

Embassy REIT
Q1 FY2026 Earnings Call
July 31, 2025

CORPORATE PARTICIPANTS

Ritwik Bhattacharjee – Chief Executive Officer (CEO)

Amit Shetty – Chief Operating Officer (COO)

Abhishek Agrawal – Chief Financial Officer (CFO)

Amit Kharche – Head – Corporate Finance

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MANAGEMENT DISCUSSION SECTION

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

I would now like to introduce your host for today's conference – Mr. Amit Kharche, Head of Corporate Finance for Embassy REIT. Sir, you may begin.

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Amit Kharche

Head – Corporate Finance

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

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

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

Joining me today are Ritwik Bhattacharjee, 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, Ritwik.

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Ritwik Bhattacharjee

Chief Executive Officer (CEO)

Thank you, Amit.

Good evening everyone and thank you for joining us on the call today.

Before I discuss the earnings for the quarter, I am pleased to announce that the Board has approved the appointment of Amit Shetty as the Chief Executive Officer of Embassy REIT, effective August 1st, 2025.

Amit is currently the COO and known to many of you already as a member of our leadership team. Amit has played an instrumental role in building Embassy REIT into India's leading commercial office enterprise, and I wish him the very best.

I will be a Senior Adviser to the REIT. It's been a real privilege to have led Embassy REIT and been a part of this organization and I thank Jitu, Aditya, the Board, and the entire REIT team for their continued support and trust.

I will pass it on to Amit to say a few words.

Amit Shetty

Chief Operating Officer (COO)

Thanks Ritwik. Good evening, everyone. I am really pleased to lead the REIT at such an exciting time for our business. I look forward to working with the team and interacting with you all.

Let me now hand over to Ritwik to present the highlights for this quarter.

Ritwik Bhattacharjee

Chief Executive Officer (CEO)

Thanks Amit. We're pleased to report a strong start to FY2026.

Highlights for the quarter:

- We leased 2.0msf across 25 deals, up 9% YoY. The 2.0msf marks our highest ever Q1 Fiscal quarter leasing.
- Leasing includes ~1msf of new leases done at re-leasing spread of 38%, ~0.4msf of renewals, and ~0.7msf of pre-commitments – GCCs, technology, and healthcare companies accounted for the majority of leases.
- Our occupancy stands at 88% by area and 91% by value, both up by 300 basis points YoY. Excluding Quadron in Pune, our occupancy is 91% by area and 92% by value.
- All Bangalore assets are now over 90% leased, reaffirming the strength of our core market, which contributes 75% of our GAV. Overall, 10 of our 14 properties are above 90% occupancy, including 6 at 100%.
- GCCs continue to drive demand and account for 64% of portfolio rentals across ~100 tenants.

Pre-leasing activity, led by our Chennai portfolio, has been the clear theme this quarter:

- Block 10 (0.43msf) at Embassy Splendid TechZone in Chennai, scheduled for delivery in Q2 FY26, has been fully pre-leased to a global healthcare company already present in our portfolio.
- Block 4 (0.6msf) in Chennai has been 14% pre-leased, including the expansion option, to Dexian.

- In Embassy Manyata, Block D1/D2, slated for delivery in Q4 FY2026, saw additional pre-leasing of ~160ksf, which brings the total pre-commitment for this block to ~80%.
- Our FY26 deliveries of 3.2msf are now 84% pre-leased, including expansion options.

Strategic capital recycling and inorganic growth related updates:

- We've entered binding documents for divestment of ~376ksf at Embassy Manyata, comprising two strata owned blocks, including a vacant vintage block that requires significant capex. The exit aligns with our capital recycling strategy. The deal is expected to close in the coming quarter, subject to conditions precedent.
- In addition, we've received an invitation to offer from Embassy Developments Limited (EDL), for a potential ~3.3msf commercial project in Whitefield, Bangalore. The opportunity is under evaluation in line with applicable regulations and governance protocols.

Other updates:

- The 518-key Hilton Hotels at Embassy TechVillage is on track for Oct-26 delivery. The remaining 2.8msf commercial pipeline, scheduled for FY27–28, is 30% pre-leased including expansion options.
- The hospitality segment is tracking in line with expectations, with 60% occupancy and 9% YoY growth in Revenue & EBITDA, aided by 10% growth in ADR. Given geopolitical events in the Middle East, travel plans were disrupted in the quarter, and we did see that impact on our portfolio.
- Solar performance remains muted due to lower unit generation coupled with reduced tariffs in Karnataka.

Overall, this was a very solid quarter which positions us well for the rest of FY26.

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

Abhishek Agrawal

Chief Financial Officer (CFO)

Thank you Ritwik, and good evening everyone. Let me take you through the financial highlights for Q1.

- Revenue from Operations stood at ₹1,060 crores, up 13% YoY, and NOI at ₹872 crores, up 15% YoY. This increase was largely driven by new leasing, rental escalations, recent deliveries and contributions from the fully integrated Embassy Splendid TechZone asset.
- We declared distributions of ₹550 crores or ₹5.80 per unit for the quarter, representing a growth of 4% YoY. This was supported by NOI growth and working capital changes, partially offset by increase in interest expenses.
- During the quarter, we raised ₹4,225 crores of debt at a blended coupon of 7.18%, which was largely used to refinance higher cost debt. This includes NCD issuance of ₹750 crores at a coupon of 6.97%, which is the lowest coupon we've achieved in the last four years, reaffirming our position as a top-tier credit in India's commercial real estate sector.
- Our net debt stands at ₹20,183 crores as on June 30, 2025, implying a leverage ratio of 33%, with an average in-place coupon of 7.59%. Following the debt refinance post quarter closure, our in-place coupon now stands at 7.55%, reiterating our strong balance sheet position with dual AAA credit ratings.
- In addition to above, we recently raised a 10 year NCD of ₹2,000 crores at an effective coupon of 7.33%. The issuance saw strong participation from leading insurers, pension funds, and mutual funds. This marks the first 10-year issuance by a REIT in India, underscoring the strength and quality of our credit profile.

Moving on to the Forward Outlook for FY2026

We remain on track with the FY2026 guidance that we provided last quarter. We continue to expect our NOI to be in the range of ₹3,589 to ₹3,811 crores and DPU to be in the range of ₹24.50 to ₹26.00 per unit. At mid-point, this guidance implies a 13% growth in NOI and a 10% growth in DPU, on a YoY basis.

I will now go through some of the key assumptions underlying our full-year FY26 guidance, with one quarter of the year behind us:

- We continue to expect portfolio occupancy to be between 90% and 91% by area, or between 93% and 94% excluding Quadron at the end of FY26
- Hotel NOI is expected to grow by ~9% YoY, supported by steady improvements in both occupancy and ADR
- Interest costs are anticipated to rise by 10%–12% YoY, primarily due to the impact of the asset deliveries in FY25 and the planned deliveries during the remainder of FY26

We remain committed to delivering on these growth metrics while optimizing capital efficiency and maintaining strong cash flows.

Let us now move to Q&A please.

QUESTION & ANSWERS SESSION

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

- Puneet:** Yes, thank you so much. First of all, thank you Ritwik for holding the fort in the interim and Amit (Shetty), welcome to your new role and best wishes for that. My first question is to do with the thought behind divestment of 2 strata owned blocks at Embassy Manyata. If you can reveal a bit more about who you are selling to, what is driving the thought process for the divestment and how should one think about valuations, yields, etc., and what does it do to your future thought of at one point of time acquiring more of these assets within Embassy Manyata?
- Second is, if we can get your thoughts on the divestment of the Pune asset which was at one point of time contemplated. Is that now not in consideration anymore?
- And lastly, if you can also talk a bit about leasing environment right now in the context of what is happening around the globe? Any updated thoughts would be very helpful. That is all. Thank you.
- Ritwik B:** Okay, I think on Embassy Manyata, I will let Amit Kharche handle that and then we will move on to talking about Pune for a little while. I will start with Pune a little bit and then Amit Shetty can add on to that and then move on to leasing. But Amit (Kharche), why don't you go first?
- Amit A Kharche:** Sure. We would not be able to share who we are selling to on this call as we have a confidentiality clause with them. But the rationale behind the divestment is simple - These are, let us say 20-year-old blocks facing an occupancy risk and will require a substantial refurbishment if we were to bring them up to the occupancy we are seeing in Embassy Manyata now. Second, someone was willing to pay us 2.2% higher than the independent valuation. So, we intend to divest these and use the proceeds for future propositions such as to repay debt or to use these proceeds for any strategic acquisition or anywhere else. So, that is the plan right now. We have entered into binding documents and as and when we move closer to the closing, we will keep the market updated about the use of proceeds.
- Abhishek Agrawal:** Puneet, just to add to what Amit (Kharche) said, these are strata owned blocks in two of the buildings in Embassy Manyata which have lots of other strata owners. So, operationally also it makes sense to divest. This also helped us to take this decision to divest.
- Amit Shetty:** Just adding Puneet, this asset has about 17 other strata owners and the fact of the matter is that, of the 376k sf that we owned, 231k sf is currently leased, 145k sf is vacant. Of that 231k sf, for about 105k sf there is an exit notice as well. So, it just made logical sense for us to divest because new leasing will require significant amount of investment plus the risk of holdover and weightage of time. We just thought that there was a great opportunity for us to recycle capital which we thought is the right thing to do for the business.
- Ritwik B:** On Embassy Quadron, yes, we had spoken to the market about taking it off our portfolio, maybe if somebody wanted to have it, given the fact that there were a number of issues, such as the location, the fact that a large IT services tenant

left it which kind of wreaked havoc on occupancy. And I think we did get sort of people kicking it around for a few numbers, but there certainly was not anything we were interested in. And, ultimately, we just took the call internally having a chat with the board at various times that look at some point in time the cycle turns. Clearly, I think we have always approached it from the point of view that, if the market is absent of good price for Embassy Quadron, we are more than happy to think about keeping it with us for the moment. Pune is obviously expanding, it is doing well, and yes, while it may not be like some of the other pricier parts of Pune, at some point when the metro comes in, the Navi Mumbai airport sort of picks up, you see that kind of traction and we could see a turnaround. I mean, we are seeing a turnaround in Noida at this point in time, where you wait long enough for the asset eventually to turn. So, I think for now, we are content to keep Embassy Quadron. I will be totally transparent, looking at the portfolio and the numbers of the portfolio ex Embassy Quadron for a bit, it is just a fraction of the value of the portfolio and the contributing analysis of the business. And yes, it is unfortunate that it has reached that position, but I think at some point in time, Embassy Quadron will turn. But yes, I will leave it at that. Amit (Shetty), do you have anything to add?

Amit Shetty:

I think you covered it all, Ritwik. And I will probably move to the third question that Puneet asked, which is, how do we look at the overall market from a leasing perspective. Puneet, I mean, look, the markets look really good. There is a lot of activity in the market. It was a very robust first quarter, about 20 msf getting absorbed and the supply actually chasing the demand. The IPCs have projected approximate drop in vacancies across the country, which is really encouraging. The rental rates are moving up, at about 5% to 7% in certain micro markets. So, I think it is overall a great story for us. And also, Chennai is really firing for us. We have just pre-leased about half a million square feet plus in Chennai. We have done some interesting pre-leases in Bangalore. And the leasing momentum continues in both markets. We have done some exciting work in Noida as well. We have already leased about 225k sf. We have got an active pipeline of about 1.5 msf. The market is seeing potentially about 12 msf of active RFPs and we are participating in about 90% of these RFPs. So, the story cannot be greater for us.

Puneet:

Understood. And just lastly, on the walk-down from NOI growth to NDCF growth, you did talk about some bit of interest rate impact. But should it have been that stark of 15% NOI growth translates into less than 4% NDCF growth? What are some of the other factors? And how should we think about this? Because a lot of new assets also came in, right, in the last couple of quarters.

Abhishek Agrawal:

Yes, Puneet. So, there are total three parts to it. One is the interest portion. The second is the payment of property tax. So, the property tax of Bangalore properties was paid for the full year in the first quarter itself. And the third impact is the properties that we delivered in the last year, last quarter. The non-cash NOI has kicked in right now. However, the cash NOI will kick in from Q2 and Q3 onwards.

Puneet:

You are saying they are not rent yielding, but they are still in the rent-free period?

Abhishek Agrawal:

Yes. Yes, because we delivered in the last quarter. Now, for the cash rent the Rent commencement date (RCD) starts in Q2 or Q3 onwards.

- Puneet:** But the interest on the debt you had taken for that, you start paying that now from the last quarter onwards?
- Abhishek Agrawal:** Absolutely.
- Puneet:** Okay. And the property tax, if you can share the quantum, and should it not be a part of pre-NOI expense because the NOI also grew 15%, right?
- Abhishek Agrawal:** Yes. So, property tax is a pre-NOI expense, but the cash went out and the non-cash NOI chunk was larger. All taken together explains the difference between 15% of NOI growth and 4% of DPU growth.
- Puneet:** So, non-cash rent and interest, I should assume, is the gap between NOI growth versus NDCF growth?
- Abhishek Agrawal:** Yes.
- Puneet:** Okay. Thank you so much and all the best.
- Ritwik B:** Thank you.
- Moderator:** Our next question comes from the line of Pritesh Sheth from Axis Capital Limited. Please go ahead.
- Pritesh Sheth:** Yes. Thanks for the opportunity and congrats, Amit (Shetty), for your elevation. First, on this divestiture, we are just trying to understand. So, these blocks that we are now hiving off, they were not contributing to rents as of now? Or what is the NOI rental kind of impact? Obviously, it will be minuscule but just trying to understand whether they were contributing anything or not.
- Amit Kharche:** Yes. So, Pritesh, right now, the occupancy is around 60% and we have received additional exit notices for this block. Post the exits, occupancy will drop to around 32% and we see the rentals in the range of Rs.8 crores, which will be close to 2% NOI yield post the exits.
- Pritesh Sheth:** Okay. Got it. This is part of that MFAR block, is it?
- Amit Kharche:** Yes.
- Pritesh Sheth:** Okay. Second question is on Embassy Splendid TechZone. I think the first block that is coming up in September, saw good pre-leasing. What is the outlook on the second one - will that also be fully leased before it is delivered completely or 5 lakh square feet leasing a year should be a good leasing run rate in Chennai that we see?
- Amit Shetty:** Absolutely. Pritesh, firstly, thank you for your wishes. And from an overall Chennai perspective, the market is actually really, really hot. So, in terms of the overall supply, there is actually no quality supply in the market, and we are probably one of those developers who have actually got stock that is coming up into the market at the right point of time. Having said that, to answer your question on Block 4, we have already pre-leased about 14% to a company called Dexian and we have got a very strong pipeline. We are confident that at least 50% of the building will be pre-leased before delivery.

- Pritesh Sheth:** Sure. That is pretty helpful. And just one last question on the cash taxes. It has been pretty much in the 5% of EBITDA kind of a range since quite a few quarters. Would that run rate remain for medium to longer term or eventually would you start paying little higher taxes once your previous losses get completely absorbed, so, just guidance on that.
- Abhishek Agrawal:** Yes, Pritesh. So, the expectation is that for medium term, cash taxes will remain similar to 5%, but it will increase by let's say a percent in the longer term for the reasons which you mentioned.
- Pritesh Sheth:** You are saying by a percent or so, so it can go to like from 5% to 6% or 7% and odd?
- Abhishek Agrawal:** 5% can go to 6% or max 7% but expectation is it will be around 6%.
- Pritesh Sheth:** Okay. Fair enough. Got it. That is it from my side. Thank you. All the best.
- Moderator:** Our next question comes from the line of Parvez Qazi from Nuvama Group. Please go ahead.
- Parvez Qazi:** Hi. Good evening and thanks for taking my question. So, my first question, I'm not sure if you have already covered this.
- Moderator:** I am really sorry. Parvez sir, you are sounding a bit muffled.
- Parvez Qazi:** Sure. So, my first question is, I am sorry if you have already answered it. I wanted to get your views on the recent tariff issue. How do you see things panning out for us, especially in the GCCs market? Because there have been talks about global leaders not wanting more US jobs to come to India. So, I wanted to get your views on that. And second is some progress on the SEZ front, any de-notifications, etc., this quarter? Thank you.
- Ritwik B:** Yes. Let me take the first one, Parvez. Just look, I think very frankly, it is too early to call. I think these conversations on tariffs generally point to the fact that the US administration is always looking to make a deal. And it does not necessarily always pan out that it tends to be a zero-sum game. There clearly is a lot of noise in the market, but I think the market is also learning to deal with that. And it is something that we do not expect to subside over the coming quarters or even the coming year in this administration. It is not the first time that we have thought about the fact that, look, could US companies be subject to sort of some kind of conditions about not hiring jobs in India and moving it overseas? I mean, these are also capitalistic corporations, right? I mean, they deliver returns for their shareholders. And I do not think it is sort of just such a binary outcome that you stop hiring. The economics of competitive advantage simply do not lend themselves to that. So, I think it is just, frankly, while there are tariffs, while tariffs do have consequences, and they will obviously cause inflation and at the same time could even lead to sort of a slowdown in economic activity and output. I do not think necessarily that it just means that people are going to stop hiring in India. And the other thing is that effectively what we are seeing in our portfolio is that there is massive migration towards GCCs and companies from other parts of the world. We have got Australian banks, we have got Danish healthcare companies, we have got Japanese companies, and we have British companies as well. There is a whole host of, GCCs worldwide and across sectors looking to hire in India simply for the talent.

So, I think there is an incredible hedge that we have in the portfolio against sort of some of the risks to the US part of the portfolio. But even there I think there might be some degree of rationalization in some form, but that I would say is normal course rationalization and not sort of structural, sort of fleeing off labor by US companies. On the SEZ if you want to take that, Amit (Shetty)?

Amit Shetty: Okay, just quickly recap, Parvez, the total SEZ space that we have de-notified so far is about 7.9 msf. Last quarter, we have de-notified about 1.4 msf, and in future, we plan to de-notify, demarcate additionally 3.2 msf.

Parvez Qazi: And how much of the 7.9 msf has been already leased?

Amit Shetty: So, of that, about 74% is already leased.

Parvez Qazi: Sure. Thanks, and all the best for future.

Moderator: Thank you. Our next question comes from the line of Vikas from Kotak Securities Limited. Please go ahead.

Vikas: Yes. Hi. The transaction which you guys did in Embassy Manyata for the two strata owned blocks for Rs.530 crores, you are saying that part of it around 145k sf is vacant and some of the leased portions also will get vacated. Is there any claw back from the buyer in terms that you have to guarantee a yield for certain period of time or there are no guarantees from the REIT to the buyer and the entire leasing, and revenue risk is on the hands of the buyer?

Amit Kharche: So, there is no claw back and we have already entered into a binding agreement.

Vikas: And no guarantee of returns on the purchase price?

Amit Kharche: No. This is M&A as usual. Once we do the deal, the risk and reward gets transferred.

Vikas: Okay. Thank you.

Moderator: Our next question comes from the line of Vishal Parekh from Kotak Alternate Asset Managers Limited. Please go ahead.

Vishal Parekh: Hi, good evening, team. I wanted to check regarding the recent consultation papers which SEBI has floated and various news reports regarding classification of REITs as equity for the mutual fund schemes. And there is also certain one paper which they floated in July which mentions that the REITs and InVITs can be a part of the residual portion of mutual fund schemes. So, what are your views around that -- is it positive or it could potentially be detrimental if debt and hybrid funds are not able to hold the REIT units?

Ritwik B: Okay. Let me start. I think for me, and this is my view, I have always thought of REIT as being high dividend paying stock. At the end of the day, the way that REIT has been structured worldwide is that they actually operate as companies, they enter equity indices, they are part of the S&P 500, the S&P 400 in America, they are part of the STI in Singapore and, I could go on and on with every country about how they treat it. I think the problem actually lies in

the way we view it. And I think the problem is the fact that it offers the characteristics, and the security of a bond while giving you equity upside, maybe not the way that it does for high growth stocks, but it certainly has mid-level very attractive growth prospects. And I think it should be in the indices. And I think because what that does is it brings in a whole bunch of passive money. And let me tell you, we are already in the MSCI, we are already across every passive structure worldwide. So, you can actually buy it as a stock somewhere else. So, I just think that to make the asset class attractive, in turn, for India, you have got to treat it with that whole thing about being a stock and having that same mindshare. Because I think we get told a lot that people do not know about it. They do not know about it because you treat it like a fixed income security. And listen, I have nothing but the highest respect for the security of fixed income. But I think for this asset class to be more mainstream, more liquid, and also be safer in a way from the way it trades, it needs to have the balance of sort of an equity, the liquidity and that kind of exposure. Now, does that mean that debt and a hybrid security do not do that? We can have a carve out. I am sure that is what I think we are trying to ask ourselves. How does that happen? We value the response of it. It is totally up to you how you have your mandate and your return profile work within your fund, I think if the volatility of the security basically sits there and messes up your returns, I think that is not a good thing for you. But at the same time, if there is a way you can participate because you can assume that, look, this is going to give you X over, let us say, whether it is a G-Sec and then X over Y on your cost of capital on an IRR basis, I think you can still invest in it. But I think structurally, we think about this and I mean, I have been personally talking to regulators for six years on this. And it is something that really needs to change at some point because otherwise it is going to be very detrimental to the growth and the liquidity of the structure.

Abhishek Agrawal: And Vishal, on the residual portion, definitely that is very positive for us.

Moderator: Our next question comes from the line of Sumit Kumar from JM Financial Services Limited. Please go ahead.

Sumit Kumar: Hi, good evening. Congratulations on a good set of numbers and congratulations to Amit (Shetty) as well and all the best for the future. My question is regarding the guidance of occupancy, which is in the 90% to 91% range. Given that the deliveries of 3.2 msf, a large part of it is already pre-leased, you are guiding for incremental 4.6 msf. I would like to know your thoughts on that. Are you being conservative or is it something that has been built in your business plan that way?

Amit Shetty: So, firstly, thank you for your wishes. Just from an overall perspective, we have about 5 msf of total vacancy. And we believe that about 2 msf of that is sitting in Bangalore. And by the end of the year, we have another half a million square feet of that to be delivered in Chennai and 2.4 msf is in Pune, which is a drag. But, given that we will be able to fill our Bangalore and Chennai portfolio, we are pretty confident of achieving our guidance on the occupancy range.

Sumit Kumar: Yes, but I think my question was that a lot of these deliveries are already sort of fully leased or 100% leased, only one block that we have about 14%. Would not this number be a little more given the run rate that you have achieved in Q1?

- Amit Shetty:** Yes, I mean, when we started the year, we gave this number because of the global tailwinds that we saw, and it is just we are hopeful that we will actually beat these numbers.
- Sumit Kumar:** Okay. Cool. Okay. That is all from my side. Thank you.
- Moderator:** Our next question comes from the line of Vaibhav Khandelwal from Laburnum Capital Advisors Private Limited. Please go ahead.
- V Khandelwal:** Hi, thank you for taking my question. Recently, there was some news of an IT player cutting some thousand jobs approximately across its workforce. I just wanted to ask, are you hearing such news from any other IT players that are in our portfolio? I understand that it is like a relatively smaller portion of our occupancy base, around 7%-8%. But I just wanted to sort of get a sense of how you are thinking about it, how do you think this might impact us in the future if other players do the same thing?
- Amit Shetty:** Actually, we are not hearing a lot of noise around this. I mean, yes, obviously, TCS made that announcement. But if you see the Infosys results, that is very strong and we felt encouraged by seeing Infosys results. Having said that, as you rightly mentioned, the overall ITES portfolio is about 8% and some of our existing ITES occupiers have actually taken up more space with us. So that is encouraging for us.
- V Khandelwal:** All right. That is all. Thank you so much. All the best.
- Moderator:** The next question comes from the line of Harsh Modi from JPMorgan Chase & Co. Please go ahead.
- Harsh Modi:** Yes. Hi. Thanks. I just wanted to double click on the discussion around risk from some of these discussions with the U.S, AI, all of that. So, I understand you are still getting a lot of enquiries, and you are confident in delivering. But are the potential lessees trying to negotiate a contract where they can now basically walk out or figure out some way of reducing the commitment, or are there any discussions which allow them to have a rethink, if need be, at a later date, anything on those lines happening at all?
- Amit Shetty:** Not really, like, all our leases are very structured, very standard. So, leases have a tenure period with a lock in that is predefined. So, there is no claw out of those contracts. These are all watertight agreements that we have with the occupiers. The second thing that we would like to highlight is most of our occupiers are actually guys who have fitted out their own fit outs, which means that they have actually invested into the premises. And having said that, they walking out midway is very unlikely.
- Harsh Modi:** Right. But in terms of an example, there were a lot of cases when there were hell or high-water contracts in a different space. And there was a clause that said, I pay you X million dollars and then I can walk out of the lease. I forgot what the legal term for that is. But is there a request for something on those lines, just to create some sort of leeway if things really become tough, let us say, AI absolutely takes over, agentic AI takes over. So how are you having those discussions?
- Amit Shetty:** I mean, honestly, we have not had any discussions even remotely towards that

direction. In fact, I have always been advocating, a lot of AI work is actually coming into India. India happens to be the second largest AI talent pool across the world. And having said that, most of our occupiers within our portfolio are fully doing AI and actually they are hiring a lot of AI talent. And that is the conversation that I am actually having with the CXOs today.

Ritwik B:

I think there is just a lot of early-stage sort of ruminations and discussions around what AI does. I think there is a lot of stuff that is going to fundamentally change the way we work, maybe, but I think it also just means an opportunity for people to reskill. But I do not think the first thing that is going to put the domino to fall is Indian real estate and people restructuring and having these sorts of contracts that allows them to move out. I mean, we did not even see that during COVID, where you actually saw sort of a pandemic, because India still represented such value for real estate that they kept the spaces. I mean, you have got to realize compared to let us say, New York or San Francisco or London or Hong Kong, this is still, one third to one fifth the cost. So, I think you can still hire people fast. You can hire people at scale. And it just makes sense. So, no, we are not seeing that. I mean, I think it takes a couple of more years to play out for what AI really means for the job market, but nothing of this sort right now.

Harsh Modi:

Great. Thanks for the color. And the final question is a bit more housekeeping. Cost of fund, if I am on slide 25, seems to decline 35 bps. Is 7.90% an annual number or is it for fourth quarter? Just want to understand how much has it gone down QoQ and let's say, knowing where interest rates are, how much more shall we expect decline in cost of funds over second and third quarter? Thank you.

Abhishek Agrawal:

So, Harsh, the number that you are seeing, 7.90%, was as at 31st March 2025 and 7.55% is as at 30th June 2025. Now, after considering all the refinance that we have done with the NCDs that we raised up to 30th June and post the quarter end, we raised a 10-year bond at an average of 7.33%, these will further reduce cost of funds. And now from here on, what will also happen is the loans that we have from banks, which are at variable rate; however, bank loan interest rate is not coming down right now. It will take some time. So, it is difficult to say where we will land, let us say as at 31st March 2026, but definitely it should be lower than where we are today.

Harsh Modi:

That is fair. Where I am coming from is, one is I just wanted to see if you would quantify to the extent possible, a range is fine. And also, just want to understand sensitivity, in case we end up getting, let's take a number, 50 bps of cut, what does that mean for your cost of fund? And does it come with one quarter lag, two quarter lag? Just broad sensitivity is all I am looking for.

Abhishek Agrawal:

Okay. So let me explain it this way. The total debt book is around Rs.20,000 crores 58% is fixed now. Out of fixed portion only Rs.2,000 crores come up for refinance this year. So, any rate cut from here on, we will get benefit only on those. On balance 42% it depends because as of now, we have not received the benefit from the last 50 bps reduction till now, because the MCLR of the bank has not gone down, still to bake in. But to give you a range, it can be, let us say, 20 to 25 basis points lower from here as at 30th March 2026. But we will have to wait and watch.

Harsh Modi:

Right. That is all I was looking for. Thank you so much.

Moderator:

As there are no further questions, on behalf of Embassy REIT, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.