Management Discussion

Shravan Kailasa - Investor Relations, Mindspace Business Parks REIT
Good morning everyone, and thank you for joining the earnings call for Q2 FY27 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 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. Govardhan 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
Thanks, Shravan. good morning everyone and thank you for joining us. Q2 has been another strong quarter for us. We delivered our highest distribution of 6.67 per unit, which is 14.4% year-on-year increase. Our NOI grew by nearly 32% year-on-yearto INR836 crores. On a like-to-like basis, our NOI grew around 16.8%. Our leasing momentum has continued. We achieved leasing of 1.6 million square feet. This has taken our committed occupancy to a record 96.1% on a like-to-like basis, including the acquisitions which we did in H1.

Our overall portfolio committed occupancy today stands at 93.8%. Happy to inform that 10 of our 16 assets are now operating at over 96% occupancy. With seven of them at the perfect 100% occupancy. The quality of the portfolio is also showing up in its value. Our GAV is now approximately INR55,200 crores, up 16% since March. This includes the addition of the Chennai acquisitions, And also reflects, reflects the rising rentals in the various micro markets we operate. Consequently, the NAV per unit rose 7.2% to approximately INR 565 per unit.

Today I'll cover four things: the market, where is our growth coming from, the experience in our parks, and also how we are building the wider platform. Preeti will then take you through the financial performance. Let me start with the market, where demand has held up well. The macro backdrop stayed unsettled through the quarter. Tension in the Gulf kept oil prices firm and the rupee remained under pressure. After the quarter closed, the RBI raised the repo rates by 25 basis points, its first hike since Feb 2023.

But on the ground, office demand tells a very different story. Calendar year Q2 saw a mid-year pause. In calendar year Q3, the deals that had slipped got closed and deferred decisions came through. JLL puts calendar year Q3 gross leasing at about 23 million square feet, up 41% on the previous quarter and the strongest quarter of the year. JLL, Cushman& Wakefield, and CBRE all reported the strongest first nine months on record at 61 million to 66 million million to 66 million square feet of gross leasing, between 61 million and 66 million million and 66 million square feet of gross leasing.

And it is just not the deals being signed. JLL also reports record net absorption of 42 million square feet in the first nine months of the calendar year. Occupiers are moving in and adding headcount, obviously. GCCs remain the anchor. They took 42% of leasing in the quarter, according to Cushman& Wakefield. JLL and CBRE both put GCC leasing at a record 26 million to 28 million million to 28 million square feet in the first nine months, calendar nine months, and JLL expects GCCs to beat last year's full-year record. Global firms are increasingly building their AI deployment, AI

development and operations teams in India, and GCCs are taking more space to do it.

Had its strongest quarter ever according to JLL, and Cushman& Wakefield named it the single largest demand driver. Hyderabad was once again one of the standout markets. It accounted for 30% of national volume in calendar year Q3 according to Knight Frank. In spite of supply picking up in some micro markets in the country, many prime business districts remain in single-digit vacancy. In Mumbai, JLL reported a vacancy at a 16-year low. Rents are rising and occupiers are obviously paying for quality.

For global companies, India's cost advantage remains compelling and our infrastructure and talent keeps getting better. Estimates may vary across IPC research reports, but the direction is consistent Demand is healthy and it is concentrated in the segments and cities where we have our strongest presence. Now let me turn to where our growth is coming from. With most of our parks already full, growth will come increasingly from four sources: rental growth through contractual escalations and mark-to-market realization within our existing portfolio, leasing up of our Chennai and Airoli assets, new development within our established parks, and acquisitions from sponsors and third parties.

Let me take each one by one. First, the rental growth and mark-to-market within our existing portfolio. Our portfolio in-place rent is approximately INR81.50 per square foot per month. That gives us a mark-to-market potential of about 23%, and we are capturing it. Releasing spreads this quarter was 24%. Rents on this quarter's deals were also ahead of our own business plan. At Mindspace Madhapur, we pre-leased approximately 219,000 square feet in B8 to a global biotech GCC at INR133 per square foot per month.

P8 is now 91% pre-leased at an average rent of INR117, and the balance 9% would be signed any day now. When we started redeveloping this building, we were expecting around INR90. Madhapur itself is at 98.6% occupancy with only about 160,000 square feet available across 20 buildings in a 12 million square feet park. In Airoli, recent deals are now being signed at approximately INR70 to INR80 per square foot per month, with one recent deal even touching INR85 per square foot. That tells you where the micro market is heading.

Also happy to share that Ascent Worli is now 100% leased. This quarter we signed a lease of INR365 per month, the highest rent we have achieved in the Ascent asset. Some of you may remember we had underwritten this asset at INR325. That is what quality CBD space commands in Mumbai today. Let's look at the second aspect, leasing up. In Chennai, we have had a great start. Our recent Chennai acquisitions which comprises one radial and commercial zone, Pallikaranai, two high-quality institutional campuses of approximately 2.6 million square feet each on Chennai's PTR corridor.

Since July, we have leased approximately 550,000 square feet between INR85 and INR90 per square foot. That also is ahead of the rents we underwrote at acquisition. This includes approximately 4.6 lakh square feet at One Radial with a leading European BFSI GCC. This took One Radial committed occupancy from 57% to 75% in a single quarter. Commerce Zone Pallikaranai also has moved up to 77.5% occupancy with a recent deal at INR90 per square foot. We are also on the verge of closing another deal At INR 93, we remain confident of leasing these buildings by March-April 2027.

Third, on the development front, we continue to build where the demand is. We have 6 million square feet under construction out of our 8.7 million square feet pipeline. Of this, 3.2 million square feet is due for delivery by March 2027. B8 in Madhapur, B1 in Commerce Zone Pallikaranai, where we are tracking ahead of schedule in terms of construction and getting the OC, and our next data center at AiroliThat will take a completed portfolio from the present 37.7 million square feet to 41

million square feet.

Starting with Hyderabad, our first redevelopment project, B1, At Madhapur is now complete. We have received the occupancy certificate. This is a 1.5 million square feet building fully leased to a global banking GCC. The client has finished the fit-outs and rentals commence from Jan 2027. P1 is the blueprint for what will come next. We are currently evaluating further redevelopment opportunities in Madhapur, building on the successful delivery of our first redevelopment project. At Building 8, facade and finishing works are underway, and we expect the occupancy certificate to come in Q4 FY27.

At B18, foundation work is underway using precast construction. B18 is pre-leased, like some of you know, for a Ritz-Carlton hotel. The Pearl Club has, within Madhapur, has completed trial operations. And opens to members this month. It is part of our strategy to build mixed-use ecosystems with integrated amenities. Now let's move to Navi Mumbai. In Airolicommitted occupancy has improved to 85%. At B17, the foundation work is underway at a 900,000 square feet mixed-use development, a 300,000 square feet Hyatt Regency Hotel, which is pre-leased, and the 600,000 square feet office block.

We are evaluating, also evaluating further data centers at Airoli. At Airoliwhich is at nearly 97% occupancy, we have submitted plans for a new building, B12, approximately 1.1 million square feet of new office space, and work for B12 is expected to start next quarter. Our experience of delivering and operating large business parks gives us the confidence to keep investing in building new capacity. Our data center business, also in Navi Mumbai, continues to scale. Mindspace remains the only REIT listed in India with a data center portfolio.

two data centers are operational in AiroliThe 3rd is due in March '27. Followed by the 4th in July '27 and the 5th in December '27. And finally, Pune. In Commerce Zone Yeravada, we have started work on B9, a new 400,000 square feet office building. Alongside it, we are starting work on the 200,000 square feet hotel, which is again pre-committed. 4th, let's look at acquisition. Starting within our own parks. We continue to consolidate third-party ownership within our campuses. This quarter, we acquired another approximately 150,000 square feet across Pune and Madhapur.

At Madhapur, we acquired 1 lakh square feet in Building 10, giving us full ownership of office space in that building. Cumulatively, we have now acquired 800,000 square feet of Strata-owned space within our parks. This gives us better control over asset management, makes redevelopment a lot more easier, and room to unlock more value from parks we already know very well. Looking outside our parks, the acquisition pipeline is strong. Our sponsor has an active development pipeline of 20 million square feet across various stages providing a strong pipeline for future growth.

Beyond the sponsor pipeline, we're also seeing a healthy flow of high-quality assets come to the market as several institutional funds approach us as the end of their fund, fund lives, nears. We continue to actively evaluate acquisition opportunities that are accretive to unit holders and will strengthen our presence in our core markets. Growth is one part of the story. Keeping our tenants is the other, and that starts with the experience in our parks. Our parks are where our tenants spend their working day, and we keep investing to make that day better.

It starts with how our parks are run. From 1st July, we transition to our new facility management partners, which include firms like JLL and CBRE. We are also continuing to upgrade our parks. This financial year, we plan to spend INR250 crores on base build upgrades and another INR140 crores on MEP upgrades. At Airolithe upgrade program is nearing completion and new F&B additions are strengthening the campus experience. In Pune, we opened a new food court in Commerce Zone

Yerawada Building 1. Adding more dining options within the campus.

In Mindspace's Madhapur, we have completed certain road extensions, making traffic movement smoother. And in Ascent Worli, the pickle and padel courts are now operational. Hospitality is becoming a bigger driver of what we offer. Membership drives for the Pearl Club are underway, and Ascent Residences, our apartments in Worli, are shaping up well. Which will start operations next quarter. Beyond the physical space, we have also moved from one-off events to year-round tenant engagement. An engaged workforce makes for a loyal tenant, and that supports retention.

We held IPC meets in Hyderabad and Chennai, engaging 300-plus IPC broker partners of ours. And we are also the title sponsors for the Chennai Night Run, where we've gained citywide visibility in the market. Let me now turn to the wider platform, starting with sustainability. The Science-Based Target Initiative validated our near-term, long-term, and net-zero targets, reinforcing our commitment to be net-zero by 2042. In the 2026 GREST assessment, We scored a perfect 100 for development and 94 for standing investments.

We earned 5-star ratings in both for the 4th consecutive year and were named sector leader in both. Mindspace Airo Lease received the IGBC Green Landscape Gold rating. This is the first for any REIT in India. One Radial received the IGBC New Building Platinum rating. We were also recognized as the Sustainable World Awards 2026 for data and tech-driven ESG transformation. Our people and our brand are evolving with our portfolio. We are proud to be named amongst India's top 50 best places to work for women 2026 in the midsize category by Great Places to Work.

We are investing in capability building at every level, from frontline customer teams to experienced managers with a strong focus on technology and AI. Today, our campuses go well beyond offices, integrating workspaces with hotels, clubs, restaurants, F&B, recreation, wellness, and landscape spaces to create richer, more engaging environments for occupiers and their employees. Finally, a word on AI. Last quarter, we walked through how we use AI across finance, legal, and compliance. Those tools are now part of how we close every quarter, from rent roll conversion and regulatory checks on our filings to automated SEBI and MCA monitoring.

On the demand side, our view has not changed. We are not seeing lease tenure shorten or pre-commitments fall. We believe AI will add to office demand, not reduce it. We'll get new occupiers, growing data needs, and stronger case for quality workplaces. Our job is to make sure our parks are ready for that. Let me close with where we go from here. Most of our portfolio is already full. From here, growth comes from within it. We have 3.2 million square feet due for delivery by March. B12 at Airoliwill add another 1.1 million square feet to a park that is already 97% occupied, and demand is there.

We're tracking around nine to 10 million square feet of active RFPs across our markets. Our approach does not change- build where occupiers want to be, lease well, and keep the balance sheet strong. Thank you for your continued confidence in Mindspace REIT. I will now hand over to Preeti for the financial update.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Thank you, Ramesh. Morning, everyone. We continue to deliver strong financial performance backed by strong operating performance. Our NOI grew 31.9% year-on-year to INR8.4 billion, driven amongst others by effective portfolio management, healthy office demand which has aided leasing and rentals, and contributions from new acquisitions. I like to like, NOI grew almost 17% year-on-yearin Q2 FY27, reflecting the strong organic growth within the portfolio. Revenue from

operations for this quarter increased almost 30% year-on-yearto $10.1 billion, crossing the $10 billion mark.

Within the existing portfolio, we have a development pipeline of 8.7 million square feet. Of this, about 5 million square feet will be delivered by FY29. So this, together with lease-up of vacant space, contractual escalations, MTMs, and contributions from our recent completions, will all add about $17 to $18 billion NOI over the next three years. We have also demonstrated a consistent track record of healthy distribution growth with double-digit DPU growth for several quarters now. This quarter, our distribution grew a healthy 14.4% year-on-year to INR 6.7 per unit, taking our cumulative distribution since listing to INR 126 per unit, in addition to the capital appreciation reflecting the value of the underlying portfolio.

On the September 26 valuation update, the GAAP of our portfolio increased by approximately 16% from March 2026 to around INR552 billion, This includes our Chennai acquisitions as well as Strata acquisitions, which we completed during the first half. Our NAV increased by a healthy 7.2% from INR527 per unit in March '26 to INR565 in September '26. This again reflects, amongst other things, the 1.8 million square feet of additional development potential which has been identified in Airoli, Navi Mumbai, and Pune, together with rental growth across our markets, particularly Hyderabad and Navi Mumbai, the rising occupancies, and the recent acquisitions.

Moving to the balance sheet, we continue to maintain a prudent balance between leverage and growth. Our loan-to-value stood at 29.1% as of September 26th, providing us with sufficient balance sheet flexibility to pursue our growth opportunities. Our cost of debt remained broadly stable sequentially at 7.4% per annum per month, though we expect the borrowing cost to move up in the quarters to come amidst elevated crude oil prices, rising inflation, and consequent tighter global and domestic monetary policies.

Against this backdrop, we expect our cost of debt to increase by approximately 25 bps by end of this financial year. And of course, needless to say that FY28 could see further increase depending on how the macro factors unfold. However, we do not expect this increase in borrowing cost to have any material bearing on our NDCF, and that's largely because of two reasons. As all of you know, the recent tax amendments enable REIT's to move to the new tax regime without losing the distribution tax exemption in the hands of the unitholders, and also allowing carryforward of MAT credit for utilization in future years.

Mindspace REIT asset SPVs have decided to opt for the new tax regime. This helps us reduce our tax from 35% to 28.6% for the larger SPVs and also will help utilization of almost INR90 crore of MAT credit, which can be now carried forward. Tax saving from this transition to new tax regime should offset the anticipated increase in interest cost, leaving our NDC mostly unaffected. Secondly, the recent RBI amendment permitting banks to lend to REIT's offers us a new avenue for debt capital raise, which could help optimize our funding cost.

Currently, we have about 60% of our debt fixed and 40% variable. We will keep altering our fixed and variable debt mix opportunistically to optimize our borrowing cost. To conclude, we remain focused on disciplined capital allocation across asset upgrades, redevelopment, new developments, and also acquisitions. Our objective remains clear: to drive sustainable distribution growth and maximise long-term returns for our unitholders while maintaining a prudent balance sheet and a robust governance framework.

With this, I hand over the call to the operator to open the floor for questions. Thank you, everyone, and happy Diwali.

Questions & Answers

Operator
Thank you. Ladies and gentlemen, we will now begin with the question-and-answersession. 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 two 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'll take our first participant. We have Karan Khanna. Of Ambit Capital.

Please go ahead with your question. Karan Khanna, you can unmute your microphone and go ahead with your question

Karan Khanna - Analyst, Ambit Capital
Now. Hi, am I audible?

Operator
Yes, Karan.

Karan Khanna - Analyst, Ambit Capital
Yeah, thanks for the opportunity and congrats on continued NOI growth and the sustained high occupancy across most parks. First question to you, Ramesh. Your portfolio is increasingly tilting more towards GCCs. While third-party IT and ITES exposures has reduced. So are these GCCs still taking larger blocks and committing for longer tenures, or are AI-related productivity gains beginning to affect the size of their space requirements? And as a follow-up, can you share the latest tenant mix by rental income rather than only by area and talk a bit about any material concentration risks by tenant or sector?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Overseas mix today from an area perspective is 52%, and this has obviously gone up. 2 years back, this was around 48%. Domestics continue to be around 24%. And IT services, we have seen a drop from 25% to 21%. So the 4% drop in IT services have been captured by the 4% increase in GCCs. In terms of rentals, rental revenue share, It's again 52%. So that's in line with- so look, even if you look at our top 10 clients today, it's less than 30% of our portfolio. We have big GCCs like British Petroleum, Qualcomm, JP Morgan, Hitachi, all of them in our portfolio.

So GCCs- is increasing. And your question about if the sizes of GCC requirements are reducing, we haven't seen that. Incidentally, we've seen sizes actually go up in markets like Hyderabad, where I saw research which said that out of the 100 new GCCs who came to India, around 45% of them went to Hyderabad. And there's like massive- RFPs of INR4 lakh, INR5 lakh, INR7 lakh kind of RFPs in these markets. And we've been big beneficiaries of that. So I haven't seen any reduction in RFPs of the sizes within the GCC world.

Karan Khanna - Analyst, Ambit Capital
Sure. And my second question, Ramesh, on the 3.2 million square feet that is slated for delivery in 4Q across B8 Madhapur, B7 Airoli West, and Block 1 PallikaranaiWill the rents start commencing from 1Q FY28 itself, or is there a slight lag here in terms of when they start contributing to the NOI? And as a follow-up, how much of the INR17-18 billion of 3-year organic NOI growth ambition is already secured by pre-leases, and how much is still dependent on future lease-ups? And then

lastly, until the last quarter, there was also a slide on sponsor pipeline, which isn't there in the 2Q presentation.

While you spoke about the active sponsor pipeline of 20 million square feet, Are any of the sponsor assets currently under active consideration?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
That's a lot of questions, Karan. So let's start with the rent commencement. Madhapur, where the B1 building, which is fully leased to a global banking GCC, rent is staggered start date, Jan 27th. Around 43% of the rental starts. April '27, around 25% of the rental starts. And then Jan '28, another 33% of the rental starts. So that's on P1. In terms of P7-8, again, more or less the full building is leased except the last one floor, which is going to, like I mentioned, going to get signed in any moment.

Around 52% of leases for B7, B8 will start in October '27. Around 30% will start in March '28. The balance, some of it in early, early '28, mid-'28 again. So that's the rent start dates for our data centers. Like I mentioned, rentals will start immediately, which is March for one data center, July for another data center next year, and December for another data center. So these are the rentals which, which is coming next year. Sponsor pipeline, we actively look for various assets which the sponsor is developing right now.

Sponsor has some very high-quality assets within Mumbai, in Hyderabad, and in Pune. So we will continue to look at them. No active discussions right now.

Karan Khanna - Analyst, Ambit Capital
Great. Thanks, Ramesh and Preeti, and greetings to the entire team for the festive season.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Just one more point. 3.7 million square feet out of the 6 million square feet which is under construction is pre-let, so there's zero leasing risk. Yeah, for that 3.7 million.

Karan Khanna - Analyst, Ambit Capital
Great, thanks Ramesh.

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

Operator
Thank you. Moving to our next participant, we have Yashas Gilganchi of DAM Capital Advisors. Yashas, please go ahead.

Yashas Gilganchi - Analyst, DAM Capital Advisors
Good morning, team. Thank you for taking my question. Please help me understand the size of the opportunity you see for the acquisition of third-party assets, more specifically of the institutional assets coming into the market. How many of these assets are well placed to fit into Mindspace's portfolio, maybe in million square feet? What kind of cap rates are they being priced at? At what cap rates do you think they're attractive to you? What would make you consider acquiring these assets versus sponsor assets?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So in my 27 years in commercial real estate, I've actually never seen so many institutional assets come up. We're looking at some really good opportunities. Obviously, it has to make sense from a cap rate point of view. I think today's cap rates for prime CBD Trophy assets, would be in that 7 to 7.25% kind of a mark, and the non-CBD assets, should be in the 7.7% to an 8%, kind of a mark. If it comes too close to that, levels, we will, look at it. we are there in every asset which is being offered, especially after all the acquisitions of more than INR10,000 crores which we have done in the last, 2 years.

So we keep looking at that. Cap rates obviously have to make sense, including making sense in the increased interest rate environment. So we don't miss out on any deal in the market which is available. We spend time, we evaluate it, we have very strong teams who go and study these assets, and then we take a call whether it will work or no.

Yashas Gilganchi - Analyst, DAM Capital Advisors
Got it. Thank you very much.

Operator
Thank you. Requesting participants to please click on the raise hand icon from the participants tab on your screen if you wish to ask a question. We'll take our next question from Pritesh Sheth of Access Capital. Pritesh, you can go ahead now.

Pritesh Sheth - Analyst, Access Capital
Yeah, hope I'm audible and thanks for the opportunity. First question is on, Chennai assets, strong leasing since the time we have acquired. how does the outlook now stand in terms of leasing? Would you be able to lease it out fully by end of this fiscal year? And in terms of rentals, I think you quoted around INR93 for upcoming deal that's being discussed for Commerce Zone Pallikaranai. if you can correct me if I'm wrong, but, overall, how do you see rentals catching up there for future leases that we'll do?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Perfectly played out. I remember some of you asking us after the Chennai deals, I remember in February, that was a market leasing at around INR72-73. And our strategy of controlling supply in that market by picking up 2 acquisition opportunities, it's exactly played the way we wanted to. So the first deal was done at INR85, then we have done deals at INR87, we are doing deals at INR90. Now we are close to signing up INR93 a deal. So that's exactly played out. Every time we do a deal, we try and increase it by 1, 2, 3 rupees depending on the client profile and the size of the requirement.

What's worked in our favor is in Chennai today, DLF, which is not very far from us, again, Novamar One stretch today quoting like INR150. that's kind of helping us. other players, in the market like, Satwa, Bhagmani, they are also all quoting, 3-digit kind of numbers, which is also kind of helping us in this market. So like I mentioned, in my speech, we hope that Chennai, the completed assets right now, whatever is completed That will get leased up by around March-April timeline, and then we will focus starting next quarter on B1, which is going to be ready.

That's around 12 lakh square feet. We'll start focusing on that. We've already started getting inquiries for that.

Pritesh Sheth - Analyst, Access Capital
That's helpful. Yeah, that's helpful. And second question on the valuation report. So no change as of now on WACC and cap rate, but any sort of discussion or any risk that you immediately see when we again do this exercise in March in terms of WACC and cap rate increase? And would that offset the rental growth that we are Seeing in our portfolio?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Oh, cap rate, a little early to say. So that remains at 11.75% and 13%, and cap rates of 7.5% and 8%, that we have left unchanged. But rentals, again, I'm seeing an upward trend in many markets because there's hardly any new supply which is coming up as reading the JLL latest report where it said that relevant vacancy is less than 10%, with many cities seeing lowest vacancy numbers in like 15 years. So that's kind of helping us. So rentals, we expect to go up in March. Too early to talk about vac and cap rates for March now.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
And just to add on the WACC and cap rates. WACC, generally, if you see the trend over the last six years also, it's not that with every increase in the interest rates or every reduction, the valuers keep moving. They generally wait for a reasonable time period to see where the interest rates are headed and then accordingly take a call on the WACC. So we'll have to wait for a little bit to see in which direction are they going to move, because these are long-term rates which are being factored in the valuation.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
And again, Pritish, like Hyderabad, we have- I think the rental valuations are done at INR110. We've done deals at, like I mentioned, last deal happened at INR133, and the current rental in the portfolio is INR81. That shows the market, mark-to-market overall opportunity. So

Pritesh Sheth - Analyst, Access Capital
Sure, that's pretty helpful. That's it from my side. All the best and season's greetings to everyone in the team. Thank you.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Thank You.

Operator
Thank you. We'll take our next question from Abhinav Sinha of Jefferies. Abhinav, please go ahead.

Abhinav Sinha - Analyst, Jefferies
Yeah, hi. Thanks for the opportunity. A couple of questions. So firstly, Preeti ma'am, on the increase in interest rates that you're talking about, what is your, estimate that you have taken in while you're saying that 25 bps is the likely increase in cost of capital by March? So the benchmark rates you are expecting to move up further?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So, we have given that number with on a very, very conservative basis, assuming 2 more rate hikes in this financial year. So if we have 2 more rate hikes beyond whatever we've seen recently, then we expect the cost to go up by 25 bps. So this is more from a conservative perspective. If that doesn't happen, then of course we'll save something.

Abhinav Sinha - Analyst, Jefferies
Okay. And is it fair to assume that, say, for every 100 bps hike, we will have roughly 50 bps transmission in your portfolio? Is that sort of I mean, on an annualized basis, is that a fair assumption?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
No, no, I think it'll be a little lesser than that because not everything- because almost 60% of the amount is still fixed and we- and we'll have some bit of refinancing which will come across for the rest of the year and of course next year also. So I don't think the impact will be so much.

Abhinav Sinha - Analyst, Jefferies
Okay. So roughly the trajectory that we're seeing in DPU north of 10%, this is more or less repeatable, at least in the immediate future, I will say 2-3 quarters?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Yeah, I mean, we don't give guidance, but that's what we maintained for so many quarters.

Abhinav Sinha - Analyst, Jefferies
Sure. And We're Hoping to. Right. Namit sir, just a question on supply, but you were hinting that there are some micro markets where, the supply is going up, but you are not seeing the impact. At least right now. So can you please, highlight your thoughts on supply, which areas could be more at risk, say, from a medium-term perspective?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
We looked at the 37 micro markets in the country, and over the next 2-3 years, we studied which are the micro markets where they're going to be an oversupply kind of a situation. There are markets like, let's say, Hyderabad Financial District where we have an exposure, but that's hardly any space left for us to lease. Mount Poonamallee Road, in 2-3 years there could be a little bit of oversupply coming, but again, ours is 100% full. Mumbai CBD with a lot of supply coming up in BKC and Mahalakshmi and all that is one of those markets where we could see a little bit of oversupply.

But again, right now our exposure is again 100% in these assets, occupancy is 100%. So there are these 6-7 micro markets. But over the years, Abhinav, what I've seen is in the last 25 years, supply being significantly more than demand. I've only seen it in like four years out of those 25 years. Otherwise, demand has always been more than supply and/or demand has been same as supply. And those four years, well, there's 1 year post-dot-com bust, 1 year after GFC, and the 2 COVID years. Otherwise, we've always seen that developers typically slow down supply if they see a lot of supply coming up.

They don't, so that again kind of, helps, neutralize, the market. I wouldn't worry about supply, too much right now.

Abhinav Sinha - Analyst, Jefferies
Great, thanks and all the best to the team.

Operator
Thank you. We'll take our next participant. We have Sumit Kumar of JM Financial. Sumit, you can go ahead now.

Sumit Kumar - Analyst, JM Financial
Hi, good morning. Am I audible?

Operator
Yes, Sumit.

Sumit Kumar - Analyst, JM Financial
Yeah, hi. Thanks for the opportunity. My question would be on the income support mentioned in the presentation. If you could give us, the quantum of income support for the quarter. And given that leasing in Chennai typically has happened over the underwritten or higher than the underwritten rate, So we don't see any risk there, but, is there a possibility that this winds down and there is a loss of NOI maybe at Mumbai? How do you see that situation?

Govardhan Khedela - Head Corporate Finance, Mindspace Business Parks REIT
On the income support, the quantum for this quarter is about INR17.5 crores. as if you recall, we had taken income support for the Pallikaranai asset. From 2 of the buildings and also in the JP Morgan asset, which is, in Kalinam, which is below the current market rent. So the income support is coming for these 2 assets of INR17 crores during the quarter.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
In terms of- I don't see much of risk there, Sumit, in terms of leasing, given that there's hardly any supply. Chennai in the preferred micro market, so I don't see any risk. And for B1, again, we're starting to see decent inquiries, 100,000, 200,000 square feet kind of various inquiries we are talking to. So not much of worry there. Chennai, unlike Hyderabad, is not a kind of pre-leasing kind of a market. And our teams have done a good job of kind of finishing the building earlier, and hopefully we'll get the OC by Jan, and then we'll actively start pushing it in the market.

Sumit Kumar - Analyst, JM Financial
Sure, that's helpful. Second question would be on the LTV. It stands at about close to, 30%. In terms of the CapEx that we have for the next 2 2-3 years is quite considerable. So how do we see that moving, or we expect, significant, sort of additions from the deliveries that we do over the next 12 months? So how will that LTV number move?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So, factoring the CAPEX, I believe it still will be around these levels. I don't see it moving because of the portfolio values also keep increasing. We'll keep developing, the developments will start completing. So we don't see that unless we are doing any acquisition, then of course to that extent it can, but otherwise it should remain at these levels.

Sumit Kumar - Analyst, JM Financial
Okay, understood. And one last question, what would be your target end FY27 occupancy for the portfolio?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So our target occupancy, we're looking at around 97% kind of a mark. P1, again, what we originally thought the building would be ready by around April, looks like now it's going to be Jan-Feb OC. So there'll be a little bit of a drag on the occupancy in the last quarter, but that will not have any reflection on NOI growth and TPU growth.

Sumit Kumar - Analyst, JM Financial
Okay, thank you for the opportunity and all the best. Happy joining today.

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

Operator
Thank you, Sumit. We'll take our next question. We have Satinder Bedi of Aeon Info Investments. Satinder, you can unmute your microphone and go ahead now.

Satinder Bedi - Analyst, Aeon Info Investments
yep, Thank you for the opportunity. congratulations on a set of great results once again. and Preeti, must appreciate the, the data book that you put out in Excel form. I think that's, that's great corporate governance. Okay, so congratulations for that. So a couple of questions. So one, Ramesh, you said that, 3.7 million square feet of these 6 million square feet under development is pre-let, so there isn't much of a risk on that. So just wanted to understand the commitment from the lessee in terms of pre-let.

So what kind of a security deposit or commitment has he put on the table for us to feel comfortable that should the market dynamics change quickly, he's got enough skin in the game? So that's one question.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
So Satinder, typically what we do is we charge around six months of security deposit, of which the tenants pay three months when we sign a binding MOU, and the balance three months come at the time of lease agreement, which is your final contract when they register the deeds and all that. It's not just signing contracts, Satinder, that we do a lot of due diligence. Of our tenants, their financial capability. We study what has been their pattern of growth. I was shocked recently. There's a huge 900,000 square feet deal which we did in V8, and I haven't heard of that company.

But when we checked, it's a $100 billion company. Another deal we did in Hyderabad, I haven't heard of that company. It's a $60 billion company. Another deal we did in Hyderabad, I haven't heard of the company name, a $50 billion company. So many, many things we check. Every tenant we deal with, there's a detailed check which our finance team does. Only after that we get into a contractual commitment. So these are all large global corporations, and it's not just a security deposit at

Satinder Bedi - Analyst, Aeon Info Investments
Okay, yeah, that helps. The second, in terms of, like, you've done very good pace setting in terms of double-digit DPU growth, I think, which is, which is a good aspiration for a REIT kind of a product. And given that there's enough of development pipeline on buildings and data centers happening, which will keep us busy and probably assist in this double-digit growth for the next 12 to 24 months. Would it be a good idea to maybe go slow on acquisitions given that interest rates are expected to be higher for longer?

Okay, and this might, from a timing point of view, might not be best of things to do, especially since we have a lot of organic, high IRR return activity already going on. So just wanted your thoughts on that. And connected to that, any particular micro market that you would love to be in that we are not there? Okay, so, you, you've hit the right markets even in terms of Pune micro markets, but any, any

one micro market that Mindspace would love to be at?

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Yeah, Satinder, so, good, question on double-digit, DPU growth. I was just checking the numbers. Last- this quarter, obviously, it's 14.4% DPU growth. But in the last 3 quarters before that, we again gave 20%, 16%, and 18%. Last 1 year, again, DPU growth, if you kind of look at all the quarters, it's been like 14%. And in the last 3 years, we've again given an absolute 39% DPU growth? A good point on acquisitions. We look at- we don't want to acquire just for the heck of acquiring.

It has to be accretive on all fronts. We are actually looking at expanding our footprint in the four markets where we already have a presence, and we look at quality, we look at tenants, and obviously it should help unit holders from a distribution, DP growth point of view. And we typically discuss mainly with institutional sellers where there's good infrastructure improvement opportunities also within the micro market. So those are things we typically look at. But good point you mentioned about looking at future acquisitions.

Satinder Bedi - Analyst, Aeon Info Investments
Yeah, thanks. Finally, last one, Preeti. So what are the components of the working capital change of INR 103 million in the NDCF waterfall. If you could just kind of amplify that, please.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
So that's largely your security deposits. Some, of course, the routine working capital asset liabilities, current asset liabilities, which keep moving. So that's how the composition is.

Satinder Bedi - Analyst, Aeon Info Investments
Okay, so what component is security deposits approx?

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
It's almost INR50 to INR60 crore.

Satinder Bedi - Analyst, Aeon Info Investments
Okay, fine.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
And then of course there is some advance payment of property taxes and so on and so forth.

Govardhan Khedela - Head Corporate Finance, Mindspace Business Parks REIT
Yeah. So I think interestingly this correlates to the question you asked. So some of the deposits are coming from the pre-commitments that the tenants have made.

Satinder Bedi - Analyst, Aeon Info Investments
Yeah, no, no, great. I can understand this. This does provide a tailwind to the DPU growth. Okay. The way you are growing, I think. So that's a great thing. Thank you. So great execution. My only thing is The execution has been so good that, okay, sustaining for this kind of product, sustaining a 15% growth, okay, is not easy. But all the best to you. Okay, all the best. Thank you.

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Thank you so much. Thank you.

Operator
Thank you so much. Ladies and gentlemen, we will take that as the last question. I will now hand it over back to the management for closing remarks and vote of thanks. Over to you.

Ramesh Nair - Chief Executive Officer & Managing Director, Mindspace Business Parks REIT
Thank you everyone for attending the call and very happy

Preeti Chheda - Chief Financial Officer, Mindspace Business Parks REIT
Wish you all a very happy Diwali, guys. Thank you so much for joining.

Operator
[Operator Closing Remarks] [Operator Closing Remarks][Operator Closing Remarks]