing guidance. We delivered the 1.1 msf JP Morgan campus within timelines and budget; we launched the Hilton Garden Inn hotel ahead of target schedule, which is already seeing break-even run rates, and we are ready to open the 266 key Hilton hotel next week at Embassy Manyata. We completed a timely refinance of our Zero Coupon Bonds ('ZCB's) and locked 2/3rd of our debt at attractive interest rates, and that too from a widened investor pool. And overall, we delivered on our distributions' guidance with ₹21 billion or ₹21.76 per unit annual distributions. So, a good year given the external environment.

The year ahead looks encouraging, and we are enthused by the continuation of multiple positive themes for our business.

We have seen a continued improvement in office attendance and a reduction in Covid cases and restrictions since the peak of Omicron in January. The physical occupancy in our parks has ramped up considerably – from ~10% at the end of last month, it has gone up to around 20% as of yesterday; so a 25k increase in just 4 weeks. As per the conversations with our key occupiers, we expect the occupancy numbers to continue on this upward trajectory over the coming weeks and months.

Along with the 'Back to Office' movement, the record order books, tech spends and offshoring, as well as rapidly increasing headcounts for our core customer base – technology and Global Captives – is translating into significant demand for office space and Request for Proposals ('RFP's). In parallel, the continued focus by companies on higher quality, wellness-oriented properties is likely to result in stronger leasing interest in our portfolio. We are well positioned to benefit from this demand acceleration given our concentration in the right markets and our focus on the 'total business ecosystem' offering and sustainability performance of our properties.

Our robust FY2022 performance and promising FY2023 growth prospects places us in a great position. Our business resilience continues to reflect in our stock performance and consistent uptick in our Unitholder register, despite geopolitical conflicts and resulting global market volatility. We are excited for the upcoming year and endeavor to continue to deliver value to our Unitholders, as demonstrated consistently over the last 12 quarters.

Lastly, earlier this year we announced that, Aravind Maiya, our CFO, has expressed his desire to step down to pursue other interests. We are grateful to Aravind for his contributions and wish him success with his future endeavors. The identification of long-term CFO candidates has commenced; and in the meantime, our deputy CFO, Abhishek Agrawal will take over as the interim CFO from 1st June. Our strong finance team of over 40 individuals, with best-in-class systems and processes, continues to be fully focused on delivering to our Unitholders.

I will now handover to Vikaash to present our business and operating highlights for the year.

.....

Vikaash Khdloya

Dy CEO and Chief Operations Officer (COO)

Thank you Mike and a good evening to everyone.

Despite the external challenges, we concluded another good year for our business and are set on a positive growth trajectory. Key business highlights for the year are:

- We leased 2.2 msf across 47 deals at 18% spreads, and achieved 14% rent escalations on 7.7 msf;
- We delivered 1.1 msf JP Morgan campus within timelines and budget, and ramped-up new growth cycle with 4.6 msf new office development;
- We launched one of India's largest mixed-use complexes offering 619 dual-branded Hilton hotel keys at Embassy Manyata;
- We concluded ₹9.3 billion add-on acquisition at our investment entity Embassy GolfLinks, and initiated evaluation of 5 msf Chennai ROFO opportunity from Embassy Sponsor; and
- We announced our overall ESG strategy, our 2040 net zero carbon operations commitment and a 75/25 Renewable programme.

Let me cover the details under 4 broad areas of leasing, organic growth, acquisitions and sustainability.

First, an update on our leasing for the year and outlook

We are pleased to report that we achieved 2.2 msf of total leases in the previous year across 47 deals, with the deal activity, by number of leases, similar to pre-pandemic levels. We delivered over 1 msf of new leases across 31 deals, in-line with our enhanced leasing guidance last quarter. Notably, around half the space was leased to new occupiers – many of them smaller, newer, tech-focused players with high growth potential for further expansion in our properties. Additionally, we successfully renewed 1.2 msf at 13% spreads and secured 14% rent escalations on 7.7 msf across 89 deals. With this, we ended the year at 87% occupancy, and a promising pipeline of 500k sf along with encouraging pre-commitment discussions for our under-construction projects.

Our leasing pipeline and conversations with occupiers support our view on three clear trends in the Indian office space.

First, the timing of pent-up demand translating to lease closures is directly linked to the back-to-office ramp-up. With record hiring and increased offshoring, multiple corporates have onboarded more employees than their existing office capacities, a trend which was highlighted during our recent interactions with certain occupiers. As office utilization continues to increase, ready availability of quality office stock becomes a key differentiator. Further, long-term office space planning is fast becoming a key focus for occupiers, given the business growth, talent hire as well as limited supply in key micro-markets. As a result, many Global Captives have now issued RFPs for pre-commitments.

Second, there has been an increase in demand from high-growth players looking to setup offices in new locations, including first time occupiers in India, who are focused on accessing talent to support their growth. These corporates are experimenting by leasing smaller or flex spaces but have substantial growth potential in mid-term. As part of our strategy, we have signed over 20 such leases last year at an average deal size of around 50k sf and we are in advanced discussions for more. We believe this sets us in a strong position to capture future demand from these growing corporates.

Finally, the demand rebound is varied across sectors and micro-markets. Of the 31 msf pan-India active RFPs, around 55% relate to Global Captives and around 60% are Bangalore based requirements given the garden city's well-established ecosystem, large office market and talent availability. Expansion and consolidation are the two key themes for Bangalore RFPs. Mumbai is also showing encouraging signs of demand pickup, especially from the financial sector. Given that physical home infrastructure challenges are especially acute in Mumbai, the back to office ramp-up has been significantly faster here which is leading to increased deal activity. Relocation to higher quality and well-connected properties are the key themes for Mumbai RFPs. Our 84% portfolio exposure to these two cities coupled with the favorable location of our properties and several infrastructure initiatives for enhanced connectivity positions us extremely well.

Moving to our leasing guidance for FY2023, we are targeting a total lease-up of 5 msf comprising 1.7 msf new leases on our operating portfolio, 1.2 msf pre-commitments and 2.1 msf renewals. Of our 3.1 msf lease expiries due this year, 1.2 msf are likely exits but with a significant a mark-to-market opportunity of over 55%.

Moving to our organic growth updates

First, an update on our new office development. During the previous year, we successfully delivered a state-of-the-art 1.1 msf campus to JP Morgan at Embassy TechVillage ('ETV') and given the robust demand in this ORR micro-market, we launched an additional 1.9 msf new office development. With this, our ongoing construction projects now total 4.6 msf, we have significantly ramped up activity at site and are on track with our target delivery schedules. However, construction of our 0.6 msf M3 Block B at Embassy Manyata has been impacted given delays in pre-construction approvals, including the acquisition of necessary transferable development rights. On a positive note, we are evaluating additional leasable area opportunities totaling over 1 msf, comprising 600k sf at Embassy Manyata through redevelopment of certain existing blocks and 400k sf new block at ETV, and we will update you as we progress on regulatory approvals for these.

Moving to hotels, we are delighted to announce the launch of one of India's largest mixed-use hotel complex at Embassy Manyata comprising 619 keys dual-branded Hilton hotels, 60k sf convention center and an 85k sf retail and F&B hub. Strategically located at our park entrance, this hotel is complementary to our office offering and significantly increases Embassy Manyata's competitive moat. We have already signed over 110 corporate contracts and the 353 key Hilton Garden Inn launched in March of this year is already witnessing encouraging occupancy levels. Similarly, given the recovery in travel, we are seeing occupancy pick-up for our other two operational hotels. With a further boost from the opening of international borders, hospitality demand is set for a strong rebound. We have also kickstarted construction of the 518 key dual-branded Hilton hotels at ETV in Bangalore's ORR, a micro-market with significant long-term opportunity given the demand supply mismatch. We see hotels as immensely complementary to our office offering.

During the year, we completed master plan upgrades for Quadron and TechZone in Pune, launched a public skywalk and flyover near our Bangalore properties and initiated 'Central Garden', an 8-acre amenity zone at ETV. We continue to ramp up our office construction and kickstart new hotel projects to enhance the total ecosystem of our properties, preparing them for the resurgent demand.

Next, an update on our acquisitions

During the last year, we consolidated ownership in Embassy GolfLinks ('EGL') property at Bangalore, one of India's best office parks. Our 50%-owned investment entity GolfLinks Software Park Private Limited ('GLSP') acquired 0.4 msf area within EGL from strata owners, thereby consolidating GLSP's ownership footprint to 3.1 msf and we have witnessed strong leasing for this newly acquired area. GLSP also acquired the property management business for the entire 4.7 msf EGL business park. Property management ownership is a continuing theme for us given the long-term strategic benefits of full alignment and improved service delivery to occupiers. The entire acquisition was completed by GLSP for a total consideration of ₹9.3 billion and was funded through a debt by REIT at 70 bps spread to REIT's recently raised 5-year fixed coupon debt at 7.35%. Since acquisition, the 0.4 msf area has witnessed strong leasing given its consolidation with our EGL property

In addition, we continue to evaluate the Right of First Offer opportunity received from Embassy Sponsor in January in relation to Embassy Splendid TechZone, a 26-acre business park in Chennai totaling around 5 msf when fully developed. We like the impressive scale, global occupier base and micro-market of this property and will update you as we progress further on our evaluation. This is in addition to other third party opportunities which we are currently considering. As demonstrated by our ₹97.8 billion successful acquisition of ETV in December 2020, we remain highly selective and are focused on ensuring acquisitions are complementary to our existing portfolio. Our robust governance framework, strong balance sheet and well-established access to capital markets are our key strengths and help us pursue accretive growth.

Finally, an update on our ESG initiatives

Earlier this year, we announced our ESG strategy based on 3 key pillars of Resilient Planet, Revitalized Communities and Responsible Business. We have committed to achieve net zero carbon emissions by 2040 across our operational portfolio and have set medium-term goals for our 19 ESG programs – key being our ‘75/25 Renewable Programme’, i.e., our commitment to achieve 75% renewable energy usage across our properties by FY2025. To that end, we have initiated a 20 MW solar rooftop project across our pan-India properties, this being one of Asia’s largest such initiatives. This project is on track for end 2022 completion and is expected to deliver over 30% IRR given the attractive 5.95% certified green financing.

In recognition of our efforts and leadership position in sustainability, we received multiple prestigious ESG recognitions, such as the Golden Peacock Award for Sustainability, a 4-star GRESB rating, a portfolio-wide WELL score and USGBC LEED Platinum rating for all our Mumbai, Pune and Noida properties. We consider our ESG focus and commitments to be aligned with the broader goals of our global occupiers and investors and our leadership position as a strong differentiator and a long-term advantage.

In summary, we concluded the year with strong execution of our leasing strategy, successful delivery and ramp-up of our office and hotel developments and considerable progress on ESG front. Looking forward, we are well placed for growth considering improving leasing outlook, significant mark-to-market opportunity and our substantial on-campus development. Additionally, as market consolidates to fewer and more institutional landlords, we are well positioned for new growth through accretive acquisitions.

Over to Aravind now for our financial updates.

.....

Aravind Maiya

Chief Financial Officer (CFO)

Thanks, Vikaash. Good evening. Let me start with our financial highlights for the year.

- We surpassed our Net Operating Income ('NOI') and Distributions guidance provided in July of last year by 5% and 1% respectively. This outperformance was largely driven by our leasing recovery as well as improved operating performance by our hotels.
- We refinanced our ₹36.5 billion ZCB with coupon bearing debt at positive spreads of c.300 bps leading to proforma ₹1.3 billion annual interest savings. Post this significant refinance, our balance sheet remains conservative with 24% leverage and 6.7% cost of debt.
- We enhanced post-tax distributions yield for our Unitholders by simplifying the two-tier structures of our Manyata and ETV properties and increasing tax-free component of our distributions from 66% in previous year to 82% in FY2022. Going forward, we expect c.85% of our distributions to be tax-free.
- We achieved a 6% YoY increase in Gross Asset Value for our portfolio, independently assessed by valuers at ₹494 billion as of 31 March 2022. Our NAV also increased by 2% YoY to ₹393.90 per unit, primarily driven by improved market outlook, lease-up, market rent assumptions and new deliveries.

Now, an update on our FY2022 income performance and distributions

- **Revenue from Operations** grew by 26% YoY to ₹29,626 million, mainly driven by revenue accretion due to ETV and other completed acquisitions in the previous financial year, ramp-up in hotel occupancy and rent escalations on 7.7 msf leases. The impact of these positives was partially offset by a decline in occupancy since the start of the Covid pandemic.
- **NOI and EBITDA** both grew by 23% YoY, in-line with the increase in our Revenue from Operations and factors the corresponding CAM and hotel operations expenses. Our NOI margins stood at an impressive 84% and continue to be best-in-class, reflecting the scale and efficiency of our business as well as our low fee structure.
- **Net Distributable Cash Flows ('NDCF')** grew by 12% to ₹20,639 million, mainly reflecting the increase in our NOI and EBITDA. The impact of these positives was partially offset by additional interest cost on coupon bearing debt raised for acquisitions and our ZCB refinance. Earlier today, the Board of Directors declared a **Distribution per Unit ('DPU')** of ₹5.26 for Q4, representing a 100% payout ratio. With this, Embassy REIT has declared annual distributions of ₹21.76 per unit for FY2022, about 1% higher than previous year.

Before I move to our FY2023 guidance, an update on our Balance Sheet strength

Our fortress balance sheet is well positioned to drive growth. We have a proforma debt headroom of ₹120 billion with average debt cost at 6.7%, one of the lowest in the industry. We undertook a few notable steps during the year which has further consolidated our strong balance sheet position.

- Through our ₹69 billion debt raises during the year, across listed bonds as well as SPV-level debt, we widened our debt investor pool with participation from numerous domestic mutual funds, corporate treasuries and domestic as well as multinational banks. The regulatory permission to insurers and FPIs to participate in REIT debt issuances further enabled us to access a new and deep capital pool and achieve their first-time participation in our debt book.
- We successfully refinanced our legacy ZCB by raising ₹46 billion coupon-bearing debt at 6.5% debt cost, significantly lower than the 9.4% ZCB raised at IPO. Given the rising interest rate environment, our assessment of prepaying this debt in November last year ahead of the actual maturity schedule has been immensely beneficial. Including additional refinance of ₹7 billion debt across various term loans and construction debt, we refinanced a total of ₹53 billion debt during the year and achieved positive refinancing spreads of around 260 bps, leading to proforma annual savings of ₹1.4 billion to the benefit of our Unitholders. We continue to opportunistically explore additional refinancing opportunities.

- We locked-in majority of our debt at fixed interest rates which positions us well given the trend towards hardening of interest rates. As of March 2022, around 62% of our debt book is at fixed coupon and we do not have significant debt maturities in FY2023. All our debt continues to be rated as AAA/Stable by credit rating agencies. Further, as of 31 March, 2022, our entire ₹121 billion debt book is fully coupon-bearing, thereby simplifying the cash flow-through for our distributions and enabling easier understanding of the yield and growth components of our REIT product by current and potential Unitholders, including our growing retail investor base.
- As part of our broader ESG strategy, we successfully raised ₹22 billion of green loans during the year, much ahead of our FY2024 target of ₹10 billion, and I am pleased to update that 16% of our overall debt book comprises of green loans. As Vikaash mentioned earlier, ESG is a key business focus for us and the 19 programmes across 3 pillars are fully integrated into our execution priorities.

Lastly, our outlook for FY2023

We expect our NOI to be in the range of ₹25,679 million to ₹28,382 million with midpoint of ₹27,030 million, which is 9% higher than previous year FY2022. We expect our NDCF to be in the range of ₹19,541 million to ₹21,598 million with midpoint of ₹20,569 million. Correspondingly, our DPU is expected to be in the range of ₹20.62 per unit to ₹22.79 per unit with a midpoint of ₹21.70 per unit, in-line with the previous year. I would like to highlight that this distribution guidance includes the impact of the ZCB which we refinanced in November last year with a coupon-bearing debt. To that end, our new guidance should be viewed as core recurring distributions, and on a like-to-like basis, post factoring the impact of ZCB refinancing, our guidance is 9% higher compared to the previous year.

Our outlook is based on following key assumptions:

- Considering the improved demand outlook and our leasing pipeline, we expect a total lease-up of 5 msf, comprising 1.7 msf new deals on operating portfolio, 1.2 msf pre-leases on under-construction projects and 2.1 msf lease renewals. We have also factored income from our recently delivered 1.1 msf JP Morgan Campus at ETV.
- We will benefit from the full year impact of the successful 14% rent escalations on 7.7 msf across 89 leases in the previous year. We also expect to achieve 14% rent escalations on an additional 8.2 msf across 68 leases during FY2023.
- In relation to our hotels, considering the revival of business travel and hospitality demand, we expect continued improvement in business on books across our 1,096 keys operating hotels, including the soon-to-be inaugurated Hilton hotel at Manyata. We have factored a positive EBITDA of ₹400 million from hotels compared to an average cash drag of ₹244 million in the previous two years.
- Finally, we have factored incremental ₹650 million interest costs relating to the recent 1.1 msf office and 619 key hotel deliveries as well as 0.9 msf expected completions during FY2023. We have also factored ₹1.7 billion or ₹1.8 per unit full-year impact due to interest expense outflows given our recent ZCB refinance.

While business outlook and sentiments have certainly improved, please note that our guidance remains subject to the evolving nature of the pandemic. We are focused to deliver accretive growth through market-to-market leasing, new development completions and prudent acquisitions. We remain well-positioned to finance our growth given our strong balance sheet.

Over to Mike for his concluding remarks.

.....

Michael Holland

Chief Executive Officer (CEO)

Thank you, Aravind.

So, another very solid and encouraging year; marking our 3-year anniversary since listing in April 2019.

Over the last 3 years, we signed total of 6.4 msf leases across 135 deals, delivered 2.5 msf of new space, launched three 849 keys premium hotels, expanded our occupier base from 165 to over 200 corporates, acquired a 9.2 msf world-class business park, raised over ₹36 billion equity through India's first QIP by a REIT, raised over ₹174 billion debt, refinanced around ₹89 billion debt reducing our debt cost by around 265 bps, launched our ESG framework and 2040 net zero commitment, and finally, distributed over ₹58 billion to our Unitholders, which along with our stock performance equals over 15% annualized total return. Our team has accomplished a great deal in these three years, despite having two years in the shadow of the extraordinary circumstances of the global pandemic.

Finally, I am pleased to confirm that the Board has today approved the appointment of Vikaash Khdloya as CEO for EOPMSPL, the Manager to the REIT, and that I will retire from the business effective 30th June 2022. Vikaash is known to many of you as he has been part of our leadership team since before our IPO in April 2019. Our Nomination & Remuneration Sub-Committee ('NRC') has followed a rigorous process by engaging two globally recognised leadership consulting practices to assess potential external candidates as well as undertake an independent skills assessment; and the NRC has unanimously concluded that Vikaash Khdloya is the best fit for the role of CEO to Embassy REIT. It has been a privilege for me to serve in this position for the three years post IPO, and I am confident that our strong leadership team led by Vikaash will take the business through its next phase of growth for the benefit of all our Unitholders.

Looking forward, we have a clear strategy to further solidify our resilient business and undertake accretive growth by building and acquiring assets complementary to our industry-leading portfolio. We have an excellent team of over 160 very talented individuals who are committed to execute this strategy and are driven by our ultimate goal of delivering growth and maximizing value to our Unitholders.

Let's move to Q&A.

.....

QUESTION & ANSWERS SESSION

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

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Tayal from Bank of America. Please go ahead.
- Kunal Tayal:** Thank you. Firstly, Mike, wish you well for your next phase, I enjoyed the many discussions we had, also Vikaash congratulations on the elevation. I had two questions; first one is on the new leasing outlook for FY2023. Good to know that it is higher than FY2022, but it does not yet seem to be back to FY2020 levels. Is it really the physical occupancy rates which are holding this back or anything else? My second question is around the upcoming expiries. I believe you are trying to highlight that you will retain 60% of this which is in line with historic average, but is there scope for positive surprise or significant movement or the percentage as you go through the year? Thank you.
- Michael Holland:** Thank you for your kind words. Vikaash, would you like to talk through that leasing outlook and also the expiry please?
- Vikaash Khdloya:** Thank you Kunal. Quickly on our leasing outlook and how it compares to previous year. Just to give you a broad outlay, during the pre-pandemic our average leasing - both new leases and end up to the renewals - was approximately 2.7 million square feet across both FY2019 and FY2020, so to that extent compared to the pre-pandemic levels, we believe this guidance demonstrates a positive outlook and of course in FY2022, we did about 2.2 million square feet of total leasing. We think it is very encouraging the way things are looking especially in Bengaluru - our core market. That is on your first question. On the second on the expiries, you may recollect that we did mention that we had one large legacy occupier in Manyata who had decided to relocate for cost reasons and a big chunk of that likely exit of 1.2 million square feet comprises those 700,000 square feet exit which is the last of the staggered exits that has been happening by this occupier. The good news is that we have a phenomenal 55% mark-to-market opportunity given that this is a 16-year-old lease. To your question, we do see opportunities for early renewals where large occupiers whose expiries are not within the next two-three years are engaging with us to explore early renewal opportunities blend and extend as we call for two reasons not only because the market supply is especially constrained in core markets but also because of lot of occupiers are looking to upgrade their furniture and fit outs and they would like to ensure the time to upgrade both with the back to work trend as well as with removing and locking in a longer term lease with us. So, I think that trend is something we are seeing as emerging over the last quarter or so we will have to see the next couple of quarters of that one trend in play.
- Michael Holland:** Kunal, can I just add a couple of basis points around that. I think we mentioned in the last quarter, and we are really at a similar position at 31 million square feet of RFPs out there 60% of that is focused around Bengaluru, we got a very encouraging pipeline of over half a million square feet, we have got conversations going with occupiers right over square feet and long-term pre-commitment type of opportunities that run into the 4 to 5 million square feet. So, the prognosis over the next 12-24 months is, as we have said before, very encouraging.
- Kunal Tayal:** Sure, thanks Mike, thanks Vikaash.

Moderator: Thank you. The next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: Vikaash congratulations on your elevation and Mike, very happy for the association we have had. Just two questions from my side, when we talk about the likely exits of 1.22 million do you have any visibility of new tenants that could take that space. Also, on the 2.7 million which is currently under construction and likely to come board, any leads on what the pre-committed leases are? And the third one is on the acquisition of 0.4 million square feet at Golf Links, can you just elaborate on the Rs.932 Crores, how does the ownership for the 0.4 million still continue to earn 50% and also what is the NOI that one could look at from this 0.4 million as it stands to be? some more details on the 0.4 million square feet acquisition? Thank you.

Michael Holland: There are a lot of question. Vikaash, do you want to take them?

Vikaash Khdloya: Thank you Murtuza. While I address your first question Murtuza, of the 1.2 million square feet that we have projected of likely exits - of course all of these exits do not happen today. They happen over the course of the coming year with about 500,000 square feet each in the first two quarters and then it trickles down to lower numbers in Q3 and Q4. Half of the space will be available to the backfill only after September 2022. Having said that we have an encouraging main pipeline for backfilling this that is included in the leasing guidance of 1.7 million square feet that Aravind mentioned. Let me give you some flavor of the kind of occupier that we are speaking to, you will get a sense of how the demand is emerging. So, ETV we are speaking to a global automotive firm which is focused on EV and motion control that is 30000 square feet. We are talking to a 10-billion crypto related tech firm for another 30000 square feet in EGL. We are interestingly talking to a specialized offshoring advisor who advises large global corporations end-to-end and offshoring and that is it Manyata at Embassy One. Plus we are discussing a lease at FIFC who is one of the largest global music label companies and that is about 30000 square feet and just to give a sense of the last one or two of those is we are talking to a cloud-based cache provider for about 90000 square feet in one of our properties in Noida. I can just give you a flavor but what we are seeing with trend across sectors whether it is automotive, whether it is insurance, energy of course, global captives and we are also seeing some of EV companies who are looking to take up space in our properties. So, it is a very encouraging pipeline and we do think that these are the occupiers who will be the high growth occupiers who will eventually scale up. This is a very focused mid-term strategy from our side and as I mentioned in my prepared remarks that we did the same number of deals in FY2022 which we did pre-COVID of approximately 31, so that is the focus. Just to come to your second question on pre-leasing commitments, as we discussed earlier, of course, Pune continues to be lagging behind Bengaluru we are yet to see momentum pickup but we did see some encouraging signs with this in the last one week we renewed about half a million square feet with existing occupiers in Pune, but Bengaluru we have seen very healthy traction in terms of demands on pre-commitment. So, at ETV we are speaking to two large global banks who had actually ramped up more than 50% in Mumbai and are now looking to ramp up around similar levels in Bengaluru city and those requirements are anywhere in excess of 1.5 million square feet. We are also seeing a pipeline from large tech firms in ETV. Obviously, all of these are mid-term requirements because of supply also come back in two to three years from now. The Bengaluru seems encouraging pre-lease activity. Similarly, at Manyata we are talking two of the largest brands which is an existing occupier for their M3 block A - the 1 million square feet - which comes later this year. So, again our strategy here, Murtuza will be we would like lock in anchors, properties which are nearing completion, at the same time something which is two or three or four years away especially in a rising rent market, we would not

want to pre-commit the entire portion but at the same time derisk by being selective about the amount of area and occupy we commit space too. Lastly, on your Golf Link question, maybe I can just talk you through the slide number 30 on our earnings deck. The basic philosophy for a Golf Link acquisition is one we really like as a theme - owning more of what we already own whether it is within the campus or whether it is surrounding to our campus. So, again this was an opportunity to consolidate, and it made more sense to go through the joint venture entity because of its better alignment and again as a continued theme like owning property management business of all the business parks that we currently own. This was the broad thing. The entire consideration of Rs.9.3 billion has been paid by the joint venture entity of which Embassy REIT owns 50%. It has been acquired by that entity - of course we own 50% of the economics of that entity. Tentatively, the way we have also structured the deal is that we at REIT have financed the debt to this joint venture entity at a 70 basis points spread for this acquisition. So, it is a fully leveraged acquisition. This SPV the joint venture entity had moved that earlier so this obviously helps the joint venture entity in terms of enhancing NOI but also it helps us in more efficient cash flow through as we kind of receive the 50% profits from this entity. So, overall, it helps the joint venture entity with a positive spread in terms of the acquisition versus how it has been financed at the same time it helps us overall in alignment and in better cash flows.

Michael Holland: You know Golf Links - it is one of the best parks in the country, if not be best park and we were able to acquire that at 4.8% discount to the valuations, there are many attractive elements for that field and adding the high quality to our portfolio.

Murtuza Arsiwalla: Sure, just to clarify if I understand this right - the acquisition is a 100% debt funded acquisition where the REIT has taken the debt on the trust, lent the money to Golf Links and you get 100% of the interest at that 70-basis spread, if I understand that right?

Vikaash Khdloya: That is absolutely correct Murtuza, and also it helps in a better cash flow through even on the profits of the joint venture entity which are currently being paid as dividend.

Murtuza Arsiwalla: Sure, and any color on the occupancy of those 0.4 million square feet and the NOI that we are looking at?

Michael Holland: Occupancy in Golf Links, Murtuza I think you are aware has been close to 100%. The space that we acquired was acquired originally at a 68% of occupancy. In the last few months, we have leased up significant proportion of that now 69% occupancy and we have got more than enough enquiries as to full occupancy at more than under its rentals in the near future.

Murtuza Arsiwalla: Right, thank you.

Moderator: Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

Amandeep Singh: Thanks for the opportunity. Firstly, congratulations Vikaash on the elevation and all the best Mike for the next phase. So, my first question is on the Chennai micro market, given you have received the ROFO for Embassy Splendid Tech Zone, can you give a brief overview about Chennai as a micro market with respect to commercial real estate and how the upcoming supply would stack up in the competing micro market, any sense on that?

Michael Holland: The Chennai property is in the location within the city we believe is strategically

important to the medium-term. It is very close to the airport which connects GST road with OMR so it is very much today and tomorrow's location, not perhaps yesterday's location which some other parts of Chennai would be. I think that is witnessed by the fact that there is a significant proportion of commitment by a couple of international banks in that space in an IT services company. We saw last year Chennai leasing had an actually an uptick and that area of the market actually is underserved by high quality integrated assets like us. The Chennai market historically has been around about a 4 million square feet market. We think that the quality of this product plus the location as outlined is something that might seem very appealing to us but we still are looking at the numbers and still looking at the deal structure.

Amandeep Singh: Thanks for this and secondly on expiry, while you mentioned about 0.7 million square feet exit at Embassy Manyata but we also know that our large chunk for Embassy Galaxy and Quadron is up for renewal this year so, any sense on merger discussions over here?

Vikaash Khdloya: Thank you Amandeep for that. As we said, if I could just lay out last year the exit guidance that we have given and the renewal guidance - we are on target on our renewals this year as well we believe that the guidance we set out on the 1.9 million square feet, we will achieve that. We have already got renewal notices for about 500,000 to 700,000 square feet especially in one of the large leases in Galaxy as you mentioned, at the mark-to-market rents that we would expect in the property. At the same time, obviously many of the expiries come up during the course of the year, so we will keep you updated in Q1 and Q2 updates, but we do believe that we will be able to achieve this. Galaxy has a lot of those coming up during the second half of the year. We will keep you posted but some good early traction already with two large renewals one in Pune and one in Galaxy we have just received notices last week for renewal.

Amandeep Singh: Sure, thanks for this. That is all from my side.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Thank you so much. Vikaash congratulations on your elevation and Mike wish you best for your next phase. Hope you enjoy that as well. My first question is that again on this EGL acquisition, will it be fair to say that as soon as we acquire it, it becomes DPU accretive for us from the point one only?

Arvind Maiya: Puneet, as Vikaash mentioned there are number of benefits from this acquisition and one of them is the cash flow through which it is available for us so to answer that simply in two years it becomes accretive for us from day one onwards, so FY2023 guidance factors in that accretion.

Puneet: Right, and is it fair to say that a yield that EGL would earn from that asset will be higher than its 8.1%?

Vikaash Khdloya: Thank you. For that on a stabilized basis we do believe that at an individual deal basis at the joint venture entity level, this deal will be accretive. The NOI yield will be higher than the debt at which the acquisition has been made and the debt was around 8.1% adding the REIT's 70 basis points.

Puneet: But it is not right now on a stabilized basis you're saying, right?

Vikaash Khdloya: That is right. We expect it to stabilize in a quarter or two. Again, opportunistically, we are going to lease out to both occupiers given we have some large expiries coming

in 2023, 2024 and 2025 in Golf Links so we want to move the rents higher there.

- Puneet:** Right, so basically it becomes DP accretive just out of that 70 basis spread for the time being?
- Vikaash Khdloya:** It will also be marginally accretive just on an income flow through basis for first year.
- Puneet:** That is great. My second question is if you can comment a bit on what you are saying on the market rentals for your properties. Obviously last two years have been tough, are you seeing any times of market rentals going up or it is still too early to expect that?
- Michael Holland:** I think as we said in the previous quarter, the rent flow level particularly in Bengaluru has held up pretty well throughout the pandemic period either being flat marginally positive but in the last couple of quarters, we have seen some significant increase in gains, Maybe there was some published data around the 4% year-on-year rent will increase in Bengaluru, we think that rents in key markets for high quality properties are now beginning to see growth.
- Puneet:** Okay, so that applies for your properties as well which are any way about some of the marquee and highest rental earning?
- Michael Holland:** I think that is particularly so for high quality properties like us. In fact, they think overall leases tends that there will be a gravitation of occupier interest towards our type of property and therefore we would see more growth in our type of property than we would in a broader market as a whole.
- Puneet:** Yes, and can you comment similarly for Noida, Pune, and Mumbai?
- Michael Holland:** Yes, Mumbai in particular we are seeing some really positive interests in Mumbai and as Vikaash said in his comments between Mumbai and Bengaluru that is over 80% of our portfolio. Those are two markets that really have rolled back at present in the last quarter. What we see in markets like Noida and Pune is going back to the high-quality product that we are able to provide is very much differentiated from the vast majority of the markets and those types of properties will attract the best occupiers and we are already speaking to some really top tier global technology names and consequently they will also achieve higher rentals than are there in the sub-markets has indeed been the case over number of years.
- Puneet:** Over previous year also you expect new leasing to have higher rentals, in all the three regions?
- Michael Holland:** I think we would generally say that all rentals will be at or higher than they have been over the last 12 months. There will be differences in the market but the difference to the positive.
- Puneet:** Understood. That is real. My last question is on your working capital contribution to NDCF. It has been quite steady and strong over the last few quarters and the trend continued into the current quarter as well. How should one read that what is driving it and how long will it sustain?
- Aravind Maiya:** Sure Puneet. I think as we did explain last year as well, there are a few contributors to this working capital, one of them was the whole rental guarantee. Then we do have this fit our agreements and the other mover around this working capital is the lease

deposits which could be sometimes positive, sometimes negative. As we look at FY2023, I would say that some these contributors continue especially deposits around new leasers because we have a significant amount of new leasers coming up for next year as well. So, at a broad level I would say that these numbers would be more or less similar as we look at next year.

Puneet: Rental guarantee would go out of it right; it will move on the positive trend?

Aravind Maiya: That is correct.

Puneet: That is very helpful. Thank you so much and all the best.

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

Kunal Lakhan: Good evening. Firstly, all the best to you Mike. You have been of great help and wish you all the best in the future endeavors and congrats Vikaash on your elevation. My first question was on the guidance. If you look at our NOI growth - in the midpoint of the guidance is almost 9% that our DPU growth on distribution growth is flattish. Just wanted to understand what is playing out here and secondly a related question to that was we acquired ETV last year and it is supposed to be DPU accretive going in the future. When do we see that happening and secondly does this guidance also build in the efficiencies coming from the collapsing the tier-2 structure in Manyata?

Aravind Maiya: Sure, Kunal let me take the three questions one by one. In terms of DPU guidance as you rightly said the NOI is up 9% while the DPU is in line that is largely due to the annualized impact of the ZCB that numbers around 1.8 per unit so that like 8%, so the 9% increase in NOI gets offset by negative 8% due to the ZCB annualized impact. So, leaving aside all other smaller items, this is the single largest contributor for the DPU guidance for next year to be flat. So that is one. Second is in terms of ETV acquisition as we did mention last quarter the accretion from ETV was actually much higher than what we had underwritten and those are getting reflected in the FY2022 numbers itself. So, overall, our acquisition has played out much better that what we had written so, that is already getting reflected on our business. Lastly, in terms of collapsing the structure, yes the two large entities which is Manyata and ETV both have been collapsed now if you see the tax-free distribution for this quarter was around 87% and our guidance for the next full is that approximately around 85% will be tax free to unit holders. So, that is the broad guidance on entire distribution.

Vikaash Khdloya: Aravind if I may just add, that while the DPU is in line as you rightly said on a ZCB adjusted or pro forma basis is that DPU is actually 9% higher which kind of reflects the growth outlook that we have on the business given the way the market demand is looking to pan out and with the feedback that we have received, we are in a great place in terms of our balance sheet to now pursue growth in the next couple of years having refinanced this ZCB.

Kunal Lakhan: Sure, that is helpful. My second question, if you can give some color on what will be the CAM revenues accrued to us from the deal that we did with Golf Links and what will be the EBITDA?

Arvind Maiya: Kunal, in terms of Golf Links - just at a high level for you - this entire acquisition as Vikaash mentioned has happened at the joint venture entity so none of the NOI or the EBITDA gets consolidated into this, but at a very high level the way to look at it is it is a close to 3 million square feet park, so the CAM continues to be a typical cost-plus arrangement for us. So, the entire CAM revenues for the business will get

accrued to the joint venture entity. So, none of this gets reflected in our consolidated P&L. It is more a cash flow through which will come which we explained to you.

Kunal Lakhan: Okay, alright. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks a lot for taking my question. My first question is the 1.2 million square feet of the vacated area for this particular year, can you highlight this across which parks and is bulk of this the legacy lease at Manyata that we do not expect to get filled because of the renovation work we will have to do?

Vikaash Khdloya: Just to answer your question, as I mentioned the bulk of this about 600,000 to 700,000 square feet of this is at Manyata with one large legacy occupier that comes for availability only earlier in October 2022 and of course usually we would spend anywhere between three and four months to refurb this space especially given these are legacy blocks before we put that back to markets. Having said that we are always in constant discussions with occupiers on forward looking pre-commitments, but again, we have a fantastic about 150% or higher mark-to-market opportunity on this. The in-place rent to highlight to you is about Rs. 38 and the last rent we have done at Manyata anyway in the north of Rs. 95. So, it is more a timing issue where the product will be available for us to offer to the new tenant only in the second half of the year and typical refurb will take about a quarter or so.

Pulkit Patni: Fair point Vikaash, related question whatever you will be spending on this refurbishment - is it going to be adjusted from the operating cost or is it part of the capex schedule that we have?

Vikaash Khdloya: It is a good question. This one given its legacy blocks, this will be part of the capex schedule and we have already included the cost in our supplemental data book forward looking through your capex outflow that we have projected.

Pulkit Patni: The Rs.47 Crores number that I have seen in that?

Vikaash Khdloya: That is correct.

Pulkit Patni: Okay, great. That is it from my side and congratulations Vikaash and good luck to Mike.

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

Mohit Agarwal: Thanks for the opportunity. Most of the questions have been answered, just two clarifications. One is on when you guide in the numbers of total lease of 5 million square feet for next year, 1.7 million square feet of new leasing, is it fair to say that of these 1.7 million square feet, 1.2 million square feet is going to compensate for those 1.2 million square feet exits and the incremental increase in occupancy is going to be 0.5 million square feet, is that the correct way to look at it?

Vikaash Khdloya: Mohit that is the correct way to look at it. If I may just add, there are also new deliveries during the course of this financial year on a same score basis - what you said is absolutely correct. If we do get the approval for the additional 600,000 square feet FAR that I mentioned in some of the legacy Manyata blocks, we may take that off from our operating area and we may not offer that to occupiers if it goes through

redevelopment if we do believe accretive after receiving approvals. So they are couple of moving pieces on this completed area but as you said incremental leasing what we have projected is about 0.5 million square feet.

Mohit Agarwal: Sure, and can you also comment on your hospitality portfolio, you have built in a 400 million EBITDA for FY2023 and in the Q4 numbers we have not seen an improvement apart from the new hotel coming in. So, have we started seeing business travel resuming and how has been the April month, we will get some color on that?

Vikaash Khdloya: Sure, Mohit why do not I take that. Just to give a flavor of Q4 was slightly lower than Q3 in terms of occupancy for both operating hotels simply because January and February were impacted by the Omicron and the travel restrictions. However, having said that we have seen a very encouraging outlook on the hotels, now we have three operating hotels including Hilton Garden which we launched ahead of schedule in March and in fact in its very first month, Hilton Garden had breakeven numbers. Just to give you flavor of where the occupancy was yesterday and of course it is just a point in time across the hotel portfolio - roughly we were about 50%-55% with Hilton at Embassy Golf Links, as high as 94% and Hilton Garden and Four Seasons under 40% range. So, we are still encouraging demand especially for the Hilton Garden Inn in Manyata which we have just launched and hence we are very positive on the way the hotel demand recovery is panning up of course subject to any further restrictions that do come up due to COVID.

Mohit Agarwal: Okay, great. That is all my side. Congratulations Vikaash and all the best Mike for future.

Michael Holland: On the top of these hotels, is a highlight we are opening The Hilton next week is being launched and there is a conference centre attached to that we believe that is part of the complete business ecosystem that Manyata has to offer, and we would invite you when you are down in Bengaluru to come, see, stay and you will see how serious the hotel business ecosystem is actually being made live with that complex.

Mohit Agarwal: Sure, we would love to be there. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will take that as the last question. I would now like to hand the conference over to Mr. Abhishek Agarwal for closing comments.

Abhishek Agarwal: Thank you so much for joining us on today's call and for your great questions. Most of the data points from today can be found on our website and in the published materials and we are always happy to engage further if any additional clarifications are required. Good evening to you all.

Moderator: Thank you. Ladies and gentlemen, on behalf of Embassy REIT that concludes this conference call. Thank you for joining us. You may now disconnect your lines.