Embassy REIT
Q2 FY2026 Earnings Call
November 05, 2025

# CORPORATE PARTICIPANTS

Amit Shetty – Chief Executive Officer (CEO)

Abhishek Agrawal – Chief Financial Officer (CFO)

Sakshi Garg – Head of Investor Relations

# MANAGEMENT DISCUSSION SECTION

**Operator:** Good evening, everyone. A very warm welcome to all for Embassy REIT's second quarter FY2026 Earnings Conference Call. Currently, all participants are in a listen-only mode. Our speakers will address your questions during the question-and-answer session at the end. As a reminder, this conference call is being recorded.

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

## Sakshi Garg

Head of Investor Relations

Thank you. Welcome to the second quarter FY2026 Earnings call for Embassy REIT.

Embassy REIT released its financial results for the quarter and half year ended September 30, 2025, a short while back. As is our standard practice, we have placed our financial result, earnings presentation discussing our performance, and a supplemental financial and operating databook in the Investors section of our website at www.embassyofficeparks.com.

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

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

Over to you, Amit.

## Amit Shetty

Chief Executive Officer (CEO)

Thank you, Sakshi.

Good evening and thank you all for joining us today.

I am happy to report that Q2 was a stellar quarter for us on all fronts. Three key highlights that stand out are:

- We grew our occupancy by an impressive 200 bps QoQ to 90% by area and 93% by value
- We declared our highest-ever quarterly distributions of ₹617 crores or ₹6.51 per unit
- We registered double digit growth across our key financial metrices and grew our Revenue by 13% and NOI by 15% YoY

**Starting with the outlook for Indian office**

India, which is already the fourth largest global office market, is on the verge of crossing the 1 billion square feet mark in terms of office stock. Robust demand from multinational corporates is driving this momentum – these companies range from large Fortune 500s to new mid-tier firms setting up their India offices. We see this positivity across the cities as demand continues to surpass supply, resulting in all-India vacancy falling to 20% levels.

**With this backdrop, let me delve deeper into our Q2 leasing performance**

- We leased 1.5 msf across 20 deals and expanded our occupier base to 274 marquee clients. This included 1 msf of new leases at 27% re-leasing spreads, 0.4 msf of renewals and 64k sf of pre-commitments.
- GCCs accounted for over 50% of our leasing, and the remainder was mainly contributed by domestic technology, consulting and flex operators.
- Our core portfolio of Bangalore continued to lead demand and contributed over 85% of our Q2 leasing. With this, our Bangalore portfolio occupancy is now at 95%, up 300 bps QoQ.
- On the back of our strong new leasing this quarter, we increased our portfolio occupancy by 200 bps QoQ to 90% by area and 93% by value.

**On our development portfolio**

- We delivered a new 0.9 msf building in Embassy Manyata in Bangalore, which is 100% pre-leased to a Fortune 500 retail major.
- Another 1.4 msf building in this park is scheduled for delivery in the later part of the financial year. This block is 100% pre-leased, including expansion options.
- Moving to Chennai, where we have been developing three new office blocks since the acquisition of Embassy Splendid TechZone.
  - Block 10 totaling 0.4 msf was completed this quarter and is 100% pre-leased. Its occupancy certificate is expected by the end of this month.
  - Block 4 and 1 totaling 1.2 msf are slated for delivery across the next three quarters and are now 30% pre-leased, including expansion options, and we have a strong pipeline for the remainder.
  - On the back of this robust demand, which is driven by GCCs, we have launched 2 msf of new developments in this asset and look forward to building a strong pipeline for the same.
- With this, our total development pipeline now stands at 7.2 msf. All these projects are highly accretive to NOI and DPU.

Lastly, we welcome and commend SEBI's landmark move to reclassify Indian REITs as equity. This brings Indian REITs on parity with its global peers and will pave the way for broader investor participation, stronger liquidity, and potential index inclusion. The move has been taken up positively by the market and has been a key contributor to the 20% total returns that we have delivered in the last 9 months.

Overall, this was a really strong quarter for us. We are also actively evaluating multiple acquisition opportunities from third parties as well as Embassy group and will update the market as we progress. We are very excited to continue delivering meaningful growth to our ever-expanding base of over 110k investors.

I will now hand it over to Abhishek to present our financial updates.

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## Abhishek Agrawal

Chief Financial Officer (CFO)

Thank you, Amit and good evening, everyone.

Let me take you through the key financial highlights for Q2.

- Our Revenue from Operations grew by 13% YoY to ₹1,124 crores, and NOI increased by 15% YoY to ₹927 crores. This strong growth was driven by our continued leasing momentum, rental escalations, increase in hotel ADRs and recent deliveries of new office buildings, partially offset by a decline in our solar NOI.
- We declared distributions of ₹617 crores or ₹6.51 per unit for the quarter. This impressive 12% YoY growth in distributions was driven by our NOI growth and working capital changes, partially offset by an increase in interest expenses.
- During the quarter, we raised ₹2,000 crores of debt through a 10-year NCD at 7.33%, which was largely used to refinance higher cost debt. By raising this first-ever 10-year NCD in the Indian REIT space, we are proud to have pioneered newer debt capital pools for the industry.
- Our net debt stood at ₹20,079 crores as of Sep'25, implying a 31% leverage ratio at 7.35% average in-place cost. Through our refinances and other treasury initiatives, we have successfully reduced our in-place debt cost by 55 bps in the last 6 months. We remain focused on further optimizing our interest costs and have recently raised ₹400 crores through a commercial paper at an effective rate of 6.44% per annum.
- As of Sep'25, our Gross Asset Value increased by 8% YoY to ₹63,980 crores and our Net Asset Value by 7% to ₹445.91 per unit. This growth was primarily driven by strong leasing, rent growth and new deliveries.
- Backed by our premium portfolio assets and dual AAA credit ratings, our balance sheet position is extremely strong, and we are well primed to grow our business.

**Lastly an update on our FY2026 guidance**

Based on our H1 performance, we remain on track with our annual guidance. We continue to expect our NOI to be in the range of ₹3,589 to ₹3,811 crores and DPU to be in the range of ₹24.50 to ₹26.00 per unit. At mid-point, this guidance implies a 13% growth in NOI and a 10% growth in DPU, on a YoY basis.

This guidance is based on certain key assumptions for the year, which include:

- Mar'26 portfolio occupancy of 90%-91% by area;
- Hotel NOI growth of around 9% YoY; and
- Increase in total interest expense for the year by 10%-12% YoY.

We are committed to deliver on the growth for this year and to continue growing our DPU in the years to come.

We can now move to Q&A please.

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# QUESTION & ANSWERS SESSION

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

**Puneet:** Congratulations on a very nice pickup on leasing, DPU, everything actually going well this quarter, it seems. So, my first question is on the Chennai block, when I see your leasing there, you talked about a 64k sf pre-lease. But when I look at the individual slides, there is a Block 10 where you have fully leased out and then there is Block 1, which includes expansion options. So, do the expansion options also count as pre-lease? Or is that still very early stages?

**Amit Shetty:** So firstly, Puneet, thank you. Chennai has been a very strong market for us, and in the last 1.5 years, we have leased about 0.8 msf. Having said that, block 10 is completely pre-leased to a large client, while some of the other blocks, which is Block 4 and Block 1, like I mentioned, is about 30% pre-leased.

**Puneet:** Okay. So, in the 35% pre-lease in Block 1, the expansion is not included?

**Sakshi Garg:** (The 35% pre-lease in the under-construction Block 1 includes expansion options). Every time we put a lease or a pre-lease data (for the quarter), expansion options are never included. Those are over and above. And we disclose it separately for our development pipeline in the supplementary data book.

**Puneet:** Okay. Understood. And secondly, when I look at your contractual escalations, over the next few years, they all seem to be between 13% to 14% versus 15%. Has there been any change in how these escalation clauses are being worked out now versus earlier?

**Amit Shetty:** Not really, Puneet. The standard market practice is either the escalation is 5% per annum or it's 15% every 3 years. And mostly, it's 15% every 3 years. These standard contractual escalations remain.

**Puneet:** But next 3 years, I see mostly 14% for you, which is why I was asking.

**Amit Shetty:** Yes, because it is an average, because some of these contracts are between 5% per annum and some of them are 15% every 3 years. So, when you average that out, you will hit a number of 14%.

**Puneet:** Understood. That's very helpful. And lastly, on the Hilton side, occupancy has inched up quite nicely this time. Any meaningful change here? Or was it driven by some big event in Bangalore during the quarter?

**Amit Shetty:** It is business as usual for us. And we believe that given that these hotels are within the business park and given the activity of leasing and corporate activity, on the back of this, we saw this occupancy.

**Moderator:** The next question is from the line of Mohit Agrawal from IIFL.

**Mohit Agrawal:** Congratulations on a great quarter. My first question is, see it's a great cycle, if I look at your numbers, the same-store NOI now is double-digit growth. So, first half, you did about 11%. Occupancy also, we just mentioned that is trending at 90%, you had an estimate of 90% to 91%.

Just trying to understand how do you see this playing out for the investors? So on your FY2026 guidance, of 13% NOI growth & 10% distribution growth, do you now see that you could probably reach the upper end of the guidance for FY2026? And even, if you may not want to quantify but does that mean that FY2027 and FY2028 could see much sharper like-for-like NOI growth and also distribution growth considering that the interest rates have been coming down. So, your thoughts here?

**Amit Shetty:** Mohit, do you want to ask all the questions and then we can answer collectively.

**Mohit Agrawal:** Yes. Okay. Yes. So, my second question is specifically on your Pune assets, what is happening there? So obviously, Bangalore has done very well. Pune, while I don't see any uptick in the occupancy meaningfully, but the GAV has actually gone up in the last 6 months. So how are you looking at the demand and rentals there? And what are the green shoots that you are seeing there?

**Amit Shetty:** Okay. So let me take the first question, Mohit. See, from an overall occupancy perspective, we have reached 90% this quarter. And we see increased leasing momentum in the market. But having said that, we are also delivering a lot of spaces. So, we are focused on those deliveries as also on the occupancy of those spaces. Mohit, we are very confident that we will be surpassing our occupancy guidance that we have given the market, but we do not want to revise any guidance to the market at this point in time. When the time is appropriate, we will come back if there is any revision to the guidance. The second part of the first question is how we see the operating income growth. There is a 7.2 msf development pipeline, and we have guided a 10% growth. And we are very actively looking at delivering the 7.2 msf and also pre-leasing those assets. And hopefully, we will surpass our guidance.

Second question was on Pune. On the Pune piece, like you know, the market has been a little bit sluggish, especially the Hinjewadi market, but we are seeing a little bit of traction in terms of leasing. First quarter, we saw a couple of leases. This quarter, again, we have reported one lease that we have concluded. But the team has built a pipeline of about 150k sf. The fortunes can change very quickly once the metro as well as the Navi Mumbai Airport is operational, which is what happened with us in Noida as well. So probably in the next 6 months to 1 year, we are hopeful that the fortunes will change in Pune market.

**Mohit Agrawal:** Just a follow-up. Firstly, on the first question, in FY2027- FY2028, do you expect the NOI growth could be sharper like in the range of, let’s say, 13% to 15% like-for-like or more than that?

**Abhishek Agrawal:** Mohit, this is Abhishek. We expect that the NOI will be higher for sure, but I don't want to quantify or give you an indication right now. But because of all the deliveries that we have and because of all the leasing that we have done and the kind of leasing that we are seeing, definitely NOI will be higher.

**Mohit Agrawal:** And Abhishek, what will be the benefit of lower interest rates? What interest rates you are building? And then what is the expectation, let's say, going forward? Would that benefit also flow into distribution?

**Abhishek Agrawal:** Yes, definitely, the lower interest rate benefit will start flowing into distributions from the next quarter itself. If you see the interest rate has reduced from 7.90% to 7.35% right now. Most of the impact will start coming in from the next quarter. From here on, organically, we don't see much decrease in the interest rate.

But let's say, the Indian government also wants to mirror what Fed has done and there is a 25 to 50 basis point reduction in interest rate. In that case, there can be further reduction in interest. And most of it will start flowing to NDCF because now the interest rate capitalization is reducing because of all the deliveries.

**Mohit Agrawal:** Sure. Just a last clarification. On the Pune assets, what has been the driver for the valuation going up, if you could explain that?

**Amit Shetty:** So, there are a couple of factors. One is with the flux of time, the way DCF model works, there is an impact of escalations. There's an impact of all the renewals that we are doing. So, because of that, the valuation has increased a bit.

**Moderator:** The next question is from the line of Jatin from BofA.

**Kunal Tayal:** This is Kunal. A couple of questions from my side. The new leasing has indeed been very strong. I am just curious that there also has been an increase in planned expiries for the year. And we have also sort of seen this in the numbers of some of the other REITs as well. So just curious, I would have thought that if the leasing environment is so strong, even the planned exits should sort of come down, but hasn't been the case. Is this regular course of business you think? Or could it be something to do with the nature of demand there was 3 to 4 years back, and that is what is showing up in numbers now? So that is question one.

And second, on your development pipeline now starting to come to fruition broadly, how would you want to think about the DPU accretion of that? Does it take some time before it becomes accretive? Or should it start becoming accretive from day 1 because most of these assets seem to be 100% pre-leased?

**Amit Shetty:** Firstly, let me begin with the exits. It is business as usual. If you see the overall exits from a trajectory perspective, actually, it is pretty tight this year. And also, I just want to mention that some of these exits were actually relocation. For example, ANZ, which was having about 0.5 msf with us, grew to about 0.7 msf-plus. So, they exited their old block, and they took a newer block. And similarly, about another 150k sf was with a retail major and they have also grown with us in our portfolio itself. So cumulatively, we don't see this as additional exits, but it is just business as usual. Abhishek, over to you.

**Abhishek Agrawal:** So, Kunal, on the development pipeline efficiency, definitely, we are taking care of now 7.2 msf, which will be delivered most part, let's say, 5.2 msf in the next 3 years and another 2 msf after that. So, it will be DPU accretive because if you see the yield on cost, it is almost around 15%. So, barring the interest cost, which will come in and let's say, the interest cost is 7.5%, it will be DPU accretive. But what I want to also mention is even though they are pre-leased, once the building is up, these tenants will take some time for their fitouts and hence, we have a rent-free period, which is generally – depending on the tenant is 6 months or lower. So, it will take that time because during this period, the interest will be a drag, while the rental actually starts after the rent-free period. So, there is a lag.

**Moderator:** The next question is from the line of Yashas Gilganchi from BOB Capital Markets.

**Yashas Gilganchi:** I would like to know more about the invitation to offer from Embassy developments for the commercial project in Whitefield. At what stage is the evaluation process? And how long is it expected to take? And what yield on cost would you be targeting? And if the project were to be evaluated positively, when do you expect to start spending on the project? What is the capex outflow to be like?

And my second question is, are you also evaluating acquiring third-party assets? If so, how would you describe the market now? And are there any opportunities or challenges?

**Amit Shetty:** Okay, let me first begin with the Whitefield asset that we have got an invitation to assess. We are currently in the stage of evaluation. There are multiple diligences that we have to carry on. All that I can comment at this stage is that the evaluation is under progress and as soon as we have completed that and in a better position, we will update the market. Having said that, Whitefield is a very accretive market, probably the best performing micro market in Bangalore today. And we see that this asset is strategically positioned in the main part of Whitefield on ITPL Road. So having said that, we are keenly evaluating the asset.

Also on third-party acquisitions, we have mentioned in our press release as well, we are actively evaluating all third-party asset opportunities that is available across the top 6 cities in the country. As and when we are closer or we have made a decision, we will update the markets.

**Moderator:** The next question is from the line of Gaurav Khandelwal from JP Morgan.

**Gaurav Khandelwal:** What were your expectations on the cost of funds at the beginning of year versus 7.35% now. And let's say, if there are no further rate cuts, does the blended cost of funds still continue to trend down? That's number one.

Number two, sorry, I should have known this, but can I just understand when you gave us a guidance of 13% NOI growth versus 10% DPU growth, what was the 3% disconnect there? Those are all my questions.

**Abhishek Agrawal:** Yes, Gaurav. So, on the disconnect between NOI growth and DPU growth, it was largely because of 2 things. One is the interest cost increase because of the new deliveries. And the second was the non-cash NOI, which would come in because of the rent-free period.

Going to the debt cost at the start of the year, we were at 7.90%. We were expecting slight decrease from the refinancing. And let's say, we had built in around 0.25% to 0.5% decrease. But today, we are at 7.35%. There is a positive there. Having said that, if, let's say, there are no rate cuts from here on, it will slightly go down because of the upcoming refinance of around ₹1,100 crores. So, a slight dip there. And there is a ₹400 crores Commercial Paper that we raised post quarter closure at 6.44% because of which the average would come down slightly because it is a very small one. But otherwise, no major expectation that we have there.

**Gaurav Khandelwal:** Got it. But it's then safe to assume that the interest costs are faring better than what you had budgeted at the beginning of the year?

**Abhishek Agarwal:** Yes, Gaurav.

**Moderator:** The next question is from the line of Pritesh Sheth from Axis Capital.

**Pritesh Sheth:** Just a couple of questions. One is on the outlook for the upcoming block in Embassy Splendid TechZone, which we are scheduled to deliver by December 2025. It is still like 25% leased. By the time we deliver and get OC, what sort of occupancy run rate do you expect here?

**Amit Shetty:** Chennai is one of the strong markets, and we have seen great leasing velocity there. Our expectation is that we will be at least 50% plus occupied on Block 4. Having said that, we are already 25% pre-leased. We have a very strong pipeline. I should say that we have a pipeline of about 0.8 msf in Chennai. So, we are pretty confident about Block 4.

**Pritesh Sheth:** Got it. Got it. And just on the acquisition bit, again. With the opportunities that we are looking at in terms of the ask rate of the existing owners, are they realistic? And are we looking at transactions which we can hopefully close out of the pipeline that we have? Or you are still managing the expectations of the sellers?

**Amit Shetty:** There is certain guidance with which we have always acquired assets. One is, obviously, it has to be DPU accretive. The second one is the asset quality itself – it needs to meet our asset quality, it needs to be ESG compliant, needs to be campus style developments. And also, the right city and the right micro market is the third criteria that we evaluate with. So as long as the asset is accretive and look, the roster of clients that we bring to the table is something which is very unique and very, very different from most of the operators looking at buying assets in the market. So, we are able to manoeuvre deals. And whenever there is a right deal on the table, we will come to the market, and we will disclose that.

**Pritesh Sheth:** Got it. And just one on the non-cash NOI part, when do we collect the security deposits from tenant, once we deliver the assets or once the fitouts are done? So, I am just trying to see while we don't have a cash rental, but at least working capital changes would reflect that inflow and it should be evenly matched, right? So just a clarification on that.

**Abhishek Agrawal:** Yes, Pritesh. So, there are two things. One, we get a part of it at the time of signing of the LOI and the balance part, let's say, 3 to 4 months later at the time of actual lease signing, or at the time of actual handover. But then why it doesn't match fully is because it can fall in 2 different years. Let's say, the rental that we accrue on a month-on-month basis would be equated, but 2 months or 3 months SD that comes in, comes in a particular quarter and the balance comes in another particular quarter. So, it can be 2 different years also.

**Moderator:** The next question is from the line of Parvez Qazi from Nuvama Group.

**Parvez Qazi:** Congratulations for a great set of numbers. So, 3 questions from my side. If I got it correct, you said we have leased about 0.8 msf space in Chennai in the last 1.5 years. Now across Block 4 and Block 10, which are both scheduled to get delivered over the next 7-odd months, I think we have a similar space yet to be leased out of the total 1.2 msf. So, what is our expectation by what time will we be able to lease this 0.8 msf across these 2 blocks? That's the first question.

Second, for some of our under-construction assets in Bangalore, which is scheduled to be delivered in CY 2027, like the Block 6 in Embassy TechVillage or the Embassy Business Hub Phase 2. We have not, I guess, started leasing. So, what is our thought process there considering that the market is so good? Do we want to maybe wait till the end and get some better rents? Or do we want to pre-lease some portion before?

And then the third question is lastly, status of the SEZ conversion would be great.

**Amit Shetty:** Okay, let me first begin with Chennai. Like I said, leasing timing is a very difficult question to answer simply because there are corporate board approvals involved, and the velocity is largely dependent on the occupier. But having said that, I would like to say that we have about 0.8 msf of strong pipeline, which is rather a matured pipeline. So, we are very confident that this volume will get consumed in a couple of quarters. Having said that, Chennai market itself is also doing extremely well. So, there has been robust RFPs in the market. So that is another layer of comfort that we can draw from.

On Embassy TechVillage, especially on Parcel 6, that is the only asset that we have in terms of space in Embassy TechVillage. So, this will be an asset that we will want to wait and watch. Until and unless it is a really good deal with a very, very good brand name, we would like to lease this asset towards the end of its lifecycle of development.

**Abhishek Agrawal:** And Parvez, on the third question on SEZ conversion. So, till now, we have converted 8.1 msf, which includes 4.1 msf of denotification and another 4 msf of demarcation. The process of demarcation is like business-as-usual right now. It takes not more than 3 months for us. Any space in, let's say, geographies like Bangalore, which is SEZ and comes up for vacancy, we just start marketing it as non-SEZ space. And whenever somebody takes up, we can convert it into non-SEZ in 3 months. For other geographies, we wait till there is an active discussion with the tenant and then we apply and get it converted. I mean, just to say the cost also is lower than what we were expecting at the start. So, it is just in the back mirror, I would think.

**Moderator:** The next question is from the line of Sanidhya Agrawal from Kotak Alternate Assets.

**Sanidhya Agrawal:** Congratulations on the results. Can you please provide an update on the divestment of Block 1A, 1B, A-2 at Embassy Manyata. And when do we expect the sale to be completed and money to be received?

**Amit Shetty:** So, in terms of the Manyata divestment, we are close on concluding the transaction. We are waiting for some final approvals that we have to secure. Once that is secured, I think the transaction will get concluded. It should happen in the immediate future, but we will update the markets as and when we secure the approvals.

**Sanidhya Agrawal:** Okay. And one last question. Can you please quantify how much SEZ stock is currently held by the REIT?

**Amit Shetty:** So, we have about 19 msf of SEZ stock currently.

**Sanidhya Agrawal:** And out of the 19 msf, how much would be occupied?

**Amit Shetty:** 81% is occupied.

**Moderator:** The next question is from the line of Jatin from BofA.

**Kunal Tayal:** Just one follow-up on the non-cash NOI part. If we were to assume next year that the pace of occupancy increase is similar to this year, then is it fair to assume that non-cash NOI will not actually be an additional drag on DPU growth? And conversely, if the occupancy does not go up at the same pace, it might actually become a source of tailwind?

**Abhishek Agarwal:** The answer would be no because see, even if we are leasing more, there will be non-cash NOI, which will come in because there will be 3 to 6 months of rent-free period, which we will be providing to the tenants. If there is no leasing or the pace of leasing reduces, then the total revenue and NOI itself reduce.

**Kunal Tayal:** In the former, would you not see catch-up from this year's non-cash part? I mean I was hoping that would balance out in that scenario.

**Amit Shetty:** Very good question, Kunal, because what happens is, see, the buildup happens over a 3 to 6 months period, right, because that's the rent-free period. But the unwinding happens over the lock-in period, which is typically 5 years. So, in the balance 4.5 to 4.75 years. So, the rate of unwinding is very slow. While there will be some unwinding for sure of all the buildup that has happened till this year-end, but the rate of unwinding is slower.

**Moderator:** The next question is from the line of Satinder Singh Bedi from Eon Investments.

**Satinder S Bedi:** I think great show in this quarter. So, 2 questions, one for Amit. So, Amit, I think the results are great. So, what are the top three concerns that you have as of today? And is there any first hint of softening in enquiries? We understand the leasing has been great, but there's a time gap between enquiries and leasing. So, any first hint of a softening in demand given the robustness that we've seen and the macro around AI and so on and so forth. So that's for Amit.

And Abhishek, so I wanted to understand what is the amount of maintenance capex run rate that we have annually? And how is that accounted for?

And second, out of the 40% floating debt that we have, what percentage is repo linked and what is MCLR or some other benchmark?

**Amit Shetty:** Let me begin with my first question. Satinder, I think from a business perspective, we are at a very, very healthy place, and I think we are at a happy place. But having said that, two concerns that we have is that one is the solar NOI, there is a dip, which we would like to see reverse itself and get back on track. The second piece is the hotel occupancy; it is at 64%. It is a conscious decision that we took basically to increase our ADRs, and we have grown our ADR in Q2 by 16% year on year. Now that we have grown our ADRs by 16%, now the focus will move on to occupancy as well at the same ADRs. So that is the second target that we have.

With respect to AI, tariffs, really, we have not seen any impact on the ground. There is a lot of noise in the market. But in terms of overall leasing, like I said, about 60 msf of lease got absorbed in the first 9 months. And we are pretty confident that we will surpass the last year's record absorption of 74.4 msf and probably even hit 80 msf of gross leasing for CY2025. Like I said earlier, there is about 12.5 msf of RFPs in the market, of which about 60% is for Bangalore, and that's where we have pretty much our largest portfolio as well. And again, we are seeing a lot of GCCs, especially the new entrants from mid-tier GCCs entering the country for the first time. Analytics say that probably the GCC count will go from 1,900 GCCs to about 2,200 to 2,400 GCCs. So, I think we are in a really, really happy place today.

**Abhishek Agrawal:** Satinder, on the second question, which is on the maintenance capex, you see the maintenance capex is basically at a run rate of ₹70 crores to ₹80 crores per year on the whole portfolio. Now what happens to this is, if there is a repair which is major, then it gets capitalized. And if it is repairs, it goes to the financials and hits the P&L. But what also happens is that for all of these repairs and maintenance expenses and CAM expenses, we get a margin from the tenant.

**Satinder S Bedi:** Okay. So, what percentage typically would be getting capitalized? I understand it is otherwise a small value, but typically, so about ₹50 crores would be getting capitalized.

**Abhishek Agrawal:** I mean it actually depends for every quarter, I cannot be exact, but let's say, 50% to 60% would capitalize. I will have to come back to you on the exact number.

**Satinder S Bedi:** ₹70 crores, is this per quarter or per annum?

**Abhishek Agrawal:** No, no. For the year.

On the floating debt thing, if you see 40% is floating, you can say 50-50 between T-bill and MCLR.

**Satinder S Bedi:** Okay. Fine. And assuming no change expected to repo in December, what is the exit rate? Is it a fair assumption we will move to 7.2% or so organically or 7.25% organically? And then obviously, if there is some repo movement, then we get the benefit through the T-bill?

**Abhishek Agrawal:** Satinder, I mean, there will be some reduction because of, as I mentioned earlier, one commercial paper that we raised and there will be some change because of the upcoming refinancing of ₹1,100 crores. As of now, too early to say, I mean, whether we will land at 7.25% or what number it is too early to say. But yes, interest cost will reduce by some basis points, nothing major.

**Satinder S Bedi:** I think the way you have been refinancing debt, I think, it set a new benchmark. Congratulations, Amit. Congratulations, Abhishek and Sakshi.

**Moderator:** The next question is from the line of Sumit Kumar from JM Financial Institutional Securities.

**Sumit Kumar:** My first question is on the working capital change of about ₹75 crores. What explains that number? And the second question is on distributions from GolfLinks seems to be up and down quite a bit. So how should we look at that number?

**Abhishek Agrawal:** So, Sumit, on the first question of working capital. See, the major component of that is security deposit (SD), because of all the leasing and pre-leasing that we are doing. So, whenever we are signing this LOI, we get the SD. This quarter this is a big number of ₹80 crores. Secondly, what happens is, as we mentioned in our last call, during the last quarter we had paid all the property tax for the year. So, we are getting an unwinding benefit for one quarter out of that. And lastly a positive from receiving some collections, which we had not collected during the last quarter. And also, there is a negative because of the straight lining of the non-cash NOI. And hence, there is ₹72 crores of working capital this quarter.

The distribution of GLSP actually depends on the cash that is available with them. And there is a loan repayment where there is an EMI, so they keep paying that and whatever extra balance cash that is available with them based on their collection and the SD that they receive, they distribute the dividend where we receive the 50%. There is a variance quarter-on-quarter. But let's say, as last time we had mentioned, we look at it on a full year basis, and it will be similar to what we had last time of around ₹250 crores.

**Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, on behalf of Embassy REIT, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.