



October 30, 2024

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

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

Re: Script Symbol “EMBASSY”, Scrip Code 542602 and Scrip Code 973434, 973546, 973910, 974885, 975051, 975056, 975311 and 976042 (NCDs) and Scrip Code 726240 and 728085 (CPs).

Dear Sir/ Madam,

Subject: Transcript of the Earnings Conference Call for the quarter and half year ended September 30, 2024.

In continuation to our letter dated October 25, 2024, regarding the link to access the audio recording of the Earnings Conference Call held on Thursday, October 24, 2024, at 1700 Hrs IST to discuss Embassy Office Parks REIT’s financial results for the quarter and half year ended September 30, 2024, please see enclosed the transcript of the aforesaid Earnings Conference Call.

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

https://eopwebsvr.blob.core.windows.net/media/filer_public/e9/57/e957cbcf-01c8-4cfe-8e14-e664cae49394/embassy_reit_earnings_call_q2_fy25_transcript_with_qa.pdf

Thanking you,

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

Vinitha Menon
Head - Company Secretary and Compliance Officer
A25036

Encl: As above



Embassy REIT
Q2 FY2025 Earnings Call
October 24, 2024

CORPORATE PARTICIPANTS

Aravind Maiya – Chief Executive Officer (CEO)
Abhishek Agrawal – Chief Financial Officer (CFO)
Amit Shetty – Chief Operating Officer (COO)
Sakshi Garg – Head - Investor Relations

MANAGEMENT DISCUSSION SECTION

Operator: Good evening, everyone. A very warm welcome to all for Embassy REIT's second quarter FY2025 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 – Investor Relations

Thank you. Welcome to the second quarter FY2025 Earnings call for Embassy REIT.

Embassy REIT released its financial results for the quarter and half year ended September 30, 2024, a short while back. As is our standard practice, we have placed our financial statements, earnings presentation discussing our performance, and a supplemental financial and operating databook in the Investors section of our website at www.embassyofficeparks.com.

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

Joining me today are Aravind Maiya, our CEO, Amit Shetty, our COO 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, Aravind.

Aravind Maiya

Chief Executive Officer (CEO)

Thank you, Sakshi.

Good evening and thank you all for joining us today.

Q2 was yet another remarkable quarter for us. Before we delve into the details, let me start with 7 key highlights for the quarter and half year:

- Leased a total of 2.1 msf in Q2, recording our highest ever H1 leasing performance of 4 msf
- Signed 1.3 msf of new leases and 0.4 msf of renewals at an impressive 71% spread
- Grew occupancy to 87% by area and 90% by value, up 400 bps YoY on a higher base of 38.3 msf
- Delivered 0.6 msf office tower in Bangalore, which is 100% pre-leased to ANZ
- Raised our leasing guidance from 5.6 msf to 6.5 msf
- Increased our hotel occupancy to 67%, up 14% YoY, with the 3 Hiltons at around 70% occupancy
- Grew our NOI by 12% YoY and our DPU by 5%, keeping us on-track with our annual guidance

Moving to more details on our Q2 leasing performance

- We leased a total of 2.1 msf across 24 deals and expanded our occupier base to 260 blue-chip clients. This included 1.3 msf of new leases, 0.4 msf of renewals and 0.4 msf of pre-commitments.
- The renewals included early renewal of leases totaling 0.2 msf in Embassy Manyata, where over 80% renewal spreads were locked-in around a year ahead of actual lease expiry.
- The pre-commitments included 0.2 msf signed by a leading cybersecurity US company for the upcoming Block 8 in Embassy TechVillage and 0.2 msf of expansion option exercised by an Australian bank in the D1/D2 re-development project in Embassy Manyata. The latter also signed an additional expansion option of 0.3 msf, which needs to be exercised by June 2025 and with this, the whole 1.4 msf tower is pre-leased to them including their expansion options, making this our largest built-to-suit project till date.
- This quarter, around 50% of our leasing demand was driven by Global Captive Centers ('GCC's), primarily from BFSI and technology sectors, and over 30% of space was leased to multiple flex operators.
- Bangalore continued to lead the demand and contributed to over 75% of our quarterly leasing.
- As indicated by us last quarter, our Noida demand has started to pick-up. We signed over 300k sf of leases in Embassy Oxygen, bringing its occupancy up to 70%, over 800 bps increase within a quarter.
- We noted 0.6 msf of tenant exits in Q2, mostly from IT services occupiers, who now contribute to less than 10% of our rental portfolio. Also, of the total 1.5 msf exits noted in H1, we have already backfilled over 40% area at 61% higher rents and the remaining vacant area offers a 19% MTM potential.
- During Q2, we also received 0.3 msf of additional exit notice from one of our IT services tenants in Pune. This was part of the potential risk that we had highlighted back in Q4 of FY2024, and a portion of which had materialized in Q1 with 0.4 msf of exit notice from the same tenant.
- Despite these additional exits, we anticipate our year-end portfolio occupancy to close at 88% by area or 92% by value on a total enhanced completed portfolio of 40.3 msf by Mar'25.

Delving deeper into our city-wise occupancy

- Our Mumbai portfolio is now at 99% occupancy, Chennai at 95% and Bangalore at 91%. Noida and Pune lag at 78% and 70%, respectively. 7 of our 14 properties are now recording stabilized occupancy levels of over 95%.
- If we breakdown our total 5.2 msf vacant area:
 - 2.2 msf is in Bangalore for which we have a strong GCC pipeline and expect to reach stabilized occupancy levels of mid-90s in this city in the next year or so.



- Around 1 msf vacancy is in Noida, which is at our Embassy Oxygen asset. This asset has seen a good pick-up in demand, and we are confident of increasing its occupancy to the mid-80s in another year's time.
- Finally, on Pune, wherein 1.9 msf of our current vacancy resides. The majority of this vacant space is in Embassy Quadron. The current leasing traction at Hinjewadi and especially around Embassy Quadron continues to be slow and we expect that it will take some time for leasing demand to return in this micro-market. Having said that, we want to highlight that the proforma vacant area at Embassy Quadron by the end of the year represents only 1.4% of our total portfolio by value.
- In the last 12 months, we have successfully demarcated and denotified around 5.3 msf area and have already leased over 80% of the same. Another 1.4 msf is in the process of being converted either to non-SEZ or to non-processing area.

On our development portfolio

Our current development pipeline now totals 8 msf, comprising 9 projects across Bangalore and Chennai. Till FY2026, 5 towers spanning 5.2 msf are scheduled for delivery and we have already pre-leased 71% of this area, including expansion options. Our ongoing 8 msf development is at a highly attractive yield on cost of around 19% and is a key growth lever for the REIT's NOI and DPU in the coming years.

As we look ahead, a bit on the macro front

Pan-India leasing activity maintained a very strong momentum with 50 msf already leased out in the first 9 months of the year. With this record leasing performance, CY2024 absorption is on track to reach all-time record highs. This outperformance continues to be driven by faster closure of large deals as well as continued strong demand from GCCs and flex operators.

Large-scale office parks with world-class amenities, excellent connectivity and vibrant ecosystems are becoming the preferred choice for these GCCs for attracting top-tier talent. Such 'Total-Business-Ecosystem' assets of ours like Embassy Manyata, TechVillage and GolfLinks stand out in this current environment. We are committed to creating, maintaining and acquiring similar infrastructure-type office parks to maintain our portfolio and tenant quality.

Finally, I am delighted to announce a few leadership changes. Amit Shetty, our current head of leasing, has been elevated to the REIT's Chief Operating Officer and Rishad Pandole, our co-head of commercial leasing, has been promoted to Head of all-India Leasing. I want to congratulate both Amit and Rishad and wish them continued success in their enhanced roles.

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, Aravind and good evening, everyone. Let me take you through the financial highlights for Q2.

- Our Revenue from Operations and Net Operating Income ('NOI') both grew by 12% YoY to ₹997 crores and ₹805 crores, respectively. The increase was mainly driven by new lease-up at high re-leasing spreads, contracted rent escalations, new buildings delivered and acquired during the period and a continued ramp-up in our hotel business. This was partially offset by the impact of exits in our office portfolio and a decline in our solar revenue due to a reduction in government tariffs as well as a seasonal reduction in solar unit generation.
- We declared distributions of ₹553 crores or ₹5.83 per unit for the quarter, representing a 5% uptick YoY. This was driven by an increase in our NOI, which was partially offset by an increase in our interest costs.
- We have raised ₹2,000 crores of coupon bearing debt at an average rate of around 7.95% to repay the Non-Convertible Debentures ('NCD') which were due for maturity last week. The fundraise included issuance of ₹900 crores of NCDs which saw a 3x subscription, ₹850 crores of term loans from leading banks and ₹250 crores of commercial paper.
- As of Sep'24, our net debt book stood at over ₹18k crores, implying a 31% leverage ratio at 7.82% in-place cost. Post the above refinance, the in-place cost has increased marginally to 7.99%, with 51% of the debt book now at floating rates. All our recent debt raises and refinancings have been aimed at optimally managing our interest costs and locking in rates for shorter durations, positioning us well to take advantage of future rate cuts.
- Next, on our independent valuation. As of Sep'24, our Gross Asset Value increased by 12% YoY to ₹59,104 crores and our Net Asset Value by 4% to ₹415.84 per unit. The increase was mainly driven by new deliveries, Chennai acquisition and our ongoing development capex.

Lastly, an update on our FY2025 guidance

Based on our YTD performance, I am pleased to reconfirm the financial guidance that we had provided at the start of FY2025. We continue to expect our NOI to be in the range of ₹3,215 to ₹3,345 crores and our distributions to be in the range of ₹22.40 to ₹23.10 per unit. At mid-point, this guidance implies a 10% growth in NOI and a 7% growth in DPU, on a YoY basis.

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

- Revised total lease-up of 6.5 msf, including 4 msf of new leasing, 1 msf of renewals and 1.5 msf of pre-commitments
- Year-end portfolio occupancy of 88% by area and 92% by value, and
- Increase in the total interest expense for the year by 18-20% YoY

We have consistently delivered our annual guidance every single year, and we remain focused on delivering this year's growth numbers to our 1 lakh+ investors.

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

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QUESTION & ANSWERS SESSION

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

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Congratulations on an uptick in DPU once again. My first question is with respect to the divergence between NOI growth and DPU growth, especially for two assets, Embassy Manyata and Embassy TechVillage. With respect to Embassy Manyata, the NDCF seems to have contracted 17% despite an increase in NOI, while for Embassy TechVillage, on the other hand, NDCF has expanded on a lower growth in NOI. If you can help us by explaining some of the discrepancies here?
- Abhishek Agrawal:** Puneet, the way I would answer this is to not look at the DPU asset-wise, because the loans that have been taken in one particular entity is not necessarily utilized for the same entity. So, it is all mixed up between the SPVs and the REIT. Having said that, for this quarter, Embassy Manyata's DPU is lower because we have paid the property tax for the full year for Embassy Manyata in this quarter.
- Aravind Maiya:** And Puneet, this also explains the divergence between 12% NOI growth and 5% DPU growth for this quarter since there has been additional outflows of property tax, unlike last year, where we had split the property tax payment between Q1 and Q3. We took the benefit of certain rebates and paid the property tax between Q1 and Q2. So that's the reason for the divergence.
- But overall, if I could take the question straight and answer it in terms of guidance, we believe in terms of NOI, we will probably be at the lower end of the NOI guidance range. However, in terms of DPU, we believe we will be at the higher end of the DPU guidance range at the end of FY2025.
- Puneet Gulati:** Understood. And will it be fair to say that a large part of property tax you are paying is done in Q2, and Q3-Q4 should see less of the impact?
- Abhishek Agrawal:** Yes. So, most of the property tax we have already paid between Q1 and Q2.
- Puneet Gulati:** Understood. And secondly, if you can also explain what is driving the dividend growth from Embassy GolfLinks and how should one think about it getting into next two quarters?
- Abhishek Agrawal:** Puneet, as we have said in the last quarter call, for GLSP, you should not look at the quarter-on-quarter distribution because the distribution from GLSP depends on the cash availability of GLSP. The way we can look at is, that the run rate of Q1 is a run rate we should see for the full year. So, it would land somewhere in the zip code of ₹260 crores.
- Puneet Gulati:** Understood. And lastly, if you can talk what is the additional 1.4 msf that you've put in for conversion, where exactly is this area? And in what assets?
- Aravind Maiya:** It's across a few assets, Puneet. But the 1.4 msf can be split as 0.7 msf, where we are looking at de-notifying the land itself in Pune and in Embassy TechVillage. And the balance, 0.7 msf is floor-by-floor demarcation, largely between Embassy Manyata, Embassy TechVillage and Embassy Oxygen.
- Moderator:** Thank you. The next question is from the line of Murtuza Arsiwalla from Kotak Securities.
- Murtuza Arsiwalla:** If I look at the mark-to-market spread over the last few quarters, it has been shrinking

and that's because your in-place rental is obviously being realized at a higher rate, but the market rentals haven't moved, right? So that's one observation. And more specifically, if I were to look at it from a geography perspective, most of your mark-to-market is concentrated in Bangalore. And when I look at the final sort of data points, Pune and Noida are actually running at negative mark-to-market spreads.

So, two parts to my question, given that in general, real estate prices have generally been on the up and like you pointed out, most of your geographies are seeing fairly healthy occupancies, barring, let's say, Pune and Noida, shouldn't we see an uptick in market rentals as well at some point in time?

And the second question is how should one think of negative mark-to-market spreads? Whenever those contracts do come up for leasing, how should one think? Or would you like to believe that even those cities will play a catch-up on market rentals and so the mark-to-market is just a number which may not actually be realized?

Aravind Maiya:

Let me answer this from both macro and micro perspectives, and I will also request Amit Shetty to add a little on the market flavour. Big picture, the market rent that you see in the overall MTM computations, which are given, are purely based on the market rents given by our valuers, which is Cushman and Wakefield over here.

So, if you look at Bangalore, they have given a market rent of ₹97 psf for both Embassy Manyata and Embassy TechVillage. All I would want to say is all our leasing in both these assets range from ₹100 psf to ₹110 psf, and some of them are a little higher than that also, over the last 6 months.

So, while the valuers give a market rent, they try to give it for a specific micro-market and not necessarily for our asset. So, some of these MTMs, which are mentioned here, I would say are understated. I would say it's a similar story for our Mumbai assets, where our leasing is happening much above market rates. And a similar story even for our Noida assets, where the rent which we are achieving are way higher than the market rent quoted, which is ₹48 psf.

Also in Pune, in Embassy TechZone and Embassy Qubix, largely we are a little above the market rent mentioned. Embassy Quadron is something where we have seen no leasing traction and hence, I can't comment much. In terms of overall market trends, probably I can request Amit also to chip in what he's seeing in the market.

Amit Shetty:

Thanks, Aravind. Just to add to Aravind, the overall leasing absorption has been very healthy in the country. I think YTD has been about 50 msf of leasing. The supply in the country is also contracting, there has been a 17% drop in supply compared to the last year. This again reinforces the fact that the rental values are just going to go north across market and across cities. The top 3 cities again, like last year, continue to be Bangalore, followed by Hyderabad and then Delhi NCR. And Chennai is a close fourth in terms of overall absorptions.

From a Bangalore perspective, if you see just the absorption on the GCC side, about 65% of the GCC volume in the country is in Bangalore itself, and that's where our biggest portfolio sits. I think that kind of sums up the dynamics in the market.

Murtuza Arsiwalla:

Sure. If I could just put in one more question. How do you think of some of these exits, which we are still seeing? If the market dynamics are so tight, how should one read into the broader sort of exits as opposed to getting into any specific city or micro market?

Aravind Maiya:

I can speak with a little more conviction on this because beginning of the year, we had

expected a total exit of around 1.5 msf. Now that 1.5 msf has gone up to around 2.5 msf. Having said that, at the beginning of the year, we had said that this 1.5 msf does not include a tenant at potential risk in Embassy Quadron, which was almost 630k sf.

So, if you see the increase from 1.5 msf to 2.5 msf, a 1 msf increase, of which 0.64 msf is from this one tenant, who we had highlighted as high risk. And if I were to remove this 0.64 msf, it is just one additional tenant in Bangalore in Embassy TechVillage, who has given up another 200k sf. Besides this, there are other two or three small exits. So, you can see the exits slowly rationalizing. And taken together with the new lease up, you are seeing occupancy going up.

Murtuza Arsiwalla: Sure. We appreciate the overall vacancy area coming down and occupancy going up. So that's broadly good, but this was just nitpicking on some of the numbers. Thank you.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: Congratulations for the great set of numbers. My first question is regarding Embassy Splendid TechZone. Over the next seven quarters, roughly about 1.6 msf space will become available. So how do we see the leasing pipeline in that city because this is a sizable amount for Chennai. Just wanted to get your thoughts there.

Aravind Maiya: Parvez, probably you can just finish off all questions, so that then I can redirect the teams to answer the specifics, unless you don't have anything else?

Parvez Qazi: Sure. The second question is, you did mention that IT services now is less than 10% of your portfolio. But at a sectoral level, when do you see it rebounding? And now that we have seen occupancies improving in Noida, to which sectors are these incremental leasing happening?

Aravind Maiya: Why don't I request Amit to take the first question on Chennai.

Amit Shetty: Thanks, Aravind. In Chennai, we have a very strong pipeline that we've built over the last quarter plus. There are large demands, especially from the GCC sector again in Chennai, given the talent that is available in Chennai. So, we see this as a great opportunity given that currently we are already at 95% occupancy and just to further consolidate and strengthen our position in that market.

Aravind Maiya: And in terms of IT services, two perspectives on this, Parvez. One is it's already dropped below 10% and with the one tenant leaving in the next couple of quarters, it will drop probably 1% more. And then I see it largely stabilizing from there for our portfolio.

But overall, just seeing from the results and from some of the conversations, two issues which have been there in the past. One was work from home, which I think is a done deal. IT services companies have all called people back to office. And there are actually a few RFPs in the market, where IT services need more space. Having said that, one thing to call out clearly is that IT services will continue to be a little more conscious on the rent they pay and some of the parks which we own, especially in Bangalore, might not necessarily be a solution that they would want to take considering the rents over there.

In Noida, the overall demand traction that we are seeing, is coming from a lot of GCC players, across Tech, BFSI and health care sectors broadly. Also, the demand in Noida is a factor of lack of availability of Grade A total business ecosystem type parks, which is what Embassy Oxygen is. The buildings over there are more strata-owned or Grade B supply. So, as GCCs enter this particular micro-market, our parks become the first port of call for them.

- Moderator:** The next question is from the line of Pritesh Sheth from Axis Capital. Please go ahead.
- Pritesh Sheth:** The first one is on your outlook on the leasing traction in Pune and Noida? You guided for mid-90s occupancy in Bangalore by next year. How do you see the trajectory for Pune and Noida going ahead considering that we are finally now seeing some traction on leasing there?
- Second, probably NOI growth this year should be around 10%, as per your guidance. Considering the positive commentary on leasing that you have given, plus the new developments that are coming in this year, directionally whether FY2026 should see a better growth run rate versus 10% this year?
- And third, on interest cost, which is expected to increase by 18%-20% this year. Next year, it should be in line with where the growth should be? Or there's some bit of impact still left on interest cost? Those are my questions.
- Aravind Maiya:** Firstly, on leasing traction in Noida, I did mention a bit, but giving a little more colour, Embassy Galaxy is already at 99%, so we have nothing to lease. Embassy Oxygen is currently at 70%, and I did say that we expect that 70% to grow above mid-80s in the next 6 to 12 months. That's where we see overall Noida heading, so positive.
- In terms of Pune, with the exits coming up in Embassy Quadron, directionally, Pune occupancy will drop in the next 6 months. In the next 6 months, we might see some very marginal leasing in a couple of other assets, Embassy TechZone and Embassy Qubix. Embassy TechZone is already at 81%, which is fine, and Embassy Qubix is close to 70%. There might be marginal leasing here, but nothing beyond that. So overall, four cities will be very strong out of the five. Only Pune will lag a bit. And I did call out that overall, from a value perspective, this is a small component.
- On your other two questions, Pritesh, both overall direction and interest costs, while I might be itching to answer this, I will just refrain and hold on until we give better guidance probably end of the year.
- Moderator:** The next question is from the line of Mohit Agrawal from IIFL Securities. Please go ahead.
- Mohit Agrawal:** My first question is on the occupancy level. Aravind, you mentioned that you are still looking at 88% occupancy levels by end of FY2025. I just want to understand the math a little better considering that while we have increased the leasing guidance, there's also been an increase in the exits, right? The guidance increase also has a large portion of pre-commitments like forward leasing. So, if you could just help me understand the math that how do you still see an 88% kind of occupancy level on area by the end of FY2025?
- Aravind Maiya:** Do you want to finish your questions?
- Mohit Agrawal:** My second question is, if you could elaborate a bit on the notes in the financials about the restructuring of the SPVs, which holds the Quadron assets and the hospitality assets. So, what's the thought there? There have been news articles around both these businesses. So, some colour on what you plan to do. That's the second question.
- If I may just squeeze in a third. What is your view on Flex operators? They have taken a large space this quarter. Now almost 7% of your portfolio, this used to be about 2% during COVID. Just wondering how do you think they do in terms of sustainability? Also, if there's some sort of overlap in terms of timings and all of that. So just your thoughts on basically flex being the large part, a meaningful part of your portfolio now?

Aravind Maiya:

Starting with the occupancy. One of the key missing links could be Mohit, the fact that of the 1.9 msf, which is getting delivered in the next 6 months, 1.3 msf is already pre-leased. So, we don't give that as additional lease up for the next 6 months. It's only what lease-up we consider in the balance, that is 500k sf, what is left in parcel 8 of Embassy TechVillage, which gets included. What that means is, 1.9 msf gets added to the supply and potentially something very close to 1.9 msf could get added to the numerator as well. I think that could be the missing link when you do the walk from 87% to 88% after factoring in the exits. If you're still not able to arrive at, Sakshi can take this offline and help you on this math.

Second why don't I cover Flex first, and then I'll go into the question on restructuring. Big picture, it's a well-thought through strategy, Mohit. And the reason I say that is if you see majority of this flex lease-up has happened in our Manyata asset. Secondly, the reason why we did this is a lot of these are also in a way back-to-back transactions. Literally, it's different GCCs looking for solutions, and some of these GCCs are very clear that they want end-to-end managed offices, and they would like to go with some of these flex operators to take up space. Also, some of these tenants have clearly called out to these operators that we would want to be in and around Embassy Manyata. So, that's a very big positive for us. There's been a huge demand from literally all flex operators asking for space in Embassy Manyata.

Strategically, we will be selective on how much space we give to flex operators overall. Today, they are around 7% of our portfolio. Across India, flex is around 10% of the overall available office. But when you look at it on a quarter-on-quarter or even on a year-on-year basis, flex leasing is ranging from 15% to 17%. So, they're growing much faster than others. But all I would say is, big picture, considering flex in our overall portfolio, we would like to be below the industry average. I think that's the strategy we have on flex.

And the last question on restructuring. A couple of things on this. Firstly, we are long-term owners of assets, and our strategy has not changed on that. Having said that, I think there is stress in our Embassy Quadron asset, and we can't shy away from that fact. As responsible asset managers, all we are doing is evaluating what is best for this asset when we look at it more long term. And we are still in evaluation phase, we have not made up any mind. But the structure today is that in the entity called Quadron Business Park, there are 3 assets. There is the Embassy Quadron Business Park of Pune, the Embassy One asset, as well as Four Seasons asset. All 3 are part of the single entity. So, what we thought was, at least structurally, let's be ready. Eventually, we don't know where this will head. We could, for all, you know, continue to hold these assets. But structurally, if there's an opportunity where we get good value for some of these assets, and we would like to divest and recycle capital. We don't want to take another 9 months to start a process then. That's the reason why we thought of this restructuring.

And along with this, considering the stamp duty and other implications which are there in the restructuring, it makes sense to combine a couple of restructurings, then the cost of restructuring reduces. With this in mind, we thought why don't we keep the hotel assets of Embassy Manyata also separate, then effectively, we're keeping hotels in a different structure. So, it's just enabling structure of keeping hotels separate, nothing beyond that.

Mohit Agrawal:

So, what eventually you plan in terms for Embassy Quadron, I understand. But eventually for the hospitality business, do we think that you want to, at some stage, monetize that portfolio?

- Aravind Maiya:** I don't have a firm view on that, Mohit. I think, big picture, again, these hotels are great amenities. Standalone, these hotels now are doing great. I mean, they are almost reaching stabilized occupancy other than Four Seasons. So, there's no reason for us to sell these assets. But as we always say, if somebody is ready to offer 2x the price, why not? But that's just hypothetical.
- Mohit Agrawal:** Okay. And one clarification, Aravind, on the flex part. You said that a lot of demand is coming from Manyata. So, despite you increasing your share of Flex, the overall share of GCC as a percentage of your Embassy Manyata tenants won't change meaningfully, right?
- Aravind Maiya:** It won't. Manyata is a 13.5 msf park with another 3.5 msf getting delivered in the next 3 years. So, what we've done is, I think, put together around 600k sf.
- Moderator:** The next follow-up question is from the line of Pritesh Sheth from Axis Capital. Please go ahead.
- Pritesh Sheth:** Just one question I had. On the pre-commitments portion that is increased in the leasing guidance, is that related to the upcoming development that will be delivered in Embassy Manyata or something in Chennai because that is also closer to delivery by probably next year in 6 to 9 months.
- Aravind Maiya:** It is for Chennai, Pritesh.
- Pritesh Sheth:** Okay. So, of the 1 msf we are going to deliver there, 0.5 msf is what is being expected to be pre-leased in the next 6 months?
- Aravind Maiya:** Yes.
- Moderator:** 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.