Embassy REIT

1Q FY2021 Earnings Call

August 6, 2020

CORPORATE PARTICIPANTS

Michael Holland - Chief Executive Officer (CEO), Embassy REIT

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Aravind Maiya – Chief Financial Officer (CFO), Embassy REIT

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MANAGEMENT DISCUSSION SECTION

Operator: Good evening everyone. A very warm welcome to all for the Embassy REIT's first 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 - Investor Relations for Embassy REIT. Sir, you may begin.

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Ritwik Bhattacharjee

Head – Investor Relations, Embassy REIT

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

Embassy REIT released its financial results for the Quarter ended June 30, 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 http://ir.embassyofficeparks.com under the Investor Relations 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. In particular, 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.

Joining me on the call today are Michael Holland, the CEO, Vikaash Khdloya, the Deputy CEO and COO, and Aravind Maiya, our CFO. Mike will start off with the first 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), Embassy REIT

Thank you, Ritwik.

Good evening everyone and thank you for joining today's call. As the challenging times brought by the pandemic continue across the world and here in India, we sincerely hope that you, your family and colleagues are healthy and keeping safe.

Today we announced our first quarter FY2021 results. You will recollect that the nationwide lockdown in India commenced on 24th March and it has now been recognized as one of the world's most stringent lockdowns. Despite the unprecedented challenges, and thanks to the resilience of our business and efforts of our management team, we have successfully navigated our business through the quarter, maintained a healthy 92.2% occupancy, collected a robust 98.9% of rentals, and the Board have earlier today approved our Q1 distributions of ₹4,499 million. This clearly demonstrates the strong fundamentals of our business and underpins our ongoing commitment to continue to deliver value to our unitholders, including through our regular quarterly distributions.

This quarter began during the early stages of the COVID-19 pandemic for our markets in India. We set clear priorities for our business to navigate successfully through the multiple challenges brought by the pandemic. These priorities included: ensuring the health, safety, and well-being of all our stakeholders, facilitating business continuity for our occupiers, and delivering on our rental collections and quarterly distributions. We are on track on all of these priorities.

Our parks and buildings were open and operational throughout the quarter within the guidelines laid out by the government. This has been delivered through the seamless pan-India execution efforts by our on-ground teams.

Given that India's COVID-19 status is behind the European and US timelines and many of our occupiers are following protocols defined by their global headquarters, employee ramp up is expected to remain slow and cautious. We continue to be actively engaged with our occupiers in each city, every week, supporting their return to workplace and ramp-up plans.

There has been much discussion on emerging trends affecting the dynamics of commercial office industry globally. While the impact of the pandemic still continues to evolve, through our conversations with a number of major occupiers, these inputs over the last quarter have reinforced the initial assessments which we articulated in our previous call.

Firstly, on the Next Generation Workplace

There has been a great deal of conjecture around Work-from-Home, domestically as well as globally. However, it is clear that in India, working from home has significant challenges around physical and digital infrastructure, as well as the softer issues of career, community, learning, and the building and maintenance of corporate culture.

It is indeed likely that there will be more flexibility in terms of workplace with a hybrid of traditional office and home locations. We believe that this will ultimately play out with more flexibility in terms of working hours and location but with the office as the core business hub providing better quality, lower density spaces with high standards of safety and wellness for the best international companies. Offices will continue to be a core amenity for the Indian STEM talent which these companies seek - the young demographic workforce who want to come together for the benefit of their career, for product innovation, for business productivity, company culture and the desire to learn which gets satisfied and enriched through colleagues and mentors in the best corporate workplaces.

This shift will work to the advantage of a portfolio such as Embassy REIT and our total business ecosystem product, with our high-quality large-scale integrated campus environments and a broad range of amenities for our occupiers and their staff.

Demand Outlook

It is clear that one sector which is prospering through this pandemic is the technology sector and nothing illustrates that better than the recent results and press articles on global hi-tech companies expanding their office footprint in key Indian cities. Numerous observers have reported an acceleration of digital transformation globally by a couple of years and bring-forward of technology spends, especially for cloud, digital, data services and cyber security. Also, Indian technology companies continue to shine through the pandemic as reflected by the large deal wins announced recently.

The strong focus on technology occupiers within our portfolio therefore continues to be one of our key strengths as this translates into future demand for our product. India remains the most attractive and cost-efficient destination for global corporates who rely on the talent pool, and is home to the technology skillsets which support so many global companies whether it be through India's 1,400 captive centers, 17,000 tech sector businesses or the 4.4 million technology specialists, many of whom work from our properties.

In the immediate short-term though, it is clear that many corporate occupiers have paused their capital investment and leasing decisions while they focus on employee safety and re-assess their real estate strategies. We therefore remain confident that once demand returns post this phase of uncertainty, as it certainly will, there will be an even stronger preference for high-quality, institutional grade Indian offices – the core product of Embassy REIT and that this will drive higher demand for our properties.

Supply Outlook

On the supply side, forecast market supply has been in decline since late-2019 and is further shrinking post the COVID-19 outbreak and the consequent labour and liquidity challenges for most developers. The two year forward supply estimate by independent consultants has fallen from 119 msf in January to 80 msf in June of this year, a 32% decline in just two quarters, and this trend is likely to continue. Our assessment is that actual comparable and competing supply for our portfolio is a significantly lower proportion of this reduced supply estimate.

As we emerge from this pandemic, and in India this has not yet peaked, we are very confident that this phase will result in continued consolidation in the Indian office market and, taking all factors into account, we are optimistic of securing greater demand and market share for Embassy REIT over the medium-term.

I will now handover to Vikaash to discuss in detail our business and operating performance for the quarter.

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Vikaash Khdloya

Dy CEO and Chief Operations Officer (COO), Embassy REIT

Thanks, Mike. Good evening, everybody.

A couple of weeks back, we provided an operational update for Q1 wherein we highlighted business continuity during the COVID-19 lockdown period, our robust rental collections and our 14% rental increases on 1.8 msf office leases. In addition to these, business highlights for this quarter include:

- Our leases signed for the quarter stood at 526k sf, with 201k sf of new lease-up and 325k sf of renewals at 20% MTM spreads;
- Our occupancy remained healthy at 92.2% on 26.2 msf of operating office portfolio, with same-store occupancy at 94.1%;
- Our construction activity resumed on 2.7 msf of on-campus development across three of our existing properties; and
- Our operations team continued to be actively engaged with occupiers to support their 'Return to Workplace' strategies.

Let me take you through the details.

First, an update on our COVID-19 response

Our properties were open throughout the quarter, even during the lockdown periods, to support the business continuity of our occupiers. We continue to monitor the ramp-up in the number of employees returning to our buildings – currently, over 90% of our occupiers are operating their core business functions from our parks, albeit with less than 10% of their employee headcount. Many occupiers are planning only a gradual return to workplace and we continue to prioritize delivering a safe workplace for their employees.

We have implemented international-standard safety procedures including enhanced sanitization and deep cleaning, fumigation, social distancing protocols and daily communication with occupiers. We have also initiated technology driven solutions in our properties such as optical thermal cameras, touchless visitor management, advanced air filtration and UV cleansing systems.

Our teams have ensured that all of our properties are 'COVID-19 Secure' and we have shared comprehensive 'Return to Workplace' playbooks with all occupiers to assist them in managing the phased re-population of their offices. To date, the feedback on the assistance we have been providing to our occupiers has been very positive. Our extensive work with our occupiers to help them navigate through the crisis is also reflected in our robust 98.9% rent collection numbers for Q1.

Moving to our leasing and lease management initiatives

During the first quarter, we maintained a stable occupancy of 92.2% on our 26.2 msf operating office portfolio with our same-store occupancy at 94.1%.

Of our 7.1 msf leases due for escalations during the course of FY2021, we delivered 14% rental increases on 1.8 msf across 22 office leases during Q1, in-line with our target schedule. We are confident to deliver 13% rental increase on the remaining 5.3 msf leases due for revision during remainder of this financial year. Our healthy occupancy, robust collections and successful rental increases form the base of our NOI and distributions.

In addition to above, we signed 20 office leases during Q1 totaling 526k sf, comprising both new leases as well as renewals. New leases comprised 12 deals totaling 201k sf leased mainly to occupiers providing digital, analytics and technology support to their global businesses. Renewals of 325k sf were across 8 office leases at 20% renewal spreads to existing rents demonstrating the embedded growth in our portfolio. In addition to this, we have a forward lease pipeline of 150k sf for the current quarter.

Demand impact of COVID-19 played out along the lines we anticipated during the previous call wherein we had projected 2-3 quarters of muted demand. This is mainly due to a pause in decision making while corporate occupiers get past the short-term operational challenges and determine their mid-term strategies. Given that COVID-19 infection spread has not yet peaked in India, this pause in decision making is likely to impact new deals throughout this financial year, and thereafter we anticipate decision making and deal activity to pick up. Demand is likely to be driven by tech occupiers and continuing investments by global captives expanding their presence in India and our properties are well positioned to benefit from this increased demand.

Moving to our lease expiries. Of our FY2021 lease expiries of 1.9 msf, we have already backfilled or renewed 400k sf or 21% of expiries at 17% MTM spreads in Q1. We are in discussions to renew an additional 254k sf which expires only during later part of this year. The remaining 1.3 msf expiries are likely exits during the course of this financial year – of which 0.5 msf relate to occupiers facing COVID-19 headwinds and cost pressures and the balance 0.8 msf is part of normal occupier churn. These include instances of occupiers relocating to a different micro-market, consolidating to self-owned or another property, rebalancing existing portfolios and undertaking portfolio housekeeping.

We view churn as part of 'business as usual' and see it as an opportunity to replace legacy occupiers with higher quality growth occupiers and re-set rents to market. By way of example, over the last four years, we have backfilled 4 msf in total or 1 msf annually at impressive 47% re-leasing spreads. The likely exits for FY2021 form only 5.5% of our annualized rental obligations and current in-place rents on these leases are 13% below market. While there may be a timing gap to backfill these spaces given overall pause in decision making, we remain positive on new deal activity as corporates finalize their plans.

Our on-campus development projects have resumed

Post easing of the lockdown restrictions in June, we resumed construction work on our 2.7 msf ongoing on-campus development projects due for delivery beginning June 2022. We continue to invest in health and safety of our workers through numerous safety precautions at all our construction sites. While the labour ramp-up in Bengaluru and Noida is encouraging with around 50% of peak capacity, Pune ramp-up has been slower given the severity of lockdown restrictions in Maharashtra.

Our on-campus development is an integral part of growth of our existing large-scale business parks. Our strong balance sheet puts us in a robust position to invest and deliver these new projects despite overall supply deferrals and slippages in the market.

Also, our occupiers resumed fit-out works on 0.8 msf relating to the 57% pre-committed spaces in the recently delivered buildings in Embassy Manyata NXT and Embassy Oxygen and they target to go-live by end of this year.

Finally, I will cover our asset management updates

- First, an update on our hotels which represent <1% of our pre-COVID NOI. Both globally and in India, the hospitality sector has witnessed a challenging operating environment due to the pandemic with a virtual halt to travel since early March. We therefore temporarily closed our two 477 key operating hotels in April and reopened them in mid-June 2020 post lockdown relaxations. Both hotels continue to witness skeletal occupancy and we expect hospitality demand to remain muted for the remainder of this year. Our hospitality team has implemented several cost saving measures while adequately servicing occupied rooms. As both Hilton and Four Seasons are reputed global brands, they have instituted safety protocols at par with global standards and this will aid in occupancy ramp-up when travel re-opens.
- Regular investment in our properties by undertaking select infrastructure and upgrade projects is core to our asset management philosophy and helps us increase entry barriers and widen our competitive moat. 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 are on track. Additionally, we have launched a comprehensive re-positioning initiative at Embassy Quadron in Pune. We continue to pursue select projects to add long-term value to our existing properties and make them future-ready for the post-pandemic world.

- In early April, we instituted a cost savings programme for FY2021 targeting savings across our operating, hospitality and corporate overhead costs. We continue to remain judicious on our costs and our NOI margins reflect the positive progress made on this initiative during our first quarter.

As you can see, through the course of this pandemic, we actively managed our leases and our properties and remained focused on operational excellence in a period of heightened external uncertainty. Our strategy has always been to remain fully engaged with occupiers. We have strengthened our occupier relationships through our continuing response and support during this pandemic. We followed an active and nimble approach to lease management and where needed, we have let occupiers with weaker business models exit our portfolio. We continue to invest in growing our portfolio through our on-campus development and continue to selectively reinvest in our properties. All of these factors reinforce our commitment to growth and creating long-term value. As we look forward into 2021 and beyond, we are optimistic of consolidating and growing our market share as occupiers and businesses emerge from this pandemic.

Over to Aravind now for the financial updates.

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Aravind Maiya

Chief Financial Officer (CFO), Embassy REIT

Thanks, Vikaash. Good evening, everybody.

We delivered a resilient financial performance for the quarter. Financial highlights for Q1 include:

- Our Net Operating Income was ₹4,569 million, up marginally by 1% year-on-year;
- Our NOI and EBITDA margins were 88% and 87%, up by 400 bps and 600 bps respectively year-on-year;
- Our Distributions for the quarter stand at ₹4,499 million or ₹5.83 per unit, representing a 100% payout ratio for the quarter; and
- Our balance sheet remains healthy with ample liquidity of ₹12.6 billion and low leverage of 16% Net Debt to TEV, and only 1.3% of total debt maturities till FY2022.

I will now discuss our Q1 FY2021 earnings performance in detail.

- **Revenue from Operations** for the quarter stood at ₹5,162 million, representing a 4% decrease year-on-year, this decrease was entirely due to the impact of COVID-19 on our hospitality business. In terms of our segment-wise revenue performance, our commercial office revenues of ₹4,739 million for the quarter remained in-line year-on-year, however, our hospitality revenue was impacted due to the temporary closure of hotels as well as ongoing suspension of travel, contributing to a decrease of ₹207 million in the overall Revenue from Operations or approximately 4% year-on-year.

- **Net Operating Income** for the quarter stood at ₹4,569 million, representing a 1% increase year-on-year, mainly given resilience of our commercial office business which contributes over 90% of our pre-COVID gross asset value and NOI. In terms of our segment-wise operating performance, our commercial office NOI was ₹4,306 million for the quarter, an increase of 3% year-on-year, however, our hospitality segment incurred an operational loss of ₹111 million for the quarter. Our NOI margin improved year-on-year by 400 bps to 88%, mainly reflecting the change in segment mix with commercial office segment contributing a higher proportion of the NOI as well as cost savings achieved during the quarter.

- **EBITDA** for the quarter stood at ₹4,507 million, representing a 3% increase year-on-year. Our EBITDA margin improved to 87%, i.e., a 600 bps increase year-on-year. As we have mentioned previously, our operating margins once again reflect the benefits of our scale, efficiency of our business model and our low manager fees.

Next, an update on our distributions

Our Net Distributable Cash Flow for the quarter stood at ₹4,495 million and the Board of Directors of the Manager to the Embassy REIT in their meeting held earlier today declared Q1 FY2021 distributions totaling ₹4,499 million or ₹5.83 per unit, representing a payout ratio of 100% for Q1. This distributions of ₹5.83 per unit comprise of ₹2.14 per unit towards interest receipts from SPV, ₹3.33 per unit towards amortization of SPV level debt and ₹0.36 per unit of dividends. The record date for the distributions is August 14, 2020 and the distributions would be paid on or before August 21, 2020.

Given our robust rent collections and resilient operating performance, we continue to be committed to quarterly distributions and our strong balance sheet and ample access to liquidity gives us the confidence to do so.

Moving to our balance sheet strength

We maintain a strong liquidity position with ₹12.6 billion of liquidity as of June 2020 comprising of ₹9.0 billion of cash and treasury balances and ₹3.6 billion in undrawn committed facilities. With low leverage of 16% of our Total Enterprise Value, additional proforma debt head room of ₹112 billion and only 1.3% of our existing debt maturing till FY2022, we have ample liquidity to manage our business and navigate the current COVID-19 environment.

We, therefore, remain one of the most prudent and well-capitalized companies in the listed real estate sector in India and globally. Our disciplined capital management approach places us in a robust position to navigate through COVID-19 induced global uncertainties and allows us to pursue accretive growth initiatives to the benefit of our unitholders.

Moving to other financial updates

- As Vikaash mentioned previously, our office rental collections have remained strong. We have achieved 98.9% collections for the first quarter. Further, to support our food court, ancillary retail and small business tenants through the pandemic, we have provided rental rebates totaling 1.4% of our annual rents.
- To arrive at our Net Distributable Cash Flows, our EBITDA is adjusted for items such as working capital changes, cash taxes and refunds, interest and principal repayments on borrowings, dividends from our investment entity Embassy GolfLinks and trust level expenses. Our earnings materials include a detailed walkdown of our EBITDA at SPV level to NDCF at the REIT level. Amongst these items, working capital changes include movement in security deposits and other current assets, some of which may not recur given the one-time nature of these cashflows.
- As updated during our previous call, we filed the scheme of arrangement to collapse the legacy two-tier holding structure of Embassy Manyata SPV and we expect to receive regulatory approvals by March 2021. Upon simplifying our holding structure, the proportion of our dividends to our overall distributions is likely to increase to over 60%, comparing favorably to 6% for this quarter. We anticipate that our dividend and SPV level debt amortization components, taken together, will represent over 75% of our distributions post March 2021. This will be a positive given REIT dividend is fully tax free for investors and will further enhance the overall post-tax distributions yield, especially for domestic institutional and retail investors.

Lastly, I will update on the outlook for the remainder of FY2021

Given COVID-19 pandemic is still evolving, we are not providing formal guidance due to the continued uncertain environment. However, I would like to provide some high-level perspectives for the remainder of the year:

- Our rent yielding commercial office business continues to be resilient with 92.2% occupancy levels given strong underlying covenants of our 160+ creditworthy corporate occupiers. Despite the lockdown, we collected 98.9% of our office rents in the first quarter;
- Our rental increases of 14% on 1.8 msf during the first quarter is in-line with our target schedule. An additional 5.3 msf of contracted escalations come up in the remainder of this financial year with an estimated 13% rental increase. Given these leases are already 49% below market, we remain confident to achieve these rental increases;
- Our existing occupancy of 92.2% on 26.2 msf operating portfolio translates to a 2.0 msf vacancy across the 4 cities in which we operate. Also, 1.3 msf or 5.5% of our annual rents may be likely exits during the remainder of this financial year. While backfill may take time given overall pause in decision making by occupiers, we remain positive on return of demand in 2021 given in-place rents on these leases are 13% below market;

- Our 0.8 msf pre-committed spaces in recently delivered buildings are likely to be operational by end of this year given occupiers have resumed fit-out works post the lockdown induced pause. Further, construction activity on our 2.7 msf under development buildings has resumed and the buildings are expected to be delivered starting June 2022 onwards; and
- Our 477 key operating hotels re-opened in mid-June 2020, however occupancy ramp-up is expected to be muted given the pandemic induced travel restrictions. The hotel business is expected to marginally impact NOI but on the positive side, our cost savings programme for FY2021 is progressing well.

With the above information, we have provided you the building blocks which will assist you to come up with estimates for the remainder of the financial year.

Over to Mike for his concluding remarks.

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Michael Holland

Chief Executive Officer (CEO), Embassy REIT

Thanks, Aravind.

So, despite the challenges in the first quarter, we have delivered strong distributions of ₹4,499 million.

For the coming quarters, we are focused on continuing to deliver on organic growth for our business through active asset and lease management and building healthy leasing pipeline as occupiers formulate their mid-term real estate strategies. We also continue to actively pursue acquisition targets and opportunities which are value accretive and complementary to our existing portfolio in terms of scale, quality and location. With our strong occupier connect, robust balance sheet and prudent capital management, we are well-positioned to deliver on these focus areas.

Before I conclude, two other events since we last reported – one, the dilution by one of our Sponsors and secondly the reported forthcoming listing of India's second REIT. We welcome both events. On the trade, the resultant increase in our free float to 38% and increase in liquidity addresses the feedback from a number of our unitholders. The potential inclusion in global and regional benchmark indices would be another positive outcome. As India's first REIT, we welcome the new REIT listing as a natural part of the evolution of India's office market moving away from fragmented, low scale, variable quality market to a more institutionalized, consolidated, higher quality, compliant market providing better products to occupiers, end-users and investors.

Finally, we remain committed to our business strategy to deliver total return through regular quarterly distributions supplemented by our organic and inorganic growth initiatives. In the short-term, the pandemic has certainly slowed the growth velocity of our business and the industry as a whole, but we are extremely well-positioned to navigate this period of uncertainty and emerge even stronger. We are confident of the importance of the physical workplace for international companies in India and there is a clear opportunity to benefit from continuing consolidation and flight to quality as businesses emerge from the pandemic.

So that was the business overview for Q1 FY2021 – let's 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 Murtuza Arsiwala from Kotak Securities. Please go ahead.

Murtuza Arsiwala: Michael, just a couple of questions from my side. One is on the NDCF walkthrough. So if you look at slide 49 where you have detailed a walkthrough from the EBITDA to NDCF, a couple of items out there – working capital, other adjustments – tend to be very volatile, as can be seen between 1Q FY2021 compared to 1Q FY2020. Could you walk us through a typical EBITDA to NDCF bridge to better enable a forecast for the same? Also, in the context of slide 43 where you talk about the debt maturity, you have a substantial amount of c.₹40 billion which is due for refinancing, and given that a large part of it is a zero-coupon bond, how should one think of that in terms of distributions for FY2023? The second question that I have, which is more operational sort of clarity, if we look at slide 27, you talked about 0.5 msf of leases being signed, of which new leases are 0.2 msf. How does one differentiate between re-leasing and renewals in that sense? So, two parts of the question, one is on the entire NDCF bridge and how does one think of debt, working capital, servicing, etc. And the second is on how one differentiates between re-leasing and renewals.

Michael Holland: Great. Thank you Murtuza for those two questions. I am going to ask the first one to be fielded by Aravind.

Aravind Maiya: Thanks Mike. Thanks, Murtuza for the question. So, just adding on to what I mentioned in my transcript. As you mentioned, I refer to Page 49 of our earnings deck which gives a walkdown. And I will talk about five primary items which are either added to or reduced from the EBITDA to arrive at the NDCF, which will give you some clarity on how these numbers flow through. Firstly, we reduce the taxes paid and any refunds received. As I mentioned before, the cash taxes work out to approximately 6.5% to 7% of revenues for the year. Second item is all the non-cash income and expenses, which are mainly accounting related straight lining adjustments to revenues, which are removed from our EBITDA. Third, Murtuza, is the interest on principal repayments which we make during the year on external borrowings. These basically represent interest on principal repayments on the borrowings taken for the completed properties. On a quarter-on-quarter basis, you will see an increase in this number basically because of completion of NXT and T2 blocks in Q4 of last year. Fourth item is the cash flows which we receive in the form of dividends as well as repayment of investment in debentures by GolfLinks, which is made at the Embassy REIT level. To note over here is that the debenture investments made in GolfLinks would be fully repaid by August 2020, post which, REIT will receive dividend income in proportion to its shareholding percentage, which is 50%. And the last item is all working capital changes in other current asset and liability balances, which might result in an inflow or outflow, depending on the nature of these items. For Q1, the working capital changes was ₹117 million, whereas in the previous year Q1, the number was ₹857 million, and for the full year, it was ₹1,969 million. Some of the numbers in previous year include contractual deposit, receivable balances, and other security deposits, which are unlikely to recur going forward. I hope this walkthrough of the key five line items helps you get a bridge of this.

And I quickly move to your next question, which is in relation to debt maturities.

While the next two years we have very low maturity, as you said, the NCD is coming up for maturity in FY2022. We are confident in terms of refinancing this debt at that point in time. A couple of stats that I want to mention is, as we stand today, we are at 16% Net debt to TEV, very lowly-levered, AAA-rated company. And with the flight-to-quality that we have seen from lenders and through discussions with them, we are confident of refinancing this at impressive terms. The additional add-on item I would say is that with the G-Sec compressing, we have seen quite a bit of compression in rates. And I believe that we will be able to refinance this at much more favorable terms when it comes up for maturity.

Murtuza Arsiwala: So, would that be in the form of a zero-coupon again, or would it be a coupon bearing debt?

Aravind Maiya: Yes. So, Murtuza, our stated policy in terms of refinancing the NCD has been to mirror our under-construction portion. So, if you see today, the under-construction as a value of the overall portfolio is about 13%, which mirrors the ZCB as compared to the total enterprise value. As it comes up for maturity, we will make an assessment of how much rent generating assets we have completed by then, and we will refinance a part of this debt with a coupon-bearing instrument, and a part of it would be refinanced with another zero-coupon bond.

Vikaash Khdloya: And just coming to the second question. So, if I can run you through slide 27 of the deck and the way we break down our new leases and we did sign 526k sf leases in Q1, the first full quarter of COVID-19 pandemic. The new leases are leases which we do on existing vacant spaces. It could be a first generation vacant space, which is the new buildings that we have delivered or a second generation vacant space, which is basically space vacated in the past by another occupier which we are backfilling. So that is what we term as new leases. And within the new leases, whatever is the second-generation space, which is being leased to another tenant, we term it as re-leased, and compute a spread on that. So, in this quarter, 163k sf out of the 201k sf of new leases, was on existing spaces vacated by other tenants in the past or the current quarter, and we backfilled that at 21% compared to the rents with the earlier tenant. Renewals, the way we view it, is the end of lease tenure expiries which we renew with the same existing tenant. So, for example, if a lease comes up for renewal with a large occupier in a particular park and we renew it with the same occupier at 20% above market, then we call it a renewal at a 20% renewal spread. All in all, I just want to mention the fact that both on a re-leasing spread of 21%, or a renewal spread of 20%, all the leases that we did in Q1 were at market rents, and we achieved the re-leasing spreads or the renewal spreads that we would target in normal course.

Murtuza Arsiwala: Just to be clear, 163k sf is a subset of 201k sf? So, there could have been an existing property which got vacated and was empty for some period, and therefore, it would be classified as a new lease but 163k sf is being re-leased from old space. So, 201k sf minus 163k sf would be absolutely first generation of fresh leases, is that the way to think of it?

Vikaash Khdloya: That is correct. And just the difference of that, if you could see on the right hand side, relates to the 37k sf lease to GlobalLogic, which we have disclosed, which is in relation to a new building which was never leased earlier in Oxygen, it was the first lease post the building completion.

Murtuza Arsiwala: Okay. And if a lease expires from a certain tenant and a new tenant takes it, would that still qualify as a renewal or it would be a re-lease?

Vikaash Khdloya: That we term it as re-lease. So, re-lease is anything which had a (different) tenant earlier, renewal is with the same tenant. If it's a different tenant, then we call it a re-lease.

Moderator: The next question is from the line of Abhishek Bhandari from Macquarie.

Abhishek Bhandari: Congratulations on a great execution on NDCF and payouts. I have a question on slide 30. So, you mentioned that there would be 1.3 msf of likely exits by the end of this year. If you could help us know the timing in terms of which quarter would these go vacant? That's the first question. Second question on that would be, are these spread out across various properties, or are they concentrated on one or two of them? If you could name those, that would be helpful. And lastly, do you think there is a scope for you to probably drop the rentals from the current MTM of 13% to a lower number and probably accelerate the leasing out here?

Michael Holland: Let me speak in a kind of generic sense, particularly around that last question, Abhishek. Our view is that there has been a pause in decision making from the corporate real-estate executives. So, as you can see, our new leasing dropping from 500k sf to 200k sf this quarter is a reflection of that. We believe that muted decision making is going to go on for at least another couple of quarters, possibly till the end of the year. And so, on new deals, it's not actually necessarily about price or reducing that mark-to-market, because there simply isn't any volume in the market. So, there will be an increase, as compared to say last year, which was a record year for leasing, in the void period between exit and re-leasing. So, that's just as a general comment. Vikaash, do you want to take the question about the exit and when we foresee those coming?

Vikaash Khdloya: Absolutely. So, let me just break down the 1.3 msf which we have mentioned as likely exits in FY2021 on slide 30. So, a couple of things. One, if you look at it from a perspective of what’s the split between business as usual churn and COVID-19 induced exits. We have mentioned that the COVID-19 induced exits form about 0.5 msf of those exits and I will come to what are those companies and what are the exits relating to. The normal business as usual churn is the 0.8 msf, totaling to the 1.3 msf which we view as likely exits during the course of FY2021. In terms of who are those COVID-19 induced occupiers whose business models have been challenged and who would have vacated, in some cases we have actively let them go. Just to give you a flavor, these tenants relate to hospitality sector, some of the weaker, smaller co-working players, occupiers servicing the airline industry, some of the retail occupiers, some of the office spaces relating to those retail occupiers as well as newspaper industry and occupiers who are facing great headwinds in the business given the COVID-19 disruption and for whom we do not think businesses will survive this downturn or where we think they will not be able to kind of afford the rentals. In terms of the analysis by city, if you break the 1.3 msf, 50% of that by area is from Pune, especially in one of our parks Quadron and I did mention that we are doing a refurbishment and positioning activity in Quadron. So, in Quadron actually we have had a banking client who wants to consolidate in the east side of Pune and in fact they wanted to grow and consolidate with us but we didn’t have anything to offer to them in Pune and hence they would be exiting and they would be relocating to east side with another developer. And, we also have another tenant who is a very large-scale occupier and doing its own housekeeping across its large-scale portfolio, as a result of which it is cutting back on some small percentage of surplus space in its overall large portfolio. So, this is just to give you a flavor in terms of what are the exits in Pune. Apart from that, Bengaluru forms the next bucket where we have 33% by area of the 1.3 msf exits and again a significant portion of that relates to a technology client who is consolidating in the east side of Bengaluru and where we couldn’t offer them any product and hence they will likely exit.

Just coming to the last point on what's the breakup by quarter. I will give you in terms of percentage of rents and maybe that will be more useful. Of the 5.5% of the rentals, we expect 1.6% of the rentals coming up as likely exits in Q2, 2.7% in Q3 and 1.2% in Q4. There are two other minor points I want to make. One, obviously these are likely exits, and in many cases, these are still not confirmed but based on our assessments, we do take a more proactive and pragmatic view, so that we can start working on the backfill. And the second point I want to make is, all these exits do not come up at any one point of time and come up during course of the full year. So, the actual impact on the rentals for this financial year would be much lower than the 5.5% and we have backfilled about 1 msf on an average in the last 4 years, so we view it as business as usual. Of course, the COVID-19 induced exits are in addition to that but we have used this as an opportunity to strengthen the portfolio, let some of the weaker occupiers exit and prepare ourselves, so when the demand returns, we can capture it and offer solutions to occupiers who are looking for contiguous space.

Abhishek Bhandari: And Vikaash, just if I can ask one more question. On FY2022, this 1.2 msf which is coming for lease expiry, have you initiated the discussions with the client? The reason why I am asking is what typically is your schedule of going and asking the clients whether they want to take up that space or not? Especially in the current context, when it might take longer than usual for re-leasing or finding a new tenant should they decide to exit. That will be my last question.

Vikaash Khdloya: The way we look at it, especially in cases like you refer to in FY2022, where there is a MTM of 57%, even assuming there is muted rental growth over the next 2 to 3 quarters before demand surges back, what we do as a strategy is, if we are in a stronger micro-market such as Bengaluru and Pune and rentals are way below market, we would want to take it a little more closer to the actual expiry. That way we have better negotiation power with the occupier and given they have already sunk their capex and there is an absolute inertia today in the market to enter any fresh capital investment, I think we stand a really good chance to achieve those healthy mark-to-markets which we have delivered in the past. So, in this case, I would say because of the mark-to-market and because majority of that is in Bengaluru, we would initiate only 6 months prior, in other cases we would engage 9 to 12 months prior to the expiry. Today, because of the occupiers having a pause and not taking any decisions, it's a good strategy to let them figure out their own strategies. We are helping them wherever they require our help on the existing ramp-up and when they are ready for decision making, that will be the right time to start the negotiations to get a better outcome.

Moderator: The next question is from the line of Adhidev Chattopadhyay from ICICI Securities.

A. Chattopadhyay: My question was firstly on the hotel, so what are the plans for the capex on the upcoming hotels in Manyata? We want to get it operational in phases now or we are just going ahead with what was originally planned prior to COVID-19?

Vikaash Khdloya: And your second question please?

A. Chattopadhyay: I think second question has been addressed by a previous participant, so will just restrict it to this question only.

Vikaash Khdloya: That is an interesting question, Adhidev. If I can refer you to slide 38 of the earnings materials. Just as a background, when we planned the hotels, we viewed that as complementary to our office offering as part of the total business ecosystem and that this really adds moat to the business and helped the office occupiers because of which we have been able to achieve market leading and premium rentals in GolfLinks and now in Manyata. In terms of the Hilton hotel, if you see the status of the hotel, for both the blocks, the structure is complete, and façade is done. The Hilton Garden Inn façade is likely to get completed in the next quarter or so and MEP has started. Given the fact that both the hotels come up for delivery only in June 2022 and then we usually have about a 6 to 12 months period just to operationalize the hotel, we have taken a view that we will continue with the hotels given that the balance pending cost for these hotels is approximately ₹560 crores, which is disclosed in the supplementary deck. We think the earlier we do this, it will help operationalizing the hotels and making it revenue-generating and by which time, we do believe that a demand for hospitality will return. And that's one of the strengths that we as a REIT with a disciplined balance sheet can take a little more medium-term view. While today the world is in the middle of a pandemic, we do know that demand for hotel will return especially in a park where every single day approximately 100,000 people work. So, when 1 lakh people work in the park, we do think that the demand catering to a 619 key hotel will be there. We feel pretty confident about it especially given the fact that within the 10 km vicinity, we do not have any comparable hotel complex. So, we are going ahead with the hotel, we will launch in June of 2022 and we remain positive on the ramp up in that hotel.

A. Chattopadhyay: So, there is no change to our earlier business plan, in terms of the ARR and whatever assumptions we would have worked with when we started out, is it what you are saying that we are maintaining our stance?

Vikaash Khdloya: That is correct. The only thing I would like to highlight which we had done in last quarter is, we had pushed the delivery out by a quarter or two depending on each project simply because of the lockdown and to factor for the time loss. We don't expect any changes as of today. We have revisited the business plan on the hotel's ramp-up and the ARRs and we remain confident as of today based on the available information that those are realistic assumptions.

Moderator: The next question is from the line of Lokesh Garg from Credit Suisse.

Lokesh Garg: I wanted to ask on the revenue part for the quarter. Basically, there are three adjustments that we are sort of getting from the presentation. One is that previous year, you had probably ₹300 million of one-off received from some client which was part of the revenue line. Then just the fact that the hotel is closed, leads to ₹200 million lower revenue from the base which is the Embassy GolfLinks hotel and also there is a rent relief that we had given to some of the retail type tenants which you quantified as ₹225 to ₹250 million. If we adjust for these three numbers, which is you reduce ₹300 million from the previous year and you add the hotel and rent relief to this year, you end up with a 12% revenue growth for the quarter. Now, is that a good way of thinking about it, need your feedback. Second question, it is another way looking at it, you seem to say that office rentals are flattish on a year-on-year basis unless you lose certain tenants and vacancies will increase which doesn't seem to the case on at least same-store occupancy basis, there should have been 5%-6% revenue growth in any case. But you seem to suggest that office rentals in some ways are adjusted, the ₹4,739 million number that you shared. So, two ways of looking at the revenue lines, just wanted to reconcile what's your view on this.

Aravind Maiya: So, let me take the first question, just I will make one small correction, you are largely right. One, yes, we had a one-off termination fees of close to ₹300 million in last year. Number two, hotels, yes, we are down by close to ₹200 million on a like-to-like basis. But in terms of rent relief, what we have provided is close to ₹290 million for the full year. So, the rent rebates just for Q1 will be approximately

₹90 million. So, if I were to just factor all of this, the revenues would be higher by approximately 7%. So, in terms of the same store what we've provided in the supplementary deck that represents only the office portfolio, does not include hotel nor includes the solar plant. So, what we have provided is the unadjusted number. If I were to adjust it, the revenues from the same-store basis would have been higher by 1% and the NOI would have been higher by 9%. Lokesh, I hope that answers your question?

Lokesh Garg: Yes. And the second question, sort of again getting a data from the presentation is, your 4Q occupancy was 92.8%, it is 92.2% now, so there is some 0.6% loss of occupancy because the area is same between 4Q and now? And, for 1.4 msf of area that came up afresh in Oxygen and Manyata, committed occupancy seems to have gone down a little bit, not dramatically but a little bit. So, are those fair observations?

Vikaash Khdloya: Just to give you an overview, in this quarter, we had expiries of about 350k sf. This data is given in the supplementary deck – a reconciliation of what was the occupancy earlier and now as well as the vacant space. So, if I refer to page 8, I will walk you through it. So, we had about 350k sf of exits or vacancies during the quarter and as mentioned, new leases of 200k sf. So that takes you to the net decrease in occupancy by 150 to 160k sf and that is why there is a drop in occupancy from 92.8% to 92.2%.

In terms of the expiries and the way we present it, if I can refer you to slide 30, for FY2020, the 1.9 msf bar that we present is a rolling updated bar and it already factors in any exits that have happened and the re-leasing of that. So, this is a forward-looking net expiries position as of the point in time for the remainder of the year. So, as we stand today, post the exits and lease-up of Q1, occupancy is 92.2% and as of June 30th, the forward expiry is 1.9 msf of which we have locked-in 400k sf; in advance discussions for 254k sf and the balance as we've mentioned in our assessment are likely exits of about 1.3 msf. Does that help reconcile the math?

Lokesh Garg: Yes. And is there a marginal reduction on committed area on the 1.4 msf of new area which was scaled up recently?

Vikaash Khdloya: That is correct. There is a marginal decrease of 65k sf and that is due to one of the occupiers reassessing their forward-looking strategy and then deciding that they want to pause for some more time and reassess the headcount and fit them in the existing city premises. But we are in discussion with another sophisticated technology company which appears in the 150k sf pipeline bucket which we have laid out. And we hope to ramp that up during this quarter and we can then backfill that space.

Moderator: The next question is from the line of Saurabh Kumar from JP Morgan.

Saurabh Kumar: Two questions. One is on this hotel NOI loss of ₹11 crores. If we assume that things won't improve, you should be able to control it at least at this level? And secondly, your supplementary deck has about 1 msf of lease expiries in Manyata over FY2022 and FY2023 where the mark-to-markets are substantial from ₹33 to almost ₹95, so how confident are you of achieving those numbers? Just one more thing on Manyata, why has the NOI gone up so much quarter-on-quarter?

Vikaash Khdloya: On hotels, the way we look at it Saurabh and we had laid it out in the last quarter, so roughly if today we were to not rent out any room-night across the full year, then we would look at ₹60 crores fixed and semi-variable expenses, so that it will impact NOI by ₹60 crores, roughly ₹5 crores a month and if we do factor in the cost saving initiatives that we have put in place then that number would go down to approximately ₹48 crores, ₹4 crores a quarter. And that is what the loss for this quarter is – approximately ₹4 crores for the three months which is about ₹12 crores. So that ₹1 crore balance reflects the cost saving measures that we have put in place. We do think that this will continue for this year and this quarter's revenues are reflective of what we expect for the remainder of the financial year unless world changes for the better and there is a vaccine and travel resumes substantially in the fourth quarter. So, this is our view on the hospitality.

In terms of the Manyata mark-to-market which you were referring to on slide 9 and 10 of the supplementary databook, our view on mark-to-market has always been the same. While the numbers and percentages look substantial, there are two things which I would like to point. One, the in-place rents in Manyata are at ₹33 on those leases and in our view the leases which we have done on Manyata NXT, of course it's a newer building and a little more upscale, it's actually been higher than the market rent that we are expecting on these leases in FY2022 of ₹96. Those leases of NXT have been at least at a 15% premium to the 1-year forward rent that CBRE has estimated on slide 9 in terms of market rent at expiry for these leases in FY2022. In terms of why it is so low and do you really expect to get this mark-to-market given it may be a legacy large occupier, I think one, this is the typical end of 15th year kind of lease tenure for some of the first leases in Manyata. I recollect that this was one of the first leases done with a large occupier. We are in conversations with them, again we remain confident that we will be able to achieve this and given the fact that there is a complete freeze in capital investment by both large and small occupiers, we are seeing a lot of momentum on renewals. Occupiers, of course, will come back and want a discount and it will be little bit of a conversation, but we remain confident that we will achieve the mark-to-market opportunity. In fact, in many cases the occupiers are engaging with us ahead of time, 1-2 years ahead because they know that as they delay it and as time passes, they will continue to lose the negotiation ability and they know that they will be staring at not only the market rent but a premium to that because we then have the negotiation ability.

Michael Holland: Can I just add to that Saurabh. Of course, that supply shortfall we spoke about earlier on also is something that will strengthen our hands in such negotiations because in a couple of years' time, we believe there will be a significant supply shortfall.

Saurabh Kumar: My only question was that the tenant has a rent shock coming, and if you are prepared, that is where I was coming from.

Michael Holland: I think as Vikaash alluded to, actually the longer those large leases are left, it works more to our benefit. So there have been conversations and it won't come as a surprise.

Vikaash Khdloya: And Saurabh, some of these occupiers and specifically this occupier, they are fairly sophisticated. They engage with their advisors, their internal system and with us ahead of time because they do know that there is a massive shock coming their way simply because they have just been paying significantly below market for a long period in time. So that's how we look at it and in a market like Bengaluru with sub-5% vacancy and even if you assume that this year is muted on demand, I think the estimated vacancy is going to be 6.5% in Bengaluru with comparable vacancy even lower. I do think that mark-to-market in Bengaluru are realistic, especially if it is beyond FY2021 because we do hope that situation will normalize, and demand will return and bounce back quite nicely by then.

Aravind Maiya: Saurabh, just taking your last question on Manyata NOI increase; if you see there is a 18% increase in NOI, largely attributed to the 16% increase in revenue. The revenues increased for all the leases which happened during the course of last year as well as some of the straight lining as I mentioned has kicked in for our NXT projects, so that's the primary contributor, of course the 2% delta in NOI is the cost saving measures which we have done including the 220 KV sub-station which got installed in later part of June 2019.

Saurabh Kumar: I will take that offline, I think I'm getting an 8% quarter-on-quarter.

Moderator: The next question is from the line of Amandeep Singh from Ambit Capital.

Amandeep Singh: The supplementary deck shows ROFO opportunity of 43.2 msf. However, since Embassy Knowledge Park and Concord, which is cumulatively 26.2 msf, will be merged into Indiabulls and Embassy's sponsored entity post the announced merger, is it fair to assume that REIT will have to re-enter into ROFO agreement as the parent entity would change?

Vikaash Khdloya: And Amandeep, can we have your second question please?

Amandeep Singh: Secondly, I am seeing on slide 48 of your investor desk, in-place rentals are higher than market rentals in FIFC, Embassy One and Embassy TechZone, so in that context are you seeing any downward rental revision pressures from any of your tenants?

Vikaash Khdloya: So, let me take that and Mike feel free to pitch in. In terms of the ROFO question that you made Amandeep, we want to just highlight that REIT is a separate entity independently managed by the manager which reports to the board and it is separate from any of the sponsors. Any of the contemplated merger you referred to which has been announced in the public domain, would not impact any existing ROFO rights for the REIT. It will continue, although I do want to highlight that there will be no new ROFO rights which will be established or any conversation of that today with the new contemplated entity. So, existing rights will remain, and we will continue to have that. However, on the new area, we will see, we will have a conversation. But I do think that because most of the projects, other than these four are at land stages, they are far out in terms of when they come up. The four immediate projects defined as ROFO are the most realistic in terms of timelines of completion for an asset that we would look at – a stable income producing asset for the REIT. So, I think that would answer your first question.

In terms of the portfolio summary and negative mark-to-markets which you referred to in slide 48 of the earnings deck. Yes, we do agree that there is a negative mark-to-market in FIFC. It relates to one of the top-notch technology companies. They are above market, but they are under a lock-in and in fact they have just renewed some portion of it. So, we don't expect any immediate downward revision, but yes, the way we look at the business and we would also guide you to it, is whenever the leases come up for renewal, we take it back to markets. So, while majority of our portfolio is on a positive MTM spread, there are some legacy leases which have a negative spread. These are very small in quantum and if you apportion it with the area that we are talking about and the area of that in the context of that property versus the entire portfolio; we think it's not going to be material. On the Embassy One which you mentioned, this is a recent lease, here we don't think these are negative spreads. This is the CBRE's assessment of the market rent; we do believe that the rent at which we have leased out, which is referred to as ₹156 in-place rent, is reflective of the quality of this project which has a hotel and conferencing facilities. So, we remain confident on this lease and it's under lock-in. On TechZone, there are a couple of leases which are very marginally above market. We again don't think that there is any immediate fear on those leases.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: In terms of revenue and occupancy, clearly, we have done a very good job in this quarter but when I am looking at your detailed P&L and looking at some of the cost line items, I just wanted to get a sense if these are sustainable at such low levels. So, miscellaneous expense has pretty much become 25% of the usual level. Similarly, there is no CSR at all in this quarter. As I look at brokerages and commissions, that number is also negligible. We have got other income on Income tax refund which is a sizeable number. So, what I am trying to understand is the sustainability of cost at these levels and sustainability of the NDCF at least for the next couple of quarters. That would be my question number one.

Michael Holland: And the question number two while we just get that stated together?

Pulkit Patni: My second question is in terms of the incremental area that we have leased in this quarter. Any changes in terms and conditions relative to what we usually have either in terms of duration, are these leases longer in terms of duration? What is the kind of typical escalation agreed compared to what we typically do? So just wanted to understand if the market has in anywhere changed post-COVID in terms of these new leases that we have signed?

Aravind Maiya: Pulkit, thanks for the question. So, in terms of expenses, let me give you first a broader overview and then probably I can take some of the specific line items which you indicated. So, as we did mention in the transcript, we have instituted quite significant cost saving measures across the portfolio, especially in the hotel portfolio. If you look at quarter-on-quarter basis, our expenses have dropped close to 19% and up to 300 bps as a percentage of revenue. And we believe for the entire year, this percentage reduction in cost is something we want to sustain through the year through the cost saving measures. Some of the specific expenses which you highlighted which is the miscellaneous expenses and brokerage – these are items which are part of the hotel portfolio. Since the hotels were shut, the expenses are much lower, but if these expenses increase during the course of the year that will be because the hotels start operating and accordingly, you will get incremental revenues as well. CSR is something which might not necessarily be spent equally over the quarter. Yes, we have a 2% obligation in specific SPVs and that is something which we will continue to meet during the course of the year. And your last point on IT refunds, I mean these we get, as and when we get, the number over here is extremely small of just ₹1.1 crores, so that is not a material item which will sway numbers, quarterly or on the yearly basis.

Vikaash Khdloya And, on the second question in terms of the leases that we have done – 201k sf of the new leases. There is no change, as of today, in the terms that we would have done in a pre-COVID world, so basically 15% escalation, standard security deposits and a typical 5 plus 5 tenure. Some of these are Mumbai leases, so that's why the WALE of these new leases come to 9 years. So, we have not seen a change, but I just want to say two things here. One, much of these discussions were initiated pre-COVID in early March, simply because it takes 2 quarters to convert the pipeline and the RFPs as a typical cycle. In these leases, we did see the force majeure clauses that occupiers tabled and clearly, we would want to ensure our interests are protected given there is a renewed focus on that, but otherwise the terms have been standard. The new trend we are seeing in the new pipeline and the RFPs that are coming or the initial discussions we are having is, clearly occupiers are looking for flexibility – in terms of lease tenures, in terms of capex, in terms of lock-ins. This is something, we actually see as an opportunity in a market where there is a lot of uncertainty, but occupiers do want to go forward, and these are occupiers who are actually doing really well globally. They are just saying that I want to do 300k sf or 100k sf, but I am not sure if in a year or two, things may change. We see that as an opportunity because once they do that capex, we know that they will stay. So, that are some of the newer trends we are seeing. For high credit marquee occupiers, we are actually keen to structure some solutions so that their short-term concerns are addressed, and I think flexibility will be something which will be an ongoing theme in the next couple of quarters. Certainly, there will be a vaccine and the uncertainties will go away.

Moderator: We will take the last question from the line of Kunal Lakhan from CLSA.

Kunal Lakhan: In the last quarter, you had mentioned that the ROFO of Tech Village had been put on hold. Just wanted to get an update on how are we thinking about it and especially considering I think Mike also mentioned in the opening remarks that we have been positive on the Indian tech space and also considering the positive response to the IPO of the second REIT. So, investors seem to be positive on good quality portfolio / assets, but how are we thinking on the business side in terms of acquiring such assets?

Michael Holland: Yes, Kunal thanks very much for that question. One thing we are all observing is that every few weeks, the overall environment changes significantly. The mid last quarter we were very focused around keeping the ship sailing, around business continuity for the occupiers and at that time we pressed pause on looking in detail at that ROFO. We have re-commenced our analysis on that, and we will come back with some news as and when that's appropriate. So, we are definitely feeling positive about the medium-term. Our comments about the occupier side strengthening is really a reflection of what we are hearing from the tenants. Our view that supply is becoming a constraint, there are a number of people out there who will have challenges around liquidity. All of those factors put together are the sort of things that make us look again at that ROFO and other potential acquisition opportunities and we will report back as soon as we have anything material to go but clearly that's something that we are very interested, given our balance sheet strength and as you say given the environment and the capital markets.

Kunal Lakhan: Great to hear that and all the best to you guys.

Michael Holland: Thank you very much. So that being our last question, thank you all very much indeed. As I think you realize, we have the supplemental deck for this quarter now on our website. You can find a lot of detail there on our leasing, occupancy, development, distribution and so on.

I am sure it's clear to you that we have had a resilient quarter even when the world is gripped with a high degree of uncertainty and volatility. While it may take some time to get through this challenging period, we are confident in the strength of our underlying business and our post-pandemic future. And, of course, we are once again pleased to announce the ₹4,499 million distributions for the first quarter of FY2021. We are very grateful to you and appreciate your interest in Embassy REIT and for your time this evening. 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.