Management Discussion

Shravan Kailasa - Investor Relations, Mindspace Business Parks REIT
Yeah, good afternoon everyone, and thank you for joining the earnings call for Q1 financial year 2027 for Mindspace Business Parks REIT. At this point, 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. I would now like to welcome our CEO and MD, Mr. Ramesh Nair, CFO, Ms. Preeti Chheda, and Mr. Govindan Gedela, Head Corporate Finance, who will take you through the business updates and the financial performance during the quarter. We will then open the call to a round of Q&A. I will now hand over the call to Ramesh.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Thank you, Shavan. Sorry for the slight delay in starting this call. Good afternoon, everyone. Thank you for joining us today. Q1 FY27 has been a very strong quarter for us. We achieved gross leasing of 0.9 million square feet during this quarter. The portfolio's committed occupancy stood at 95.8% on a like-to-like basis, and including the new acquisition, it stands at 92.1%. The strong growth momentum is reflected in our financials. Net operating income grew by 27.8% year-on-year to 788 crores for the quarter.

Distribution for the quarter increased by 25.2% YoY. Distribution per unit for Q1 FY27 stood at 6.67, the highest ever. This is a YoY growth of 15.2%. Building on this momentum, happy to share that we have launched two new office projects and two new hotels. We have 4.7 million square feet of under-construction office assets due for delivery over the next 12 months. Most of this is pre-committed. Happy to also announce that we are launching a new building, Building B12, in our Airoli West Park. The park is currently at 98% occupancy, and this will add another 1.1 million square feet to the park.

Similarly, we are adding another 0.4 million square feet of office in Commerce Zone Yerwada, where we have a vacancy of only 54,000 square feet. Very happy to announce that we are adding two new hotels in Hyderabad and Pune, which are pre-committed. The Pune hotel is a greenfield development, while in Hyderabad we are repurposing an office block. This is in line with our strategy to create integrated campus ecosystems. With this, our portfolio expands to 46.2 million square feet, with 10 million square feet at various stages of approvals and development.

We are also on the lookout for more redevelopment opportunities in Hyderabad and data center development opportunities in Navi Mumbai. This quarter, we also concluded the acquisitions of Commerzone Pallikaranai and International Tech Park Chennai Radial Road which we have now rebranded as One Radial. We have already signed a deal at 87 as One Radial and are currently in final stages of closing multiple deals between 85 and 90 in both these parks. We are also in advanced discussions for closing 450,000 square feet with a global BFSI GCC.

Coming to Madapur, rentals continue to trend upward. We've been negotiating deals at almost 130 as of last quarter. The average rent of the park is 80. This shows the mark-to-market potential sitting in our portfolio. We are very optimistic about the path ahead as we continue to buy well, as we build and enhance our existing portfolio. Now I would like to share highlights from various IPC and other research reports. JLL stated that India's office net absorption in H1 2026 rose to nearly 27 million square feet, up nearly 12% year on year.

For the quarter, net absorption stood at 13.2 million square feet. New completions totaled nearly 23 million square feet in H1. Relevant vacancy fell to 9.9%. Mumbai posted its lowest vacancy levels in 15 plus years. The CBRE report talked about how gross office absorption reached a record 45.5 million square feet, absorption increasing nearly 10% year on year. GCCs accounted for 43% of leasing. GCC deal volumes increased 30% year on year. GCCs [Indecipherable] 53% of deals above 100,000 square feet. India's office stock surpassed the 1 billion square feet mark, and institutional Grade A constitute around 30% of the stock.

I'd also like to highlight an interesting report that I came across from CRE Matrix on the Chennai market, which spoke about how Chennai is the fastest growing GCC hub among Tier 1 cities. The city having 400 plus GCC units employing 2.1 lakh plus professionals, demand-supply ratio of 1.8x, the healthiest among South India's major office markets, meaning new supply is backed by real absorption, not just speculation. Office rentals also in Chennai are nearly 20% below Bangalore, which while remaining institutional grade, a durable cost-to-quality proposition for GCCs to scale up.

Chennai also has the lowest attrition of any Tier 1 city. This means tenant workforces are stable and less likely to churn or downsize space. There's a INR 63,000 crores of metro investment in Chennai, which is the highest among all Tier 1 cities, with Phase 2 set to unlock the next wave of GCC campus development. Chennai is also now India's second largest data center market with landing point for 6 submarine cables, diversifying the demand base beyond traditional office. All this augurs well for us given our growing interest and recent investments in this market.

While the quarter started with some volatility, it improved during the later half of the quarter. Geopolitical tension in the Gulf and pressure on oil resulted in costs moving upward. In spite of that, on ground, this was the strongest first half the Indian office market has ever recorded. The demand did not dissipate [Indecipherable] and now it's back. Global companies have come in. Demand for GCCs grew close to 40%. A weaker rupee is also part of the story. For a company earning in dollars, India has become more cheaper, and as our infrastructure and talent have only improved.

Mindspace Madapur committed occupancy stayed consistently at a very healthy 99% plus. At Mindspace Aeroli West, we stabilized occupancy at 98% plus. These two are the largest assets in our portfolio, and these are essentially full. Out of the 68 buildings in our portfolio, 45 have an occupancy over 99%, 49 over 96%, and 55 buildings over 90%. Let's look at a little bit of a development update of our assets. In Aeroli East, committed occupancy has risen to 84.5%. Upgrade work in buildings B1, 9, 10, 11, 12 has made much progress and will conclude this quarter.

Amongst other things, the lobbies will be a lot more sophisticated, functional, suited to best-in-class parks across the country. Client feedback has also helped shape our infrastructure plans. We are building covered walkways across the park to create more comfortable, connected experience for our occupiers. There's also the foundation work which has commenced for B17, our 9 lakh square feet mixed-use development. This comprises a 3 lakh square feet Hyatt Regency Hotel and a 6 lakh square feet office building.

At Mindspace Aeroli West, we have submitted plans to construct a new building spread across 1.1 million square feet. We are calling this B12. Recent deals in Aeroli are being signed at INR 75 plus. This progress strengthens our confidence in Navi Mumbai's growth and our long-term plan for this micro market. As you are aware, Mindspace is the only Indian listed REIT with a data center portfolio. Two data centers are operational, as already operational. And the next one gets ready in Q4 FY27 and the other in Q2 FY28.

Upon completion, our data center portfolio will span approximately 1.7 million square feet. In

Mindspace Madapur, our business park spans nearly 10 million square feet and the occupancy levels are 99%. This just means 115,000 square feet of vacancy and Madapur is operating at near full capacity. We have also begun trials at the Pearl Club, our flagship members-only exclusive club, which will soon open for membership. Also happy to report that Pearl Club in Hyderabad has become India's first project to achieve Platinum certification under the IGBC New Buildings Version 4 rating system.

This positions it as a benchmark for sustainable ESG-led development in the country. For B1, we have applied for Part OC. This is the building which has been fully leased to a global banking GCC, while the terrace work for B8 has been completed. This again has been fully pre-let. At B18, which is again pre-let for a Ritz-Carlton, foundation work has begun and we've implemented precast construction technology. We are excited that we are pouring concrete in this supply-starved market, backed by confidence to build more.

In Pune, we renewed a 350,000 sq ft lease at The Square, Nagar Road, with a leading global fintech GCC, highlighting the strong occupier satisfaction and longstanding relationship we have built with our tenants. Separately, we also purchased 52,000 sq ft in Commerce Zone, Yerwada, taking the total acquisitions in the park during the last one year to 140,000 sq. ft. On the client-centricity front, in Q1 we continue to strengthen tenant engagement through various B2C activities under the IP Mindspace Delightful Days.

Our Hyderabad assets cleared the British Safety Council fire safety audit for 2026. We have also been pushing carpooling hard in all our campuses. Our EV charging network is live across all our Hyderabad assets, and we're ensuring greener mobility is built in. On the people front, happy to share that Mindspace REIT has been recognized amongst the 100 Great Place to Work. This is an outcome of our people-first policies. On the ESG and sustainability front, we closed FY26 GRESB assessment, published our FY26 ESG report and secured BRSR Code Assurance.

Happy to share that we've been accepted as a UN Global Compact participant, reaffirming our commitment to its 10 principles on human rights, labour, environment, and anti-corruption. Seven buildings across Commerce Zone, Yirwada, and Karadi have earned WELL Gold certification. Mindspace Madhapur REIT achieved Wired Score Platinum recognizing best-in-class digital connectivity and smart infrastructure. In partnership with Navi Mumbai Municipal Corporation and Project Mumbai, our Plastic and E-Waste Recyclathon engaged employees, tenants, and the local community through multiple [Indecipherable] initiatives this quarter.

Let's talk something increasingly critical to our business artificial intelligence. First, on the business and what we believe is the impact on the real estate portfolio. We are strategically investing in AI to strengthen operational efficiency, regulatory compliance, and investor communications. We're not chasing technology but solving real business problems. These initiatives reduce manual effort, minimize errors, and free our teams for high-value strategic work.

On the financial side, we have automated rent roll data conversion into leasing cash flow numbers. We are validating our filings against all REIT regulations before publishing, catching errors and regulatory gaps early. On legal and compliance, we have deployed an AI platform for document review and regulatory analysis. We automated our quarterly SEBI compliance validation. The system now flags what's required and what's satisfied. We also monitor SEBI and MCA updates automatically alerting teams to changes without manual surveillance.

Together, these initiatives free our teams from routine work to focus on strategic analysis, stakeholder engagement, and value creation, always with the highest standards of accuracy and

governance. On the impact of AI on office leasing, we've been tracking that the lease tenures are definitely not shortening. So there's not been an impact there. Lease pre-commitments again have not reduced. India's cost advantages of talent and real estate continues. We believe AI will increase demand for higher-value human work, not less office demand.

Companies still need teams collaborating, innovating, managing clients, making decisions, and training younger talent. A ll these activities are office intense. We also believe that AI will create new office occupiers. Just as SaaS created new office demand over the last decade, AI companies and AI-enabled services firms become incremental office tenants. AI is also driving productivity, which supports business expansion. More productive firms often grow faster, win more business, and eventually employ more people despite automation.

AI adoption itself will require office-based teams. Large organizations will need cross-functional teams working together to redesign processes, train models, and govern data. That often increases collaboration needs. Office work is becoming more collaborative, not less. The office is shifting from a place where individual processing to a place for collaboration, culture, mentoring, and innovation. This strengthens the case for quality offices. AI will actually increase demand for premium offices.

Companies will concentrate talent into better workplaces that attract and retain top performers. Flight to quality could accelerate. We are already seeing this in many Western markets. AI is heavily data dependent. This supports growth for data centers, cloud infrastructure, and various technology teams. And we've been beneficiaries of this with data centers in our portfolio. AI, we believe, is currently an augmentation technology rather than a replacement technology. In conclusion, before I close, I want to mark a special milestone.

Tomorrow, Mindspace REIT completes six years since listing. six years of building trust with our unit holders, six years of disciplined growth, resilient occupancy, and a portfolio that keeps getting stronger. We have grown into one of India's leading office REITs, and we have done it while staying true to our principles of quality, governance, and long-term value creation. Thank you for your continued confidence in Mindspace REIT. I'll now hand it over to Preeti for further financial updates of the quarter.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Thank you, Ramesh. Good afternoon, everyone. We continue to deliver yet another quarter of strong financial performance backed by strong operating performance. Robust leasing, as explained by Ramesh, increasing occupancies, healthy re-leasing spreads, contractual escalation, strong rental growth have all helped our like-to-like NOI for Q1 FY27 grow 16.2% YoY. Our overall Q1 FY27 NOI, which has grown 27.8% YoY to INR 7,880 million, Revenue from operations for Q1 FY27 increased by 26.4% YoY to INR 9,509 million.

We have also demonstrated a track record of delivering healthy distribution growth. As you would see, we have delivered double-digit DPU growth over the last seven consecutive quarters. In fact, this quarter our distribution saw a strong growth of 25% YoY. This translated to a DPU of 6.7 per unit, a growth of 15% YoY. On a like-to-like basis as well, the DPU grew 15.6% YoY. Our portfolio in-place rent today stands at INR 81 per square foot per month, with a healthy mark-to-market opportunity of almost 20%, providing visibility for future rental growth.

It's important to note that our portfolio has seen significant expansion since listing through both organic development and inorganic acquisitions. At the time of listing, we started with 29.5 million square feet of portfolio, which has over the last six years grown to 46.2 million square feet. Of this,

7.5 million square feet was added organically through redevelopments, optimizing FSI by new buildings, etc. We also successfully acquired 9.2 million square feet from both sponsors and third parties.

As Ramesh mentioned, we have a strong development pipeline within the portfolio of 9.5 million square feet, which together with vacant area leasing, contractual escalations, MTM rental growth shall add almost 17-18 billion INR to our NOI in the next three years. On the debt side, we have maintained a good balance between leverage and growth. A well-managed balance sheet helped us grow the portfolio through accretive acquisitions, at the same time keeping our LTV at comfortable levels. Our LTV as on June 26th was almost 30% post recent acquisitions.

Our cost of debt remained largely flat sequentially at 7.42% PAPM. We may see some increase in funding cost depending on how the macroeconomic and interest rate environment evolves over the coming quarters. You all would have seen the recent tax bill proposing amendments to certain REIT tax provision, which is a very positive development for REITs. The proposal enables REITs to move to new tax regime with an additional surcharge but without losing the distribution tax exemption in the hands of unit holders, which is crucial to maintain attractiveness of this instrument.

Also, permitting carry forward of MAT credits should help utilization in the new regime. We are thankful to the government for these proposed reforms, which I believe will go a long way in the growth of these instruments in the country. To conclude, Mindspace REIT has in the last six years demonstrated healthy long-term returns. A total unit holder return CAGR of 15.9% over the last six years reflects Mindspace REIT's ability to generate healthy long-term returns for its unit holders. We shall work to maximize returns for our investors with efficient management of operating assets, right development strategies, upgrade programs which make our assets preferred choice for our tenants, optimal capital structure, and a robust governance structure.

With this, I hand over the call to the operator to open the floor for questions.

Questions & Answers

Operator
Thank you so much. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participants tab on your screen. We request participants to restrict to 2 questions each and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We'll wait for a few minutes until the question queue assembles. We're taking our first question now from Karan Khanna of Ambit Capital.

Karan, please go ahead.

Karan Khanna - Analyst, Ambit Capital
Yeah, am I audible?

Operator
Yes, Karan.

Karan Khanna - Analyst, Ambit Capital
Yeah, so thanks for the opportunity and just a couple of questions from my side. Firstly, Ramesh, in a recent interview you spoke about GCCs offering stable income visibility as well as longer tenures.

So given that context, can you talk a bit more about GCC contribution in your revenue mix? And more importantly, absolute rental per square feet, how is that different for GCCs versus non-GCCs? And how's that changed the veil across your portfolio? And as a follow-up, amidst all that going that's going on in West Asia, how are incremental trends that you're seeing in terms of interactions and deal closures specifically with your MNC tenants?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So today GCC's current contribute around 53.2% of our rentals. We also looked at who are the other people within the IT services and we realized that foreign MNCs today have close to 18% of our rentals. In that foreign MNCs 18% around 9% is IT services. And the domestic Indian MNCs again is around 26%, in that again 9%. So 9% of foreign third-party IT services and 9% of Indian IT services, that's around 18% of IT services. This used to be late, 20s, mid-20s, a couple of 2-3 years back. So that's kind of come down.

So for us, we've been big beneficiaries of Hyderabad being the most sought-after GCC destination. In the last 2 years, every data point which has come up, all the IPC reports, various NASCOM reports, show that in a year at least 100 GCCs, new GCCs enter the market, and nearly 46% of them have chosen Hyderabad. So again, we have benefited there given all the supply we had there. The very fact that both are under construction buildings, B1, 1.5 million square feet, fully pre-leased to one GCC, and B8, which is again pre-leased to four GCCs.

So that's on our portfolio. On the West Asia, the [Indecipherable] front, April was a little slow month. Because people were not travelling, decisions were not being taken. But that kind of changed from May onwards. It's kind of back to normal. A lot of people who had slowed down decisions in April kind of came back and closed those deals in May and June. There was a few discussions around a little bit of cautious CapEx deployment. That's also now behind us, and whatever little slowdown we saw in decision-making is kind of, like I said, behind us.

We saw a little bit of cost increase, around 6.5% is what our procurement teams tell me in terms of so most of this cost increase came in RMC, tiles, marbles, paints. These are some of the items which contributed to that 6.5% construction cost increase.

Karan Khanna - Analyst, Ambit Capital
Sure. And then secondly, Ramesh, if you look at, you know, the kind of leasing traction that we've seen over the past year, year and a half, in addition to GCCs, I think two segments have really been driving a lot of the leasing. One is, you know, leasing to hotel assets. So today you have about 1.5 million square feet which is already leased to hotels assets that, [Indecipherable] owns. And secondly, if I look at the 0.9 million square feet of gross leasing during the quarter, including 0.2 million square feet of new leasing, it appears most of it is happening to the co-working players.

So if you can talk a bit about both, you know, the hotels and co-working in terms of the IRRs and the lease terms. And when you think about future expansion, say in Chennai, would you also look to scale up hotels in this market? And in terms of all your expansion in hotels, will it be through Chalet itself, or will you be looking to partner with other hospitality players as well?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So from a leasing traction point of view, flex last quarter I was reading various IPC reports I think around 27% of the demand was in flex, although our portfolio currently stands at around 8.5% of the total space we have leased is to flex players. Two to three things on the flex market. Today, a lot of

clients are also asking us if we could offer a flex solution for them. We know how to build, we know how to manage, we know how to lease. So those inquiries are coming. We have already been doing fitted-out deals for our clients for many years.

So there's no big rocket science around that, and we have the internal capabilities to offer those flex deals to our clients. On the hospitality side, currently, including the announcements, we have close to 1.5 million square feet totaling the 5 hotels which we have already have in the portfolio. This is will be close to 1,150 keys. We have a very good relationship with Chalet. All these deals are done at arm's length, fully evaluated by various independent valuers and consultants. We are open to doing deals with other players also.

Hotel kind of opportunities in Chennai, we still need to evaluate those.

Karan Khanna - Analyst, Ambit Capital
Sure. So I have one more follow-up for Preeti, but I can come back in the queue for that.

Operator
Thank you so much, Karan. We are taking a next question now from Deep Shah of 361 Capital. Deep, would you like to go ahead, please?

Deep Shah - Analyst, 360 ONE Capital
Yeah. Hi. Thanks for the opportunity. So Ramesh, the first question is actually on your opening commentary where you said that Madapur, you are even testing the waters at 130. Last quarter we had seen leasing at 120, and I see that there are very little expiries. So is this for that small portion of space which is left, or is this for early renewals? The context is, if this is for early renewals, it just shows so much more confidence in the market that tenants are coming and happy to discuss even at these rates, even when the renewal is not due.

So if you could give some more color on it, that would be very useful.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yeah, Deep, you would have heard of those land deals which the government auctioned at 150 crores and 240 crores an acre. These are all land parcels which are like less than 2 minutes away from our park. So that market is seeing that kind of traction today given all the demand. To your question with regards to new deals happening, actually we've closing one at 132 now. Some of our older buildings, we're easily getting rentals of around 115 . We are able to actually upgrade.

Many of the newly upgraded buildings w e believe will fetch even more. So like I mentioned in the call, our current average rental throughout the park is 80, and whenever any tenant comes up for expiries, we believe we should be able to go to those kind of numbers ranging from 110 to maybe around 132.

Deep Shah - Analyst, 360 ONE Capital
Right, this is, this is interesting. The second question is on our recent acquisitions. So the first one amongst those, the Financial District Square building now that we've decided to have Chalet hotels there, there is very little space left there, right? Is this understanding correct? And the follow-up would be that the rentals would start by when for this space? And if I can just continue, at Pallikaranai Radial how should they think about occupancy? So last quarter, Pallikaranai was 70, now it's up to 74.

What is the idea here? The idea here is to maximize rent. The idea here is to fill up some space and

maybe say at 80-85% and then maximize rent. If you could lay out some strategy as to how should we think about occupancy. That's all from my side. Thank you.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So Deep, this deal with Chalet is 260,000 square feet. Which means one full tower gets leased. The other tower, we still have around 100-odd thousand square feet vacant, which we are seeing some good amount of inquiries given that the other micro-market, Madapur, institutional vacancy rates are less than 2%. So we should be able to fill that over the next few months. On our Chennai leasing strategy, every time we do a deal, we increase the rentals by around 2-3 rupees. So that's going to be our strategy.

So today, ready space vacancy is around 14.5 lakh square feet, 11 lakhs at One Radial and 3.5 lakh at Commerce Zone. Very active inquiry. I spoke about where a global BFSI, GCC, is talking to us for nearly 450,000 square feet. There is another Japanese bank which is talking to us for 100,000 square feet. Another engineering company talking to us for 100,000. A global Big Four consulting talking to us of 250,000 square feet. Many, many inquiries. And the team has kept a sheet in front of me.

There are 14 inquiries right now in the market, and we are reasonably confident this vacant space of 14.5 lakh square feet in both these parks will get leased by end of this financial year.

Deep Shah - Analyst, 360 ONE Capital
Great, Ramesh. Thank you so much. Thank you so much and all the best.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Thank you.

Operator
Thank you so much, Deep. We'll allow our next participant. We have Murtaza Arsivala of Kotak. Murtaza, please go ahead.

Murtaza Arasiwala - Analyst, Kotak
Hi Ramesh, I just want to check on, you know, both these deals with Chalet. What is the kind of rental and what is the kind of capital cost that you will incur? So what's the kind of yield on cost that we're looking at? Also, I'm assuming the Hyderabad one being a sort of repurposed building, it essentially forms part of the completed area, whereas Pune will be part of the under-construction portfolio that you have a future portfolio that you have in Yerwada?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So whenever we do any deal with Chalet, it's always based on market rentals and the amount of construction costs we incur. If it is nearly a 4,500 INR kind of construction cost, we charge them an office rental. If it's lesser construction specs because they have their own specs, then we charge on a proportionate basis, lesser rentals. We also believe that there's so many extra benefits we get in a park by doing a hotel deal. The overall halo effect we get from the overall premiumization of the entire park.

Today, GCCs, there's so many visitors who keep traveling from across the world who come in. They all want to have a hotel close by. F&B from the hotels, helpers, meeting rooms, training rooms, the entire vibrancy of the park goes up. So multiple advantages we get as office tenants by having a hotel in the park.

Murtaza Arasiwala - Analyst, Kotak
Fair, fair. And second, Preeti, a question for you. Now that we've got the government passed the amendment on the tax, could you just clarify you know, how does Mindspace's taxation sort of get impacted or otherwise because of the most recent amendment,

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Right? So I think that's an extremely welcome reform. In fact, we have been representing to the government for the last couple of months for this. So two things happen. Firstly, it enables us to move to the new tax regime So today all our SPVs were in the old regime where we were paying taxes between 29 to 35. The SPVs which had turnover more than 400 crore were all on 35% tax. So most of the SPVs, especially all the larger ones, are at 400+ so therefore they were all on 35% tax. So they all move now to of course this is all subject to when we move to the new tax regime.

So it moves to 28.6% as has been proposed. So that's a big saving, I would say, for Mindspace REIT. Second is now while this overall is a very positive impact for us, it's not been very material, which is allowing carry forward of MAT credit. We did not have too much MAT credit accumulated, but whatever little we have, we'll be able to carry that forward in the new tax regime. But otherwise, I think both of these are extremely positive development for REITs in general.

Murtaza Arasiwala - Analyst, Kotak
Absolutely clear that dividends will remain exempt in the hands of [Indecipherable] ,

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yes, yes. Absolutely. Yeah, yeah, that was the whole premise for this reform,

Murtaza Arasiwala - Analyst, Kotak
Fantastic. Thank you so much, Preeti.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
All right, thanks.

Operator
Thank you. We have Yashas Gilganji of BOB Capital Markets. Yashas, please go ahead.

Yashas Gilganchi - Analyst, Bank of Baroda Capital Markets
Good afternoon, team. Thank you for taking my questions. Just building on something a colleague of mine just asked a while earlier, I understand that economic occupancy was down over the quarter as you expanded completed leasable area by upwards of 12%. What I would like to understand is how you think the ramp-up of occupancy is likely to be at the portfolio level. Say, at what level do you expect to be at the end of this financial year? And also, since most of the lease-up is likely to be driven by your assets in Chennai.

What pace do you think your in-place rents are likely to grow at over the financial year and maybe even through FY29?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So in terms of occupancy, right now, without adding our acquisitions, we're at 95.8%. We believe by end of this year we will come closer to around 97%. Given the traction which we are seeing in the Chennai market. The other markets, you all know that we don't have much space available in Pune or in Madapur, like I mentioned in my opening speech. In-place rentals, where every market is

seeing the market kind of rentals go up. And one interesting thing which I started seeing in the last month or so is companies like JLL today are coming out with the relevant stock and relevant vacancy data.

We always used to track this 950 million square feet data and say vacancy is 15%, but when we start looking at relevant vacancy, it drops down to 9%, 8%, 7% in all these markets, which basically shows why rentals across all the cities are going up. Two years back, we were doing deals at 75-78 in Hyderabad, and today, like I mentioned, comfortably doing deals 120-130 kind of numbers. So we definitely believe all these markets rentals will go up, although our strategy obviously is to know not to lose any client with high rental.

So we still will do the deals and get our occupancies up.

Yashas Gilganchi - Analyst, Bank of Baroda Capital Markets
Okay, that's clear. And with approximately 58% of your debt expiring through FY29, how would you expect your debt composition to change, especially given the volatility in the markets today? Would you expect to lock in a bigger portion of your debt at fixed rates?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So I think that will depends on, you know, which are the deals coming our way. So we are today at about 60% fixed cost rate at the REIT level and 40% is variable. In between, I would say for the last couple of months, we actually got into a scenario where variable cost was cheaper than the fixed cost rate. So at that point in time, it made sense to lock in more of variable cost rate than fixed cost. But I think as we move along, they'll have to keep a watch on the interest rate. And if interest rates are actually cooling off, then obviously it makes sense to lock for a fixed cost.

So we'll keep our strategy flexible to just see what is the most optimum thing for us to do. But as already said, we will keep playing between variable and fixed depending on which is giving us better terms. But overall, I would say as I highlighted even last time, 60 to 75% fixed cost debt is what we would want to achieve. And then keep 20-25% flexible for us to keep playing around.

Yashas Gilganchi - Analyst, Bank of Baroda Capital Markets
Understood. Thank you very much.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah, thanks.

Operator
Thank you, Yashas. We'll take our next question now from the line of Pritesh Sheth of Axis Capital. Pritesh, please unmute your microphone.

Pritesh Sheth - Analyst, Access Capital
Yeah, I hope I'm audible. So thanks for the opportunity. First question on the pre-leasing that we have done in Hyderabad assets, you know, the upcoming ones. What are the rentals that we have clocked there considering that, you know, now we are talking about 110-130 , but just wanted to understand what are the rentals for those pre-leased portion and second question is on the , you know, gap, uh, in terms of distribution. I mean, I think since last six-eight quarters, you know, our NDCF is not equal to what we are distributing.

And this quarter, I think the NDCF from SPV to REIT is, you know, there's a gap of around 20-odd crores. So, you know, just want to understand the reason for that and how should we think about the

trajectory going forward, yeah.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So Hyderabad, with the office buildings, we have a total of close to 32 lakh square feet. That is 15 lakhs in one building and 17 lakhs in the other. We started leasing around one to one and a half years back at around the INR 82 mark. And we have done deals at multiple points, 110, 115, 128, and the last deal is close to 132 INR. So that's the range in which we have done the deals. For the NDCF [Indecipherable] .

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah. Hi. So particularly for this quarter, you would see some amount getting retained for two-three reasons. The first is in Q-City, which is the acquisition which we did last year, same time. There we are not able to pull out cash till, of course, we sort out the structure because it's a cash positive entity. And since there's no debt, we've not been able to do ROC. And then because it has accumulated losses, we are not able to pull out. But we are already working on a cap reduction and other structuring options to see how we pull out.

So that's one reason why some NDCF has remained at the SPV level. Second is mainly, I would say, we have consciously kept aside some money, not that there is any immediate plan. But for any kind of unforeseen working capital movements, etc., which sometimes become difficult to predict, we have kept aside small amount. Not that it's any material, but that's been one reason. Similarly, for this quarter also, you will see about 30-odd crore has not been distributed. That's again a mix of Q-City Mack Soft that's ESPV and also some working capital that we want to keep assigned.

So broadly, that's the reason.

Pritesh Sheth - Analyst, Access Capital
Got it. So, going forward as well, we should assume like 90 to 97% to get distributed rather than 100%?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah, I would say anywhere around similar number is what you can, because uh it will make sense for us to keep a little aside for any of these unforeseen movements as I said. But by and large, I would say about anywhere around 96-97, we've continuously distributed for the last two years and should continue to do so.

Pritesh Sheth - Analyst, Access Capital
Sure, perfect. And just on Hyderabad again, sorry, so average, you know, for these pre-leased, you know, area 32 lakh should be 100-110 on average?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
We'll do a calculation and come back to you Pritesh.

Pritesh Sheth - Analyst, Access Capital
Okay, no worries. Sure,

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
It should be around that.

Pritesh Sheth - Analyst, Access Capital
Sure. And just on these new developments that we have announced, you know, especially on Aeroli West, this is vacant land we had, or we are doing some redevelopment there? Because earlier I.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
This was a vacant land. So this is like I mentioned, our occupancy in that park is 98% plus. There's no space available. All the tenants who are there have some of them have expansion plans. Some of them will definitely have been asking us, do you have any space there? So that was the logic. We had some excess land where we are building this asset.

Pritesh Sheth - Analyst, Access Capital
Sure. And the Pune one is in which asset? Sorry, I couldn't recollect.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So Pune is in Commerce Zone, Yerwada, where we are putting up a 400,000 square feet office building. And this will be our best-in-class office staff.

Pritesh Sheth - Analyst, Access Capital
Sure, got it. Perfect then. Thanks. That's it from my side and all the best. Yeah.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Thank you.

Operator
Thank you, Pritesh. We're taking our next question now from the line of Parvez Qazi of Nuvama Group. Parvez, would you like to unmute your microphone, please?

Parvez Qazi - Analyst, Nuvama
Yeah. Hi. Good evening. Thanks for taking my question and congratulations for a great set of numbers. So a couple of questions from my side. First, the new developments that we have announced, two offices and two new hotels. By when do we expect construction to start there?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So the first hotel, which is in Hyderabad, this is an existing structure which needs to be kind of repurposed for a hotel. So that work starts immediately. So that's on track. Our Navi Mumbai, 1.1 million square feet, Aeroli West, we have submitted plans for both the MIDC and MOEF. MIDC is expected in the next three-odd months, and three months from there we'll get the MOEF approval. And from that time onwards, we're looking at around 2.5 to 3 years to finish the building. Pune, again, we've just got the approvals for both those.

So we will be starting construction immediately.

Parvez Qazi - Analyst, Nuvama
And what are the cost of all these, will it be closer to about 1,300-odd crores. Would that be a fair assessment?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So it depends again on the different types of construction costs which we are going to be incurring. Right now the calculation is between 1,000 to 1,050 crores.

Parvez Qazi - Analyst, Nuvama
Sure. And lastly, you mentioned we are in talks with a global BFSI GCC for a 0.45 million MSF area. Is this in Chennai or someplace else?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yeah, this is in Chennai.

Parvez Qazi - Analyst, Nuvama
Sure. So then the last question is overall across Pallikaranai and One Radial, we have about 1.75 million square feet yet to be leased. What is your estimate by when, let's say, we can move to maybe 90% occupancy across both these assets?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So like I said, Parvez, we have around 14.5-15 lakh square feet vacant across both these parks. And by end of this year, which is March 31st, 2027, we are reasonably confident that we should be closer to the 100% mark.

Parvez Qazi - Analyst, Nuvama
Great, and all the best for future.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Thank you.

Operator
Thanks, Parvez. We have Jatin Kalra of Bank of America with his question now. Jatin, please go ahead.

Jatin Kalra - Analyst, Bank of America
Hi, Ramesh. Hi, Preeti. Congrats on the quarter. Most of my questions have been answered. I just have one for Preeti. Preeti, from the 4.7 million square feet deliveries that we have around H2 FY27 and end of FY27, that would probably give you around INR 5 to 6 billion of additional NOI. I just want to understand against that, you know, when you like, when those assets get in the under-completed area, how much of incremental interest cost can we expect to flow in? Just a ballpark number would be helpful.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Pallikaranai and One RadialSo All of this is funded out of debt itself, and these completions will happen between, I would say, mid of this year, so say around October to March. So you will have some interest, part interest which will flow for second half and part will move to next year because all the interest will come only when we are capitalizing these assets. So part capitalization will happen, say I would say in third quarter, and then part capitalization will move to next financial year. So I would say approximately somewhere around I can you can take, I would say take about 50% of the overall construction, so you take 50% of the construction cost capitalized in this half year, and then therefore interest for half that year, and then balance you can push to the next year.

Jatin Kalra - Analyst, Bank of America
Understood, got it, very clear. All the best, thank you so much.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah,

Operator
Thank you, Jatin. We will go back to our previous participant. We had Karan Khanna from Ambit Capital. He has got a follow-up question here. Karan, would you like to go ahead?

Karan Khanna - Analyst, Ambit Capital
Yeah, thanks for the follow-up. Just one question, Preeti. If you look at other expenses this quarter, it seems to have seen a steep 30%+ jump YOY. Can you help explain what's driven such a sharp increase in other expenses? And if you look at the write-offs, almost 15 crore assets were written off during the quarter. So what does that pertain to, and what are you expecting higher write-offs going forward as well?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Which particular expense are you talking of? Can you just help us out? Which line are you looking?

Karan Khanna - Analyst, Ambit Capital
I am looking at write-offs, which was 15 crores.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So, some of these write-offs are, uh, generally in relation to some assets. So what happens is whenever we are doing upgrades to our parks, so we decapitalize the existing assets, and as and when the upgrades are complete, the new capitalization happens. So this is pretty much, I would say, routine. So whenever you are doing upgrades, the decapitalizations happen. So I think that's part and parcel. Now, of course, that number you can't predict because it depends on what we upgrade and when we upgrade.

But otherwise, most of it is that. And then, of course, not this time, but in future, if you're doing any redevelopment, then to the extent of written down value of that asset which we are bringing down, that gets charged off to P&L. So you've seen that in the past. So in future, I would say, since you're asking me what else can come in future, whenever we are doing any redevelopment, then the residual value which is in books for that asset, that will be written off.

Karan Khanna - Analyst, Ambit Capital
Sure. And then lastly Ramesh, both Yervada and Aeroli East have seen a strong growth this quarter in terms of occupancies, but if you look at The Square in Pune, occupancies are still hovering around the 62% mark. So what's the outlook here in terms of exit occupancies for, say, FY27?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Square in Pune, I thought, is 100%. Which one? Oh, you're talking about Square in Hyderabad or Square in Pune?

Karan Khanna - Analyst, Ambit Capital
Just allow me, I think this is Square, I think it was Pune. Let me just check this, just give me a minute.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Square in Pune is 100%.

Karan Khanna - Analyst, Ambit Capital
Okay, and Hyderabad is,

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Hyderabad is where we just did this hotel deal of 260,000 square feet. And the balance we have around 100,000 square feet vacant.

Karan Khanna - Analyst, Ambit Capital
Great. That's helpful.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yeah. Thanks, Karan.

Operator
Thank you, Karan. We'll take our next question now from Chandrabhan Chauhan. Chandrabhan, would you like to go ahead and unmute your microphone, please?

Unidentified Participant
Hi, yes, can you hear me?

Operator
Yes, please go ahead.

Unidentified Participant
Thank you so much. So I have a question that what is going to be the impact in terms of, you know, percentage on the distribution because of new regulation that has come up related to taxation and dividend? And second thing is that, so this will be having an impact on NAV as well because, you know, higher WACC calculation, higher WACC is going to be there because of lower taxation due to moving of SPVs into new tax regime? So these two questions.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So I think we need to still assess how much will be the impact on NDCF. We'll come back to you all separately on that. But all I would say, it is definitely positive because as I said, most of our SPVs were in the higher tax bracket of 35%. So from 35% to 28.6%, that's going to be a considerable saving. So we'll come back to you with that exact number. But on the second bit,

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So, so when it comes to MAT credits, if MAT credits are utilizable, generally they're calculated as assets and it helps the valuation. So, but we don't have too many MAT credits, so the impact is not very material.

Unidentified Participant
Okay.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
The NAV computation the format that SEBI has set, any MAT credits are treated as deferred tax assets in the computation. So that helps. But like Preeti mentioned earlier, that number is not significant.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah. So just to answer your question, we don't see much of impact on NAV because of this. But of course, NDCF will have a positive impact.

Unidentified Participant
Got it. Thanks.

Operator
Thank you, Chandraban. We see a follow-up question coming in here from Yashas. Yashas, would you like to go ahead? Yashas, please unmute your microphone.

Yashas Gilganchi - Analyst, Bank of Baroda Capital Markets
Yes, thanks. So I noticed that delivery timelines for Mindspace Madapur , the 1A, 1B development, and B18 buildings seem to have been pushed forward. Please tell us what caused the delay and are any other projects likely to be affected?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yashas, this could be basically one quarter here and there, which is typical of getting OCs and Part OC and all that. So it's nothing much from what many of these projects actually from what we thought we will finish. Our construction engineering teams have done a superb job and finishing the buildings earlier. And one of the reasons we decided to B 18 in Hyderabad, decided to do precast again, is it'll help us save six to seven months. So, one month here and there, I won't be very worried in a project of this size.

Yashas Gilganchi - Analyst, Bank of Baroda Capital Markets
Got it, that's clear. Thank you.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yeah.

Operator
Thank you, Ashas. There is another follow-up coming in from Karan Khanna of Ambit Capital. Karan, please go ahead. Karan, do you have any follow-up question now? I think there is no follow-up question from Karan. So, ladies and gentlemen, we don't have any more questions. As there are no further questions here, on behalf of Mindspace Business Parks REIT, that concludes today's conference call. Thank you all for joining us, and you can now click on the leave icon to exit the meeting. Thank you all for your participation.

Thank you, everyone.