Embassy REIT

3Q FY2021 Earnings Call

February 12, 2021

CORPORATE PARTICIPANTS

Michael Holland – Chief Executive Officer (CEO)

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

Aravind Maiya – Chief Financial Officer (CFO)

Ritwik Bhattacharjee – Head of Capital Markets and Investor Relations

MANAGEMENT DISCUSSION SECTION

Operator: Good evening everyone. A very warm welcome to all for the Embassy REIT's third quarter FY2021 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. Ritwik Bhattacharjee, Head of Capital Markets and Investor Relations for Embassy REIT. Sir, you may begin.

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Ritwik Bhattacharjee

Head of Capital Markets and Investor Relations

Thank you, operator. Welcome to the third quarter FY2021 Earnings call for Embassy REIT.

Embassy REIT released its financial results for the Quarter ended December 31, 2020 a short while back. As is our standard practice, we have placed our quarterly financial statements, earnings presentation discussing our quarterly performance, and a supplemental financial and operating databook on our website at www.embassyofficeparks.com in the "Investors" section.

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 that we will provide on this call are management estimates and the guidance has not been subjected to any audit, review, or examination procedures. You are cautioned not to place undue reliance on the guidance 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 ongoing COVID-19 pandemic, the actions taken to contain and mitigate the pandemic and the direct and indirect economic effects of the pandemic and containment measures on Embassy REIT and on our occupiers.

On December 24, 2020, Embassy REIT completed the acquisition of the Embassy TechVillage assets for an enterprise value of ₹97.8 billion (or $1.3 billion). We will provide an update on the acquisition during this call. Joining me today are Michael Holland, the CEO, Vikaash Khdloya, the Deputy CEO and COO, and Aravind Maiya, our CFO. Mike will start off with the third quarter highlights, business overview and strategy followed by Vikaash and Aravind. We will then open the floor to questions.

Over to you, Mike.

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Michael Holland

Chief Executive Officer (CEO)

Thank you, Ritwik.

Good evening everyone and thank you for joining us on the call today to review our Q3 FY2021 results.

Q3 was transformational for Embassy REIT with the successful completion of the acquisition Embassy TechVillage or ETV, a unique large-scale 9.2 msf integrated office park with over 45 marquee multinational occupiers located in one of India's best-performing office sub-markets in Bengaluru. This acquisition has increased the scale of our portfolio by 28% to 42.4 msf. Our ability to successfully raise equity as well as debt to fund this acquisition in the midst of the ongoing pandemic serves as a testament to the confidence that our existing and new investors place in our business model and in the execution capabilities of our team. We particularly welcome our new investors who subscribed in the recent equity issuance.

In addition to integration of ETV, we delivered strong operating results during Q3 - we collected 99.5% of our rents, we continued the momentum on our development pipeline, and we have announced healthy quarterly distributions of ₹4,313 million. This brings our total YTD unitholder distribution to ₹13,056 million or ₹15.88 per unit. Our guidance for the financial year on a same-store basis is on track and we have also updated our full year FY2021 guidance to include the positive impact of the ETV acquisition – Aravind will take you through the same later during this call.

So, a transformational acquisition, and another quarter of resilient performance through the ongoing pandemic. And, while these are challenging times, looking forward we see multiple positive indicators:

First, we are optimistic on the COVID-19 situation in India

The encouraging downward trend in active COVID-19 cases and deaths across India has continued since September 2020. Economic activity levels continue to increase and there is further optimism with the ongoing roll-out of the COVID-19 vaccine program in India. We have seen a gradual ramp-up in the number of employees working from our properties – a 27% increase in Q3 over Q2 and this upward trend has continued in January. We remain actively engaged with our occupiers to support them in their gradual return to workplace and ramp-up plans and those conversations suggest that this back to office trend may accelerate during the course of the coming months. While international companies are clearly taking a cautious cue from the continuing COVID-19 crisis in US and Europe, several of these global companies are preparing and piloting back-to-office initiatives for their centres in India. These are all encouraging, positive and clear trends.

A second area for optimism is the performance of the technology sector and its ongoing role as our most significant demand-driver

As anticipated since the onset of the pandemic, another positive trend, now clearly emerging, is the strong performance of the technology sector, both in India and globally. In recently announced results, tech companies impressed once again with all-round growth led by execution on digital priorities of clients and strong deal pipeline for cloud migration, cyber-security, and outsourcing services. With this sharp pick-up in demand, many corporates have reported robust hiring plans for the year ahead.

Our portfolio, with 43% exposure to technology occupiers and a further 31% to Global Captive Centres, stands to gain as global firms continue to look to India for innovation, R&D, delivery excellence and cost efficiency solutions driven by the availability of a highly skilled talent pool.

Also, with the recent ETV acquisition, 72% of our portfolio by value is now centered around Bengaluru. In the last two months, we have seen independent reports ranking the city as #1 in India's Innovation Index and the fastest growing tech ecosystem worldwide during the period 2016-2020. So, we re-iterate our view that we are concentrated around the growth opportunity – the right macro trend, customers, and markets.

And the third area where we see positive change is the post-pandemic office demand

The priorities for corporate occupiers during last year's lockdown related to employee well-being, and business continuity through remote working and resulted in a YoY decline in pan-India absorption by 45%. However, now, post the lockdown and with the initiation of the vaccine roll-out, corporate real estate strategies are evolving to again become more forward-looking to support the future needs of their growing businesses. This was reflected in the pan-India gross absorption figures reported by independent property consultants which showed a 29% QoQ increase from Q3 to Q4 CY2020.

With the vaccine program in India gaining momentum in the coming months, we remain positive on the growth trend and expect demand recovery to gain strength from second half of this year. On similar lines, compared to CY2020, property consultants are forecasting an increase in office demand of 27% for CY2021 and 50% for CY2022.

On the supply side, the 2-year forward forecast by property consultants remains down 23% YoY while vacancies have moved up only marginally from 14% to 17% pan-India YoY. Occupancy in our portfolio remains stable at over 90% despite the pandemic headwinds during the previous year. As Vikaash will cover subsequently, we are well placed to match our supply timing with the expected bounce-back in demand.

We remain of the view that a more flexible, hybrid way of working will influence the office of the future. We continue to believe in the strength of our key customer base, technology and global captive centres, which are dependent on the young, talented Indian workforce and which will continue to rely on high-quality workspaces and integrated business parks with a focus on the total business ecosystem. We remain convinced that this is especially true for India owing to the unique demographics of its working population – a young, career-oriented, learning-focused group looking for collaborative spaces for culture building and mentoring – and the stark contrast with the digital and physical infrastructure challenges at home. We are well-positioned to benefit from the shifting occupier attention to quality workspaces and will gain market share with the expected consolidation.

Clearly, the intensity of the pandemic, not just in India but also in US and European markets, impacts recovery timing. But the indicators within India are almost universally positive and all the factors I have mentioned highlight the stable and resilient nature of our portfolio and our business.

Let me now hand over to Vikaash to discuss in detail our business and operating performance for Q3.

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Vikaash Khdloya

Dy CEO and Chief Operations Officer (COO)

Thanks, Mike. Good evening, everybody. Business highlights for this quarter include:

- Gradual and consistent ramp-up in back-to-office numbers;
- Lease deals signed for 311k sf, with 14% spreads on 206k sf re-leased area across 11 new deals;
- Rental increases of 15% on 1.5 msf across 24 leases and rent collections of 99.5%;
- Launch of 1.9 msf new office development at ETV with construction activity at full pace on overall 5.7 msf on-campus development; and
- Completion of 9.2 msf ETV acquisition, with successful ₹36.8 billion equity raise through an Institutional Placement.

Now, let me take you through the details.

First, an update on our efforts to facilitate Occupiers' return-to-work programs

Our buildings have remained operational and safe with an estimated 97% of occupiers operating from our properties across India during Q3. The success of our on-ground teams in this regard is reflected in our robust rent collection figures – we collected 99.5% office rents for Q3, 99.9% for Q2 and 100% for Q1, with no waivers to office occupiers.

We continued to support occupiers as they bring forward their back-to-office plans. We have seen a consistent gradual ramp-up in the number of employees working from our properties – an average of 20k employees worked from our properties in Q3, a 27% increase compared to Q2. Domestic corporates are leading the back-to-office trend. However, multinational occupiers remain cautious and are ramping-up slowly, likely driven by the rebound in the COVID-19 cases in their home countries.

Overall, the feedback from our occupiers continues to be encouraging and suggests further ramp-up in the coming months.

Moving to our leasing and lease management update

During the quarter, we signed new leases for 206k sf across 8 deals with a 14% re-leasing spread - this included 143k sf of leasing at Embassy TechVillage, the latest addition to our portfolio. We also renewed 104k sf across 3 ultimate lease expiries at 6% renewal spreads to existing rents. This adds up to 311k sf leases signed this quarter across 11 deals. On a YTD basis, we have now signed 1.0 msf leases across 37 deals comprising of 531k sf of new leases, including 450k sf of re-leases at 16% re-leasing spread, and 514k sf of renewals of ultimate lease expiries at 14% renewal spread.

Next, on our upcoming expiries. Of the 2.2 msf expiries in FY2021, we have successfully backfilled or renewed 0.7 msf or 32% of expiries at 11.4% mark-to-market ('MTM') spread on a YTD basis – of this, 190k sf was achieved during Q3 at 7% MTM spread. 0.9 msf of lease expiries resulted in occupier exits on a YTD basis and a further 0.6 msf are likely exits over the next quarter. This was broadly in-line with our expectations of 1.0 msf+ exits due to COVID related pressures on occupier businesses, some rightsizing by occupiers as well as normal occupier churn seen every year. Despite these exits, our occupancy remained stable at 90.6% on our enlarged 32.3 msf operating portfolio, with our same-store occupancy at 90.5%. As demand returns gradually over the coming quarters, we expect to build on our existing pipeline of 150k sf and lease-up our vacant spaces.

As Mike mentioned, the leasing market has shown early signs of recovery, and we foresee the recovery to gain momentum from the latter half of this year. As per our conversations with occupiers and property consultants, initial enquiries and RFPs for large deals have already commenced and we observed over 60% QoQ increase in enquiries for our properties. Also, we are witnessing an increase in the number of site visits to our properties. With the steady ramp-up in the back-to-office numbers and with the roll-out of vaccination globally, we are confident that we will see further pick-up in leasing demand over the coming quarters, especially from tech companies and GCCs who are likely to expand and be a significant contributor of office demand.

Further, of our 8.3 msf leases due for escalations during FY2021, we achieved 15% rental increases on 1.5 msf across 24 office leases during Q3 and delivered YTD rental increases of 13% on 5.3 msf across 66 office leases. These embedded escalations are key to our NOI growth and we have achieved all the rental increases as per schedule. We are confident that we will deliver the 13% rental increase on the remaining 3.0 msf leases due for revision during the next quarter.

On similar lines, we signed rolling renewals of 2.0 msf across 15 leases as per YTD schedule, including renewals of 1.1 msf on 5 leases signed during Q3. These relate to renewals achieved post the initial commitment period and before the ultimate expiry of the lease as these occupiers exercised their option to continue with the lease and not give up their space. As per early conversations with occupiers, we are on track to sign the remaining 0.9 msf leases due for rolling renewal during the next quarter.

Next, our development and asset management update

- During the quarter, construction continued at pace across our three ongoing on-campus development projects in our existing portfolio totaling 2.7 msf. Post ETV acquisition, a further 3.1 msf of development potential has been added to our portfolio. This includes the 1.1 msf built-to-suit already pre-committed to a banking major and for the balance 1.9 msf, we have kick-started development last month immediately post ETV acquisition. With less than 2% vacancy in the ORR sub-market where the ETV asset is located, we are confident to bring this supply forward.

  Apart from our 1.1 msf built-to-suit project which is 100% pre-committed and on track for delivery in September of this year, all our new deliveries are expected starting FY2023. These timelines tie well with the expected demand revival in the medium-term. For the total 5.7 msf under-construction projects in our enlarged portfolio, we expect balance capex spends of ₹23.3 billion over the next three years and we continue to be well placed to finance these projects.

- We continued to make progress on our infrastructure and amenity upgrade initiatives across our portfolio. Our comprehensive infrastructure programme at Embassy Manyata comprising construction of a new flyover, development of 619 key dual branded Hilton hotels and masterplan upgrade initiatives including a skywalk continue to be on schedule. Our comprehensive re-positioning initiative for Embassy Quadron in Pune is progressing well and on target for September 2021 completion. We are also working with the Pune Metro to enhance direct pedestrian access to this park and are confident that these investments will add long-term value to the asset, attract world-class occupiers and will result in occupancy ramp-up at Embassy Quadron in the medium-term.

- Both of our hotels were operational during the quarter and saw marginal increase in occupancy numbers. While hospitality demand recovery is expected to remain muted until FY2022, we expect occupancy to improve from current levels with the vaccine roll-out in India. We continue to conserve cash and have further reduced the Q3 cash burn to ₹74 million.

Lastly, an update on our latest acquisition and our acquisitions strategy

We successfully completed the acquisition of ETV assets on December 24, 2020. This acquisition has significantly enhanced our portfolio scale, further diversified our occupier base, and facilitated REIT's entry into Bengaluru's best performing sub-market ORR. Further, an acquisition of such scale and complexity has demonstrated our team's ability to successfully execute large multi-party transactions in compressed timelines.

To finance our ETV acquisition, we successfully raised ₹36.8 billion of equity through an Institutional Placement of 111.34 million new units in December 2020 at a price of ₹331 per unit. This placement witnessed strong demand from both existing as well as new institutional investors, including global and domestic investors, pension funds, insurers, and alternative asset managers. Further, we issued 64.89 million units totaling ₹23.1 billion on a Preferential Allotment basis at a price of ₹356.70 per unit to the third-party selling shareholders of ETV. This total issue of 176.23 million new units has diversified our unitholder register, enhanced the liquidity of our units, and is expected to facilitate the REIT's potential inclusion into additional global benchmark equity indices.

Immediately post ETV acquisition, we initiated our asset management plan – we have successfully integrated the asset and the on-ground teams into our REIT portfolio, we have kick-started the 1.9 msf of new on-campus development and have also made progress on refinancing in-place ETV debt and restructuring the asset SPVs. Aravind will provide further details on these shortly.

Also, post the successful closure of this transaction, we are witnessing increased interest from other developers and asset owners as they look to consolidate with larger institutional quality landlords with strong balance sheets. We continue to evaluate acquisition opportunities in the market and as stated previously, we are focused to ensure that acquisitions are strategic and value accretive to our unitholders.

As you can see, during the quarter, we remained focused on managing our existing leases, deepening our occupier relationships, and gearing up for the upcoming demand revival by investing in our existing properties. We also commenced our next growth cycle by initiating new development projects across our existing campuses and successfully integrated the newly acquired ETV asset into our portfolio. We continue to be focused on creating long-term value in order to maximize returns to our unitholders.

Over to Aravind now for the financial updates.

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Aravind Maiya

Chief Financial Officer (CFO)

Thanks, Vikaash. Good evening, everybody.

At the outset, I would like to overlay the principles we have adopted in relation to the acquisition accounting for ETV assets. ETV acquisition was completed on 24 December 2020 and these assets have been consolidated from 31 December 2020, i.e., a date close to the acquisition date. Hence, while the consolidated balance sheet as at 31 December 2020 includes the assets and liabilities of ETV, the income statement for the third quarter and nine months period ended 31 December 2020 do not include the results of ETV.

With this background, let me start with the financial highlights for Q3 which include:

- Net Operating Income of ₹4,780 million, up 3% YoY, with operating margins of 85% for the quarter;
- Distribution of ₹4,313 million or ₹4.55 per unit for the quarter, representing a 100% payout ratio;
- Successful debt raise of ₹7.5 billion during Q3 at 6.70% coupon, and raised further ₹26 billion in Jan 2021 at an impressive 6.40% coupon; and
- Refinanced ₹32.8 billion in-place debt resulting in 336 bps interest savings.

Now let me take you through the Q3 FY2021 earnings performance in detail:

- Our **Revenue from Operations** for Q3 grew by 4% YoY to ₹5,653 million mainly due to contracted rental escalations, income from new deliveries in Q4 FY2020 and increase in CAM and other operating revenues which were partially offset by decrease in commercial office revenues due to occupier exits as well as decrease in hotel revenues due to COVID-19 impact.

- Our **Net Operating Income** for Q3 grew by 3% YoY to ₹4,780 million, in-line with increase in our Revenue from Operations. Our Same-Store NOI grew by 5% YoY to ₹4,020 million. Our **EBITDA** for Q3 grew by 8% YoY to ₹4,830 million mainly due to increase in our NOI, interest income on purchase consideration advanced for Embassy Manyata M3 Block B and savings due to our cost optimization initiatives.

- Our operating and EBITDA margins continue to be impressive at 85% for Q3 and reflect the efficiency of the business given our scale and low fee structure. Our margins have been positively benefited from our cost saving initiatives as well as the change in segment mix since the beginning of this financial year.

- Our **Net Distributable Cash Flow ('NDCF')** for the quarter stood at ₹4,308 million and the Board of Directors in their meeting held earlier today declared a 100% payout ratio with total Q3 **Distribution** of ₹4,313 million. This translates to a **Distribution per Unit** ('**DPU**') of ₹4.55 for Q3 on the expanded unit base of 947.89 million units in accordance with applicable SEBI regulations. With this, our cumulative YTD distribution totals ₹13,056 million or ₹15.88 per unit. The record date for the Q3 distribution is February 22, 2021 and the distribution will be paid on or before February 27, 2021.

- Note that while our total Q3 distribution of ₹4,313 million is 2% higher QoQ, our DPU for Q3 has declined by 17% QoQ. This is due to the impact of 176.23 million new units issued through an Institutional Placement and a Preferential Allotment in December 2020 in connection with the ETV acquisition. While these new units are eligible for Q3 distribution, the corresponding increase in NOI or Distribution due to ETV's positive contribution would be reflected beginning Q4 onwards, given the timing of the acquisition and the accounting principles adopted which I mentioned in my opening remarks. For comparability purposes, the Proforma DPU excluding 176.23 million new units issued in December 2020 would be ₹5.59 per unit for Q3 and ₹16.92 per unit YTD.

Next, an update on our recent debt capital market activity and the resulting balance sheet position

- During the quarter, we successfully raised ₹7.5 billion debt at 6.70% coupon through the placement of Tranche B of our Series II NCD. These funds were primarily utilized to finance our acquisition of the property management operations of Embassy Manyata and Embassy TechZone as well as capex spends for our ongoing on-campus development. Immediately post the ETV acquisition, in January 2021, we successfully raised ₹26 billion debt at an impressive 6.40% coupon, our lowest cost debt till date, through the placement of our Series III NCD. These funds were primarily utilized to refinance ETV's in-place debt.

- Both these debt issuances witnessed strong demand from existing and new investors, with prominent domestic financial institutions participating and anchoring these issuances. Our ability to access debt market and raise financing at attractive terms once again demonstrates investor's confidence in execution of our business strategy and flight to quality borrowers with balance sheet strength. The recent budget announcement enabling Foreign Portfolio Investment ('FPI') in debt securities of REITs will enable access to larger pools of debt capital leading to increased participation and competitive rates for our future debt issuances.

- Also, during Q3 and until mid-January 2021, we successfully refinanced a total of ₹32.8 billion debt, mainly comprising of ₹26.4 billion refinance of ETV's in-place debt and ₹6.4 billion refinance of our existing debt at Embassy Energy. We have delivered 336 bps interest savings on these refinancing. Further, we renegotiated the interest rate on ₹15 billion of roll-over ETV debt at SPV-level from 7.9% at the time of acquisition to 7.6% post acquisition, a savings of 30 bps and continue to be in discussions with lenders for further rate reduction.

- Our focus now shifts to our initial ₹36.5 billion debt which is due for redemption in June 2022 – this debt was raised in May and November of 2019 through the placement of our Series I NCD at a blended 9.3% coupon. In this regard, we continue to monitor the stabilization of our under-construction buildings as well as the overall debt market conditions. These will determine the timing, coupon structure and contours of the potential debt refinance and we will keep you updated as we progress further.

Moving to other financial updates

- As updated during our previous calls, in June 2020, we filed the scheme of arrangement to collapse the legacy two-tier holding structure of Embassy Manyata entity into a simplified and tax efficient single-layered SPV structure. The target is to complete the restructuring by March 2021 and we are currently awaiting regulatory approvals on the restructuring proposal.

- Similarly, in February 2021, we filed the scheme of arrangement to collapse the two-tier holding structure of the newly acquired Embassy TechVillage assets to make distribution from ETV tax-efficient to our unitholders. The scheme is subject to regulatory approvals and the target is to complete the restructuring by September 2021.

Upon simplifying our holding structure with the above restructuring of both Embassy Manyata and Embassy TechVillage asset SPVs, the proportion of dividends in our overall distributions is expected to increase significantly. This will be a huge positive as it further enhances the overall post-tax distribution yields to our unitholders given REIT dividends are fully tax exempt.

Finally, an update on our guidance for the remainder of this financial year

We have updated our guidance for the full year FY2021 to take into account our updated assumptions of current market conditions as well as the estimated impact of ETV acquisition. Our guidance factors assumptions similar to those outlined during our previous earnings call in Q2 around rent collections, contracted rental escalations, portfolio occupancy, demand outlook in immediate term etc. as well as business commentary outlined during today's call by Vikaash. Before I move into details, let me highlight that on a same-store basis (excluding ETV), we have retained our full year mid-point NOI guidance at ₹19,005 million and have marginally increased our mid-point distribution guidance by ~1% to ₹17,170 million.

Moving to our revised guidance post ETV acquisition. Factoring for the 176.23 million new units issued in December 2020, which are eligible for both Q3 and Q4 distributions, as well as the incremental NOI and distribution contribution from ETV asset in Q4, we now revise our FY2021 NOI guidance to be in the range of ₹20,009 to ₹20,619 million with a mid-point of ₹20,314 million and our distribution guidance to be in the range of ₹18,065 to ₹18,615 million with a mid-point of ₹18,340 million. Assuming a 100% payout ratio, our full year FY2021 DPU guidance would be in the range of ₹21.13 to ₹21.78 per unit with a mid-point of ₹21.45 per unit.

We have included a guidance reconciliation in our earnings presentation as well as our supplemental databook with details such as increase in our same-store portfolio guidance, impact of issuance of additional units and increase due to ETV's positive contribution to NOI and distribution. As you would note from the Q4 guidance figures, the addition of ETV to our portfolio is expected to be both NOI and DPU accretive.

In summary, to round up our income statement on a YTD basis, our NOI and EBITDA are up 5% and 8% respectively, mainly due to increase in Revenue from Operations, savings due to cost optimization initiatives as well as additional interest income on the M3 Block B transaction. Further, we continue to maintain our strong balance sheet with a low leverage of 23% Net Debt to Total Enterprise Value, strong liquidity position of ₹9.4 billion as of December 2020, comprising of ₹5.9 billion of cash and treasury balances and ₹3.5 billion in undrawn commitments, and ₹120 billion or $1.6 billion of additional debt headroom.

Our conservative balance sheet, available liquidity and access to capital, both debt and equity, enables us to finance our organic growth through the 5.7 msf on-campus development across portfolio as well as to pursue accretive acquisitions to the benefit of our unitholders.

Over to Mike for his concluding remarks.

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Michael Holland

Chief Executive Officer (CEO)

Thank you, Aravind.

So, this was another resilient quarter for Embassy REIT in the face of the global pandemic. We successfully completed the $1.3 billion ETV acquisition and have integrated the asset into our portfolio, we concluded our first ever Institutional Placement of over $500m, we raised over $350m debt at our lowest ever 6.40% coupon cost and we delivered strongly on our existing portfolio through robust rent collections, continued momentum on our on-campus development and healthy unitholder distribution.

We are witnessing a gradual and consistent ramp-up in both the number of people working in our parks and the new lease enquiries received by our teams. We expect these upward trends to continue in the light of positive macro indicators of decreasing active COVID-19 cases in India, vaccine roll-out progress and exceptional results delivered by the technology sector companies, all of which will positively impact leasing decisions taken by our occupiers.

As always, we remain focused on our strategy of delivering maximum returns to our unitholders through our organic and inorganic growth initiatives.

So that was the business overview for Q3 FY2021 – let's move to Q&A please.

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QUESTION AND ANSWERS SESSION

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Saurabh Kumar from JPMorgan.

Saurabh Kumar: A few questions. One is, so basically the units have gone up and that's the dilution you are seeing in the DPU, right? So hopefully, next year we come back to the 5.5-odd run rate which we had in 3Q, will that be a correct assessment?

Aravind Maiya: Saurabh, that is correct. This is a onetime impact because in quarter three there was no distributions or NOI from ETV. But since the units were issued in December, they are eligible for distributions. Actually, these units are eligible for distribution up to the record date, which will be February. And hence, this is a onetime dilution. And fourth quarter as well as FY 2022, it will come back to normal.

Saurabh Kumar: Okay. And the second Aravind is, on your debt cost, so you have highlighted something around like 6.5%, because if you look at your P&L the interest cost which you report, that works out to something like 8.9% odd. So, I mean, where is the disconnect there?

Aravind Maiya: Sure, Saurabh. So, if you look at the profit and loss account, that includes the debt on the Series I NCD, which has a blended rate of 9.3% as well as the SeriesII NCD. So, the right number to look at, Saurabh, would the walk-through which is there in the Investor Deck and the Supplemental Deck, which gives the cash interest base. So that will be the right benchmark to look at.

Saurabh Kumar: Okay, that will also include the zero coupon. I am just trying to figure out the actual cost of debt, blended average cost of debt on balance sheet. I mean, that will be how much? That will be 8.9%, right?

Aravind Maiya: Saurabh, sorry, we dropped off. I don't know till where you heard. But what I was saying is the profit and loss includes the accrual on the Series I NCD

Saurabh Kumar: So, I was trying to just figure out the average cost of debt for Embassy, that should be 8.9%, because the walk through will include the zero coupon.

Aravind Maiya: That's right.

Saurabh Kumar: The average cost of debt for Embassy on the portfolio is 8.9%, the incremental is around 6.5%, that I understand, but the average will be 8.9%, right?

Aravind Maiya: So, two things, Saurabh. What I would guide you is Page 18 of supplemental databook debt page because that factors in the refinancing which has happened in January 2021, which is post the quarter end. So over there, if you see, while the average cost was 8.76% coupon as of December after factoring the January refinancing through the Rs. 2,600 crores, the average cost has dropped to 7.91%. So that's the number to look at as the all-in entire portfolio coupon rate for us as of today.

Saurabh Kumar: Okay. Got it. Okay. And one last thing on occupancy, Mike. So where do you think the portfolio occupancy would be for you on a more stabilized basis? So, since listing, you have broadly been in that 94% mark, but the mark has been 94%, 94.5% and then we have subsequently seen that at 90%, 92%. So, on a more normalized basis, do you think 94%, 95% is more likely or will we ever see days of 97%, 98%?

Vikaash Khdloya: Saurabh, this is Vikaash here. So, you are correct that we were in the high mid-90s before the COVID pandemic. The way we look at it, of course, is we do have certain expiries coming in Q4 of 0.6 million square feet. But on a normalized basis, assuming three or four quarters from today, we do see this occupancy ramping up, especially given the quality of our assets back to what we have seen pre-COVID levels, especially given we also now have ETV assets which is a dominant asset in a micro market with low supply. So, we do see ourselves going back to those levels, which we have been able to maintain occupancy previously.

Saurabh Kumar: Okay. So, in about three quarters?

Vikaash Khdloya: Yes. And given the construction profile, there will always be some stabilization period for the new deliveries.

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

Kunal Tayal: I have a couple. The first one, maybe for Mike. Mike, you had a fair amount of deal signings this quarter. Have you observed any changes on parameters like per person space assumptions in those deals, rentals or even lease durations? So that's question number one. The second one for Aravind. Aravind, can you remind us what is the earliest you can consider refinancing of the zero-coupon bonds?

Michael Holland: Yes. So, thanks, Kunal. Yes. I mean, as we said, we have seen a slow but discernible change in terms of volume of leasing and interest and inquiries. I think inquiries are up by 60%. There is certainly a sentiment that's positive about the growth of our occupiers. We are indeed seeing across the market many occupiers are looking to retain flexibility in terms of the length of their commitments, preferring sometimes shorter lock-in periods. Rentals, we are holding our rentals, I think you can see from the data. So, I think generally, across the market on good quality products, particularly in Bangalore which has these low vacancy rates, rentals are holding, but there is some push for more flexibility around lease terms. By terms, I mean lease periods, lock-in period.

Kunal Tayal: Got it, Mike. Are there any observations on densification of per person space requirements?

Michael Holland: Yes. for sure, in conversations, I don't think that that has yet fed through to be clear in terms of design of the internal space, but numerous conversations that I have had with business leaders would indicate that, yes, that dedensification thesis that we have all shared before is going to come through. And of course, that relates primarily to those companies who would be in the more outsourced services space. The global captive centers, which is nearly a third of our portfolio, those types of companies already have a fairly low density, although some of them are indeed talking about taking that density or allocation of space even higher. One, in particular, I am thinking about who has in the past been looking at 120-feet per person moving up, talking about 150 and maybe even taking it up to close to 200.

That would be one of our top 10 tenants.

Aravind Maiya: So Kunal, on the second question on the Series I NCD, so the earliest prepayment option what we have is 24 months from the date of issue, which is May 2021. But that is, of course, with a 2% prepayment penalty. And in November 2021, we have an option to prepay with 0% prepayment penalty.

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

Amandeep Grover: So, I had two questions. Firstly, Mike, my question is specific to Mumbai and Pune micro markets, where we have seen continued increasing vacancies with the rentals at few micro markets like BKC even moderating by around 10%. In that context will it be possible to indicate nature of tenants who have been exiting and your outlook on these micro markets?

Michael Holland: I think just dealing with the Mumbai side of things, it is clear that there are buildings even in the same micro market which are superior and attract the quality tenants. And certainly, we would put FIFC, our property in BKC, right up there at the top of that list with one or two other buildings. And there are plenty of buildings in that market that will struggle. So, I think we are seeing a slow uptick in demand. We are seeing that a tenant's rental is not the most significant consideration in the decision-making process. But that today, rents are holding firm for our type of quality building. But decisions are slow to be made. Vikaash, would you like to comment on the Pune side of things please?

Vikaash Khdloya: Yes, sure. So, Amandeep, on the Pune city itself, I think the demand has been soft since the COVID-19 outbreak. And we do expect it to take some time before we see a return of demand. Definitely, we are right now seeing certain pipeline which is more driven by the global captive centers who prefer to be in the east of Pune. So, in that respect, especially for our Pune assets, we are focused to ramp up occupancy, given some recent consolidations and relocation from our assets. So, I think Pune may take a little more time. But however, when demand does get back from those technology and IT services companies, which prefer the west of Pune we think will be the first beneficiaries. As of now, the global captives are the ones who are looking for consolidation and expansion. So, I think the technology companies will follow suit.

Michael Holland: Can I just add some further color to the comments on Pune. I mean, our market, Hinjewadi, you all have seen one of those new leases that we signed in the last quarter, an Australian telecom related company. They also have options to expand further. So, there is demand in that market, but there is very limited competing supply in Hinjewadi for us. There really is only one small cluster development against which we are competing with. So again, I think it goes to our overall thesis that we will see pickup in leasing over the coming quarters, that there is an opportunity for us, come the end of this year and going forward, to capture the uptick that is surely coming.

Amandeep Grover: Sure. That was really helpful. And secondly, on hotels, whilst you understand that it is very a small contributor and has been an ancillary to your commercial portfolio. Can you help us understand what the large corporates are now indicating regarding the business travel?

Vikaash Khdloya: Yes. Amandeep, Vikaash here again. So, hotels, as you mentioned, what we are seeing is that the occupancy ramp-up has been muted. What we are hearing from the ground is that it will definitely take more time. Just to remind you, the bulk of the occupancy in both our hotels, and that's true for entire Bangalore City, was driven by international and domestic travel. Now until the travel restrictions, not only in terms of regulations but also in terms of company's policies become more open and permissible, we think it will take time. In our estimate, we think until end of FY 2022, which is March of 2022, the occupancy will remain low. What we are focused on, if you recollect from the quarter one, when we said cash burn would be around Rs. 60 crores a year, we have brought it down to about Rs. 7.5 crores this quarter, so roughly about Rs. 28, Rs. 30 crores for the year. So, we are focused, the corporate RFP program is going on. But mostly, it's the mid-level executives who are traveling and the budget for that is considerably different than what it would be for the senior folks.

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

Pulkit Patni: My first question, is when I look at Slide 32 which talks about 2.2 million square feet up for expiry in FY 2021, any reason why the mark-to-market opportunity in this portfolio is only 2%? Whereas when we look at this going forward, the M2M opportunity seems a lot higher. So, anything specific to this portfolio, why the M2M opportunity is a lot lower?

Vikaash Khdloya: Yes. Pulkit, Vikaash again. So just to kind of give you a context, for the expiries that we indicate in the chart on the left-hand side, the mark-to-market opportunity is derived by, obviously, one, the market rent as per CBRE assessment, but also as per what is the in-place rent of those leases, which come up for expiry in that particular year. So just to give you a sense, at the start of the year, in March of 2020, we had indicated the mark-to-market to be 13% on the expiries coming up in FY 2021, and next year would have been higher. So, it depends on what the in-place rent was.

In terms of what you mentioned on the likely exits of 0.6 million square feet, again, that's a function of what the in-place rents on those leases are. So, I would more suggest you look at it from the perspective of two or three or four year perspective. Because each particular year and breaking it down to three segments as we have done on the right-hand side and looking at the mark-to-market in isolation may not be correct. So, the mark-to-market of 2% is low simply because the in-place rents are almost at markets for this 600,000 square feet leases. And if I could guide you to page number nine of the supplemental data book, where we have kind of mentioned what the in-place rent is asset wise and what the market rent and hence, the overall mark-to-market for the entire 2.2 million square feet.

Pulkit Patni: No, fair point. Actually, that was what my question led up to, basically, if I look at the right-hand side, which talks about 2% mark-to-market potential on the 0.6 million exits. What is the reason for exit? Is it that the tenant was already paying a high rent and in COVID basically got something cheaper somewhere? So that's what I am trying to basically understand that what was the reason of this 0.6 million of potential exits that you are forecasting in this quarter?

Vikaash Khdloya: Sure. Pulkit there again, overall, as we mentioned earlier, we have exits which we usually classify into three kinds, one is COVID-induced exit. Second is normal exit as part of business as usual, normal churn, which may include relocation, consolidation to their own premises, so it would include that. And third, which we are seeing now, during this post the COVID pandemic, is the rightsizing by some of the large occupiers, where you just want to trim the portfolio a little bit to ensure more efficiency. So, in this quarter four, as you mentioned, we have 600,000 square feet of expiries.

Just to give you a flavor, we have in that a banking and financial services company in Quadron which is vacating 220,000 square feet as they move, relocate, and consolidate to the east of Pune, part of their ongoing program, they had exited a similar chunk in the previous quarter. And then you also have about 80,000 square feet in Manyata of an occupier who is in the engineering and manufacturing industry servicing, the aviation clients. So there obviously their business is facing headwinds and that we would bucket it into the COVID-induced kind of exit. So, it's a mix of all -- three reasons that I mentioned. We also have another occupier in Oxygen, which is a BPM occupier who is vacating about 60,000 square feet to move and consolidate into their own campus premises, again, as part of overall business efficiency and cost optimization measures.

Pulkit Patni: Sure. That's helpful. Just one more question on FIFC, we have almost a quarter of gross rental coming up for expiry next year, any update there? Are we in any advanced talks? Because as the previous participant asked, BKC is a market where rentals have corrected quite meaningfully and we are also looking at almost about 22% down M2M opportunity, so any update on a quarter of area there? Any negotiations at advanced stages or anything?

Vikaash Khdloya: Correct. So Pulkit, you are referring to the 50,000 square feet which is leased out to one of the larger technology companies, global companies. So there, again, occupiers, especially in Mumbai, engage in discussions more like three or six months before the lease expires. So as of now we are in touch with them, but there is no definitive conversation. However, in general, I would say that if you see our Mumbai portfolio occupancy, pre and post COVID, it has remained fairly stable and stood up, especially given that both FIFC and Express Towers are the best assets. So, we will give you a further update. As of now, on FY 2022 expiries, we don't have a definitive update.

Michael Holland: I think just to add a general comment, which also links back to your previous question. You mentioned are people moving because of high rents? That's absolutely not the case. So, I think, again, if you look in aggregate, across our portfolio, people are paying rentals that are 29% below market. And also, to underscore, rental is a low proportion of the company's total cost. So, there are multiple reasons; it can be consolidation, it can be relocation to another part of the city, or it may be some of those tenants impacted by COVID or that housekeeping that we have referred to before. International standard tenants are more focused on the qualitative aspects of buildings in terms of safety, in terms of environment. And that is becoming more important, which actually reduces the number of buildings that one is competing against. So that works in our favor.

Pulkit Patni: No, absolutely, Mike. I appreciate that. I mean, what prompted that question was that on the overall portfolio we have almost about 29% mark-to-market opportunity, whereas the exits have 2%. So that is why I thought maybe that’s the reason. But that's helpful explanation, thank you so much.

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

Kunal Lakhan: Just on the occupancy side, if you exclude TechVillage from the portfolio and do a like-to-like comparison with last quarter, the occupancies have actually, excluding TechVillage, is at about 89% or lower than 89%, which is almost like a 2% to 3% or a 2.5% to 3% decline from 91.7%. Is that assessment correct? Because that would mean about 7 lakhs square feet of net exit. And if you adjust for like 2 lakh square feet of new leases, that means gross exits of close to about 9 lakh square feet. Is that assessment correct?

Vikaash Khdloya: So Kunal, Vikaash again. So, the like-to-like occupancy as you mentioned, excluding ETV, for December 2020 would be 88.9%, so that's correct. And as you mentioned, the cumulative exists as of December, that gross figure which you mentioned, seems like correct. So that is correct, Kunal.

Kunal Lakhan: So actually, all of that has come in Q3, right?

Vikaash Khdloya: No, no, we did have some exits earlier as well, but the bulk of it, the major portion of it has come in Q3, that is correct. So again, just to give you a background, Kunal, a lot of these exits, which are COVID induced or rightsizing due to the change in environment, people looked at it, they gave us notices, let's say, in February or March, and then actually it's a six-month notice period. So, it reflects in end of September and more in the Q3.

Kunal Lakhan: Sure. So, we are confident that from next quarter we will cap the exit at about 6 lakh square feet, and unlikely it will go in the range of what we saw in Q3 now.

Vikaash Khdloya: So why don't I put it this way, Kunal. If you refer to slide number 32, the FY 2020 expiries, not exits, the FY 2022 expiries as of now, as per contract and the notices we have received, is 1.5 million square feet. Now while I would not want to give a guidance on FY 2022 of what would be renewed release and what would be exits, because we will try and do that next quarter when we have a better flavor. But just from a perspective of FY 2021, and if you were to think that FY 2021 is the year where all of the COVID-related stress was impacting these occupiers who weigh in those sectors. In FY 2021, we had one-third of our expiries, which were renewed or re-leased and two-third is exit. So that is the FY 2021. Now whether FY 2022 turns out to be better than that or not, we will have to wait and see. We do think that demand will pick up significantly from the end of this calendar year.

Kunal Lakhan: Sure. So, my second question was actually on that, in a sense that if you look at the physical occupancies, right, in the key markets, it is less than 50%. Although like the hiring targets of some of the top IT companies have been like very encouraging, but considering that physically occupancy itself is so low, like there is obviously some reluctance towards signing up new leases. You think that that was changed towards the end of this fiscal year, and we will see that actual leasing picking up or like people or like to top MNC's or domestic companies actually committing to new space despite their talks of or their plans of hybrid model?

Michael Holland: I think let me comment on that, Kunal. So, what we are seeing, as I said, we are speaking now very regularly to many of the international companies who are reaching out to understand the back to work, a, preparations by us, but what other people are doing. So, there is clearly a sentiment from those international companies about the desire to accelerate their back to work program. We have spoken before about how there is a very distinct and significant difference between the way in which domestic companies are treating back to work, which is many of them are over 20% and up to 35% of their staff back with international companies still down at the sub-10% level. So, we are definitely seeing increasing movement in that back to work. We need to see that because the majority of companies will not make new leasing decisions until they have got some traction on that. And we think that will take another couple of quarters. As I mentioned, we are optimistic about where we are at, but we are also realistic. But it will take until people who have got their staff back into the office, that's when they will start making longer-term decisions.

Vikaash Khdloya: Yes. And just to add to what Mike said. The other interesting thing that we are seeing is the RFPs which we are seeing in the market today are for take-up in FY 2022, 2023, which gives a very interesting insight into the way occupiers are thinking. The really large, sophisticated occupiers are taking a more medium-term view of the office space requirements, because we believe that we already have a view that occupancy will ramp up by whatever target timeline that they may have set internally, given the way the business has grown. We are seeing right now about 9 million square feet of live RFPs in our four markets. And interestingly, GCCs contribute a significant 68%, 70% of that, followed by the technology companies. So medium-term, people have already started looking out for space. Short-term, as Mike mentioned, we will have to ramp up numbers back in offices, which will be driven by the vaccination program's success and the global parent policy decisions. And then we will see take-up of space speed up for the existing available space.

Moderator: Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: Congrats on the ETV acquisition. Mike, my question is to you, with the ETV acquisition done now, and we still have ROFO with this sponsor and potentially some assets from the other institutional sponsors what we have in the REIT. So, do you guys are really thinking around the timeline before which we would want to first digest this acquisition and then think about the new one? Or you would straight away go into discussions for some of the new ones? That's first part.

And second part, Vikaash or Mike, either of you if you could take this. Any trends you are seeing in terms of distressed assets from the market side, given that funding still remains challenging for some of the smaller ones? So are there any more supply, what we are seeing, you might be interested into now coming into the REIT portfolio.

Michael Holland: Yes. Abhishek, thank you. So, we are very happy to have concluded the TechVillage acquisition. As you know, it took about 14 months from the time we first started looking at it, paused with COVID and picked it up again. But that's an illustration also that some of these large acquisitions, and I doubt if we'd be doing something of that scale in the foreseeable future. But they do take a significant amount of time to bake a deal. So yes, we will take our time to, as you put it, to digest the asset. Actually, we are well into the main course, we have already started our construction on the 2 million square feet of new development. We have integrated the teams; things are going really positively and really well. We are and we will continue to look at assets as they come to us, whether those be sponsor-related or independent. And I would say, we are looking at a number in all categories at present. But I think these types of deals do take some time. Our criteria remain about being, A, in the right markets; B, large scale, dominant in their submarket; and C, the right type of occupiers, covenants and, of course, accretive to our unitholders. So, there will be more, we hope and expect, but it will take some time.

Vikaash Khdloya: And Abhishek, just to answer the second part of your question. As Mike mentioned, we are looking at market opportunities, not just sponsor related. But the bulk of the opportunities that we are seeing in market today, as you rightly mentioned, the distressed opportunities, are really of assets which are Grade B, or assets which do not qualify into the criteria which Mike just mentioned, which is Tier 1, large-scale dominant quality occupiers, etc. And really, we are really at Embassy REIT focused on dominant top-quality assets because that is where you get the mark-to-market, that is where you get the best occupiers and the best rental growth. So, we are kind of staying in the market right now. We are looking at assets, we are hoping that some distress opportunity does come up for a Grade A asset. We do have this execution capability to execute complex transactions. But fundamentally, we are focused on Grade A quality assets. That is the core criteria for us and not a cheaper price on a Grade B asset.

Ritwik Bhattacharjee:

Yes. I think just to add to that, Abhishek. I mean, one of the things we do have to consider here is how we finance that. I think we were pretty clear when we did ETV that it would require an equity raise, it would require sort of having debt and ETV being refinanced and then raising the Rs. 2,600 crores. But look, I mean, after you do an acquisition of this magnitude, I think one of the things we really are mindful of any overhang sort of in both, whether it's the equity market or the debt market, and recognizing that the markets are still evolving in terms of the capacity that we can actually go out there and raise. We want to make sure that any acquisition we do, what Vikaash was talking about, if there is something out there that there would be more a value-add opportunity or whether it's a sponsor asset or anything else, we just need to make sure that after the financing it is accretive to unitholders, and we still have the capacity to then raise money to run the business as well.

Moderator: Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: My first question was, you have given this list of top 10 occupiers. And within that, there I see that there is a big drop for Cognizant. I am not sure whether you want to comment on a specific client or not, it looks like, I am just trying to understand if this is a reflection of what the outsourcing companies are trying to do.

Vikaash Khdloya: Prashant, Vikaash here. So, while we don't want to comment on a specific occupier, our view is that one, we have been really focused to broaden our top 10 occupiers and the top two occupiers. So, from the time that you have seen earlier, we have got that percentage down. Top three now constitute about 20%, top 10 about 38% from what it was about a year back. Certain technology occupiers, especially the IT services companies, they are looking at rightsizing. They continue to be large occupiers, but because the work-from-home permissions are still available from some of their clients, I think they are taking longer for their decisions on real-estate strategies, whether it's renewing expiries which are coming up or taking up new space. On the other hand, global capability centers actually we have seen much higher number of people working out of our properties from this GCC bucket. And those are the guys who have initiated the process for RFPs in the market. So, we have to kind of wait for some more time to see how the trend evolves. Definitely the IT services companies are behind the global tech companies, the pure product companies, and also the GCCs, banking financial services companies in terms of their portfolio real estate strategy going forward.

Prashant Kothari: I am sorry, when you are saying they are behind, what do you mean?

Vikaash Khdloya: In terms of their decision-making process. So GCCs have already rolled out RFPs, some of them, because they have also ramped up a greater number of employees in their offices compared to IT services companies. So, we think some of the IT services companies, the pure-play services companies will take some more time before they ramp up on their employee numbers as well as on their real-estate strategy, which is either to renew some of the leases which are just about expiring or to take up new space, based on their hiring and growth plans.

Prashant Kothari: Okay. And of the leases which have expired, or area vacated, can you further break that up? I mean, are there clients who are moving out even before their lease is expiring, in that sort of level?

Vikaash Khdloya: Yes. So, Prashant, that is correct. Apart from the scheduled exits, we do have people who have vacated premature before the lease expiry, obviously, post the lock-in period. So year-to-date, that number is about 430,000 square feet. And that is purely, again, occupiers who want to right size. So, one of the instances we saw was of an occupier who is giving up certain amount of space in one of our assets in Pune, where they still occupy about 800,000, but they are just giving up a certain amount of space just to right size and see if they can economize, simply because right now the number of employees operating in those properties are at low levels.

Prashant Kothari: And of such clients, do we receive some penalties, or some rent for the residual period?

Vikaash Khdloya: Yes. So, the way typically the leases in India work are, the first five-year is a full lock in both sides, lessee, and lessor. But post that, the lessee can do a premature exit with a notice period, which is usually six months. So, in such cases, there would be no penalty applicable. And given these are large, sophisticated occupiers, obviously, they would give adequate notice. So only the occupiers who vacate within their lock-in period are the occupiers who would have to pay a penalty. Interestingly, the kind of occupiers who would be in the lock-in period are the occupiers who are much higher up the value chain, whether it's a global capability center of a large bank in U.S. or whether it is top three, top five technology company globally, those are the tenants, so to speak, the new age occupiers, they would be in the lock-in period. So, they are less sensitive to cost, they are far more focused on some of the other stuff and ramping up their numbers. And the legacy IT services kind of occupiers who have, during the eight, 10-year kind of lease period, those are the occupiers who are more focused on cost, who are looking to right size, and those are the occupiers who are out of lock-in, and hence six months' notice and then they can vacate. They do have their own furniture fit outs though, so that's a call that each of them takes, pros and cons, the way their business is looking. So, they give up the furniture and the Capex and exit the premise or vice versa.

Prashant Kothari: So, does that mean you already have visibility in terms of next six months such vacations that are kind of premature lease vacations?

Vikaash Khdloya: Sure. So, Prashant, we have indicated and disclosed for the next quarter, it is about 600,000 square feet. So, if I can refer you to slide number 32, so that is an updated number. So, we have included both on schedule as well as premature expiries in that chart. So, for the next quarter, it is 600,000. Beyond that, we have also updated the FY 2022 numbers, you see on the left-hand side, it was earlier 1.1, we have updated that to 1.5 to reflect some of the early expiries. So, 1.5 are the total expires. Obviously, not all of them will exit, some of them will renew and will release, but that's a fully updated number as of today.

Ritwik Bhattacharjee:

Okay. All right. Folks, I think that's the last question for the day. I apologize if we couldn't answer any questions from anyone else who was queued up. But thank you very much for joining today's call and for all these great questions. We hope we have communicated that the last quarter has indeed been transformational. The business has been resilient, and we are well positioned for the growth, backed by our robust balance sheet, our strong occupier relationships, and our committed on-ground teams. We appreciate your interest in Embassy REIT and for your time today. Have a good evening.

Michael Holland: Thank you.

Vikaash Khdloya: Thank you.

Moderator: Thank you very much. On behalf of Embassy Office Parks REIT, that concludes this conference. Thank you for joining us, ladies, and gentlemen. You may now disconnect your lines.

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