



“Mindspace REIT Conference Call for Commerzone Raidurg  
Acquisition”

**January 29, 2025**



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(This document has been edited for clarity and accuracy wherever required)

**Moderator:** Ladies and gentlemen, good day and welcome to the MindSpace REIT Conference Call for Commerzone Raidurg acquisition.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" and then "0" on your touchtone telephone.

I now hand the conference over to Mr. Nitin Garewal. Thank you, and over to you, sir.

**Nitin Garewal:** Thank you. Good evening, everyone, and thanks for joining us for this call to discuss the acquisition of Commerzone Raidurg in Hyderabad. You may wish to refer to the presentation and press release that has been uploaded in the Investor Relations section of our website.

We would like to highlight that the Management may make certain statements that may be forward-looking in nature. Please be advised that our actual results may differ materially from these statements. We do not guarantee these statements or results and are not obliged to update them at any point of time.

Joining me today are Ramesh Nair – our CEO and Preeti Chheda – our CFO. They will run you through the details of the acquisition, after which we will open the floor to the questions. Over to you, Ramesh.

**Ramesh Nair:** Thanks, Nitin. Good evening, everyone. Thank you for joining the call today. Very happy to announce an important milestone for us. Our Board of Directors has approved this acquisition, subject to unit holder approval. This asset is located in Madhapur, Hyderabad. The overall project is a 2.8 million square feet office park, of which 1.82 million square feet is housed in the SPV being acquired. This is very close to our existing MindSpace Madhapur campus.

Some of you may remember when we had our Analyst Meet in Hyderabad, we had the presentations in this building where we had the JLL, CBRE, the heads coming and presenting about the market. So, this is the same asset.

A few things I would like to highlight are, one, this further strengthens our portfolio. Two, this is a top class asset in a prime CBD location. The word CBD here is important. We believe this is a CBD location. Incidentally, post our Analyst Meet, which we had here, companies like JLL and CBRE have started calling Madhapur as the prime CBD within the Hyderabad overall commercial market.



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I truly believe that this creates long-term value for us. I also truly believe this enhances our market leadership in Hyderabad.

Today, with this acquisition, we touch 15 million square feet in Hyderabad. This acquisition also seamlessly aligns with our REIT's growth strategy. We are quite excited about the potential this asset brings and look forward to leveraging that.

Wanted to talk a little bit more about the Hyderabad's Madhapur Market. Today, I believe it is the most ideal location for an acquisition. And the reasons I would attribute to that would be, one, the asset offers a significant leasable area of 1.82 million square feet. The entire asset is leased to Qualcomm ensuring a consistent, stable, reliable income stream for the REIT.

This acquisition boosts our footprint in Hyderabad taking our portfolio size to approximately 15 million square feet, like I mentioned earlier. Rent is Rs. 69 per square foot per month, which means higher mark-to-market potential. This micro market has rentals already north of 80-85. Some smaller deals like 50,000 square feet deals have also started happening at Rs. 90 in this micro market.

This asset is located in one of the country's most prestigious business districts. Over the past five years, Madhapur has accounted for approximately 70% of all absorption in Hyderabad. Also, over the last five years, Madhapur achieved the second highest aggregate net absorption amongst any micro market in the country. This is in the country, the second highest aggregate net absorption.

In the Fiscal Year 2024, Madhapur recorded an impressive absorption of close to 7 million square feet, again reflecting its dynamic commercial activity. As of December 2024, vacancy levels are at single digit. Again, all the institutional developers, whether it's us, Salarpuria, RMZ, all of us have negligible to single-digit vacancy in this market. Again, it has the highest rental rates in Hyderabad market and highest net absorption share, like I mentioned earlier.

Overall, this highlights our strategy to invest in quality assets. Some of you have seen it. This is some of you visited Altimus for the last Analyst Meet, which we had a few months back. The kind of lobbies we have in the Qualcomm that this Raidurg asset would be comparable to the kind of finishes you see in Altimus for those of you who haven't seen this Hyderabad asset.

Acquisition price is 2,038 crores, 2-0-3-8 crores. This is a 7.5% discount to the average of two independent valuations. This will add 167 crores, 1-6-7 crores of NOI, from a FY '25 NOI on a pro forma basis, implying a growth of 8.2% to our NOI.



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At around Rs. 11,200 per square foot of capital value, this marquee asset adds immense value to our REIT portfolio. This acquisition adds Rs. 3 per unit to our NAV. This acquisition is DPU-accretive with an estimated distribution yield of 7.2%, which is higher than our current distribution yield.

Given the mark-to-market potential, this asset is expected to generate healthy long-term returns for the unit holders. LTV ratio as of December 31, 2024, after considering this acquisition shall increase to 25.3%. This still leaves us with enough headroom to accommodate future growth in the portfolio.

Also, as mentioned earlier, the Board of MindSpace REIT has approved the acquisition and the preferential issue of up to 613 crores, 6-1-3 crores, subject to unit holder approval.

In conclusion, we are dedicated to consistently delivering value and this acquisition strengthens our portfolio with a high-quality asset. This addition not only enhances our income and distribution growth but also reinforces long-term portfolio stability and drives sustained value creation.

Thank you for your continued support. We look forward to achieving more milestones together with all of you.

**Nitin Garewal:**

Sir, do we open for questions?

**Preeti Chheda:**

Yes.

**Moderator:**

Sure. Give me a moment. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchstone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, if you wish to ask a question, you may press star and one on your touchtone telephone. We have the first question from the line of Puneet from HSBC. Please go ahead.

**Puneet:**

Yes, thank you so much for the opportunity. My first question is, what is the need for rental support for this acquisition?

**Ramesh Nair:**

So, from an income support point of view, this is just two, three points to be mentioned here. Income support is 15.6 crores, 156 million. This is the largest deal done during COVID time. And some of our IPC friends also tell us this is probably the largest deal ever done in Hyderabad.

Back then, during COVID, the peak of COVID, this was leased at Rs. 60 per square foot per month, which was below the market. But June, July, August 2020, we didn't know where the world was



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heading back then. And this is a big deal. And there was RMZ, there was Salarpuria, everybody competing for this deal.

So, the entire 1.8 million square feet of area is escalating to Rs. 69 per square foot from Jan 2026. So, basically to avoid yield dilution till the escalation date, we have negotiated 15 crores of support to bridge this difference between 60 and 69. So, basically around 9 to 10 months of that additional income support.

I was, I have been on the other side doing some of these deals, which we believe these days is a common practice of giving rental support for 6 months to 12 months in deals of this value.

**Puneet:** Understood. And you also, you know, so far what we see is that 17 floors are operational. 17th to 20th floor rent commences from 1st March. Does 2026 stabilized rental includes all that? And is the rent support or is it excluding rent support also?

**Ramesh Nair:** No, it includes that. This was the odd auction which they had. Out of the 18 lakh square feet, around 2.5 lakh square feet was the odd auction. And this includes that. So overall, if you look at the 167, around the 150 crores is the rent and the balance 20%, nearly 20 odd crores is the margins of our Asset Management division.

**Puneet:** Okay, 150 crore is rent.

**Ramesh Nair:** Yes.

**Puneet:** 150 crore rent, 156 is rental support, right?

**Preeti Chheda:** Yes, 15 crore is rental support.

**Ramesh Nair:** 15 crore.

**Puneet:** Yes, sorry, 15 crore is rental support. And then if I were to take 166, then some bit of support, okay. And I also see that there is a ROFR which has been given to Qualcomm. When does that become effective?

**Preeti Chheda:** So, that is only if we decide to exit as a REIT, this asset. That's the only time they get a chance to buy. Otherwise not. If we are not exiting, then the ROFR doesn't fructify at all.

**Puneet:** Understood. Very helpful. And also, if you can comment a bit on out of the 2.8 million square feet, 0.98 is with landowners, presumably in the same complex. Who are the other tenants there?



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**Ramesh Nair:** So, some very good tenants there. HCL is one of the tenants. One thing, I remember the last deal which happened recently, which was the last deal happened around 2 months back, they have crossed rentals of close to Rs. 80, Rs. 85, Rs. 83, Rs. 84 rental. This again reflects back to what I said. They have under-rented.

We have given it to Qualcomm, which is a \$190 billion company. There are people like BlackBerry has taken space here. Scooter, HCL. Zenefits is another company which has taken space. So, all these guys have, 91 Springboard has taken space. So, those are the tenants and getting rentals of, it's almost 100% leased (correction 93%).

The landlord's portion is almost 100% (correction 93%) leased. And for us, it's a good, good indicator that today in our park next to us, what we have built for the landlord we are getting, those kind of 83-84 kind of rentals.

**Puneet:** Understood. And for Qualcomm, what is the rent-free period and when does the lease expire? I presume 12 years when you say, well, that's the lease period remaining.

**Ramesh Nair:** So, it's a 15-year deal which we signed with Qualcomm. See, one thing which is very important here is this is probably the second biggest center for Qualcomm outside their HQ in the U.S. And they are doing some of the biggest R&D work here. So, this is not some small GCC kind of back office kind of function there. They are doing very high-end R&D.

Last night I was checking with the fit-outs team in terms of fit-outs and technology and all the, we would have built this back then at Rs. 4,000 per square foot. What we hear, what Qualcomm has invested in the asset is close to Rs. 11,000 including technology, hardware, furniture, everything put together. So, this is a massive big campus for them. They were always in the market for a very long time for buying land and building their own campus. And then we convinced them on the leasing model. And then they took this space with us.

**Puneet:** Understood. That's very helpful. Thank you so much and all the best.

**Moderator:** Thank you. We have the next question from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

**Adhidev Chattopadhyay:** Good evening. Thank you for the opportunity. Just first question is on the CAM and maintenance for the asset overall. So, in our NOI and whatever other initial projections, could you just please explain how the CAM would work? Is it for the entire 2.8 million square feet or only for the proportionate area and who would be managing the facility management over here? That is the first question.



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**Ramesh Nair:** So, typically in our CAM business, we have a fantastic CAM team what we call that. That company is called CAMPLUS. And we make decent margins in that. Currently, the CAM margins, what we charge all our tenants in our parks is around Rs. 15.5 per square foot per month is what we charge. And Rs. 15.5 typically is broken into three components. Basic maintenance, park maintenance, and all the AMCs which we have. So, typically, 11 plus 2 plus 2, that's the model which we charge.

We make a, our contracts with our tenants are typically actual plus 20% and we show them our audited financials. The CAM margin in this case is collected on 2.8 million square feet because we also manage the landlord's area in this case. But our contracts with all our tenants and the landlords tenants is cost plus 20% which, you know, the CAMs escalate every year because you need to increase the salaries of staff, sometimes costs go up, common areas, power goes up. So, that's the overall CAM treatment in this case.

**Adhidev Chattopadhyay:** Okay. Sir, so just to again reiterate, so the pure operating lease rent will come on the 1.8 million square feet, but my CAM revenue will be for the entire 2.8 million square feet. Is that a correct understanding?

**Ramesh Nair:** That's right.

**Preeti Chheda:** That's right.

**Adhidev Chattopadhyay:** Okay. And just second part of funding, could you just please explain the terms of the debt we would have tied up for fixed floating and what are the broader terms of this loan?

**Preeti Chheda:** So, we are going to refinance this loan. Currently, we have an LRD considerably sitting at the SPV. But the plan is to move the debt to REIT and refinance the one which is sitting at the SPV level. There is a little bit of group funding also which has happened, KRC funding, which we will repay immediately after the acquisition is completed.

**Adhidev Chattopadhyay:** Okay, so excluding the preferential amount, we are looking to raise the balance in the acquisition price rest as the debt.

**Preeti Chheda:** No, so the entire equity value which is 613, that's going to be fully through swap. We are not doing any cash acquisition.

**Adhidev Chattopadhyay:** Okay, no cash acquisition. Fine. Yes, thank you. That's it.



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**Moderator:** Thank you. Participants who wish to ask a question may press star and one on your touch-tone telephone. We have the next question from the line of Parvez Qazi from Nuvama Group. Please go ahead.

**Parvez Qazi:** Hi, good evening. Thanks for taking my question. So, two questions from my side. First, how will we see the timeline for this acquisition? Will this get consolidated from Q4 or only from Q1? And secondly, there seems to be some pending CAPEX of Rs. 20 crores to 21 crores. So, what does that relate to?

**Moderator:** Ladies and gentlemen, the line for the management has disconnected. Please stay connected. Ladies and gentlemen, we have the management back on. Mr. Pervez, you can go ahead with your question again.

**Parvez Qazi:** Yes, hi. So, two questions from my side. First, how do we see the timeline for this acquisition? Will this get consolidated from Q4 or only Q1 of next fiscal? And the second is, there seems to be some pending capex of, I think, 21 odd crores. So, what does that relate to?

**Preeti Chheda:** Yes, so Parvez, my apologies, we just got dropped off. So, on your first question in terms of timeline, we are seeking unit holder approval because it's a preferential issuance. So, we need to go to the unit holder. The AGM date is 28th of Feb. And after that, within 15 odd days, we need to close.

Of course, because this is an SEZ, we also need to seek SEZ approval. So, if you are getting the SEZ approval within those timelines, then the timelines would be about 45 days from now. And yes, in case if the SEZ approval takes a little longer, then of course it moves beyond that. Otherwise, 45 days is what we are looking at. And if it's 45 days, then it's but obvious, March financials will have this asset consolidated.

The only thing is, if it moves beyond 31st of March because of the SEZ approval, then of course not. But we are hoping that we should be able to close before 31st March. And in which case, to answer your question, we will consolidate this.

**Parvez Qazi:** Sure. And around the CAPEX part?

**Preeti Chheda:** Yes, so the case is essentially payments which have not happened for the built area. So, generally what happens is whenever we are paying through the vendors, we retain some portion of the final billing. Generally, it's upto 10%.





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So, these are those retentions which will happen subsequently. So, we wait. It's a DLP period. If there is any defect which crops up during the DLP period, to just safeguard against that, we retain some portion of the billing and we release it after the DLP period.

**Parvez Qazi:** Got it. Sure. Thanks. And all the best for the future.

**Preeti Chheda:** Thank you.

**Moderator:** Participants who wish to ask a question may press star and one on your touch-tone telephone. Participants who wish to ask a question may press star and one on your touch-tone telephone. As we have no further questions, we would now conclude the conference. Ladies and gentlemen, thank you for joining us and you may now disconnect your lines.

**Preeti Chheda:** Thank you, everyone.

**Ramesh Nair:** Thank you