Management Discussion

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT

Thank you. Good morning everyone, this is Shashank here, and Very warm welcome to Brookfield India Real Estate Trust's FY 2027 second quarter earnings call. Let me begin with a thank you to all our unitholders, all the analysts who are present on the call and otherwise, and the rest of the participants for joining us today. Let me begin with a brief update on the office market environment. The Indian office market has carried out a strong momentum through 2026. We've completed three quarters. Industry data indicates gross office absorption reaching record levels of 65-66 million square feet in the first nine months of the calendar year, with GCCs continuing to take a lead, accounting for 40-45% of the total take-up.

The demand remained broad-based across sectors like BFSI, technology, flex operators, etc., and, some of the other sectors. From a geographical standpoint, Bengaluru continued to take the lead, followed by Hyderabad and Delhi NCR. They led the quarterly activity for the present quarter. Green-certified assets represented approximately 80+% of this quarter's leasing, reinforcing occupiers' preference for high-quality, sustainable, and institutionally managed campuses. This market backdrop actually is directly aligned with the position of Brookfield India REIT.

As of September 30, '26, we have an operating area of 32.9 million square feet with a committed occupancy of 93% and an in-place rent of INR107 per square feet per month with a long-dated WALE of 6.9 years. GCCs for us represent a little over 45% of our occupier mix, and, our top tenants are they account for only about 29-30% of the gross contracted rentals. Our pan-India presence, high-quality and well-diversified tenant roster, sustainability credentials position us well to capture continued demand from global and domestic occupiers.

Let me take you through our leasing and occupancy performance for the quarter. During the second quarter, we achieved a gross leasing of 1.6 million square feet comprising of a little over a million of new leasing and, INR500,000 to INR600,000 of renewals. The average rent on gross leasing was INR98 with a WALE of 9.8 years and healthy leasing- re-leasing spreads of around 16%. In addition, we secured another 0.6 million square feet of commitments against future expiries within this quarter. The leasing demand remained broad-based for us across product categories, with GCC accounting for over 50% of the leasing activity of the quarter, including the advance commitment that we've got.

Our portfolio remained, commit- with a committed occupancy of 93% despite some expiries that were due this quarter. 93% represents a 3 percentage point higher occupancy on a year-on-year basis. on- very glad to tell you, on back of NPA conversions and robust demand from blue-chip domestic occupiers. Our Gurugram properties saw increase in occupancy this quarter. G1 registered an occupancy of 93% with a year-on-year growth of 9%, and G2 saw a 6% year-on-year growth at 84% occupancy.

This quarter also reinforced the confidence GCC and global tenants have in our portfolio. And establish their stickiness to our high-quality campuses. A few examples for reference: at Ecoworld, a global investment management company took up additional 235,000 square feet area, in addition to about 224,000 square feet of renewals that they did. In our downtown Powai SEZ, ERGO expanded by another 100,000 square feet in addition to its 136,000 square feet of renewals. Again, in downtown Powai, in our IT commercial buildings, a large global financial institute- institution

completed an advance renewal of almost 219,000 square feet for an eight-year term.

This is actually in addition to their lease of entire 272,000 square feet at One Downtown Central, which we secured last year. So the institution continues to, to show trust and depth and relationship with us. Our expiry profile remained well staggered with only 4% of gross rentals due for expiry in the rest of fiscal '27 and approximately about 27% cumulatively through till FY '30. Across the portfolio, we have now secured almost $1.2 million of commitment against renewals and re-leasing for future expiries of the second half of '27 and full year '28.

This proactive approach enhances cash flow visibility for us and reinforces the strength of our tenant relationships. now a little bit on growth and acquisitions. Happy to announce that our GBKC floor transaction under a 50-50 JV with Prime Office Fund of NCW has been closed just towards the end of the quarter on 29 September, and same is now part of our REIT portfolio. We have almost 96% commitments, including the commitments that we have looking at an occupancy of 96%. The asset strengthens our presence in BKC, one of the most established front office markets.

Our sponsor group continues to own high-quality properties across gateway office markets. We are excited about the potential of participating in the process as and when they come up. We'll continue to evaluate these opportunities with a disciplined focus on quality, accretion, and balance sheet capacity. Alongside the inorganic growth, continued lease-up, contracted escalations, mark-to-market opportunities across our existing portfolios provide a strong foundation of organic income and distribution growth to our REIT and unit holders.

On the ESG and sustainability front, it remains deeply embedded in our operating philosophy. Very glad to inform you, for the fifth consecutive year, Brookfield India received- REIT received a 5-star GRESB rating. We received a 100 out of 100 development score for our Baytown project in K1 and achieved a standing investment score of 94.9 out of 100 with a recognition as a global sector leader. during this period, our N2 campus achieved IGBC Green Existing Building Platinum rating. Ecoworld was recognized as the best office park for the year at RICS South Asia Awards '26.

And a majority of our properties receive 5-star rating and Sword of Honor from British Safety Council for occupational health and safety. we'll take you through our financial performance for the quarter now. I'll hand it over to Saket to help us take you through the numbers.

Saket Gupta - Head of Finance, Brookfield India Real Estate Trust REIT
Thank you, Shashank, and good morning everyone. Let me now take you through the financial highlights for Q2 FY '27. Operating lease rentals and NOI for the quarters were INR7.2 billion and INR7.7 billion respectively. Representing a growth of 52% and 51% year-on-year. The growth is mainly on account of acquisition of Ecoworld, which we completed in December '25. Same-store NOI for the quarter increased by 8%, driven by higher operating lease rental, improved occupancy, contractual escalation, and MTMs.

For Q2 FY '27, we declared distribution of INR5.70 per unit, an increase of 9% year-on-year. Total distribution for the quarter were approximately INR4.7 billion, taking the distribution of H1 FY '27 to INR11.3 per unit. We are very happy to announce that the share of dividend component in our DPO have doubled on a year-on-year basis from INR83 paise per unit or 16 share in Q2 FY '26 to INR1.72 per unit or 30% share of DPO in Q2 FY '27. The combined contribution from dividends and shareholder loan repayment represented approximately 69% of DPU.

As you are aware, we had earlier filed for capital reduction schemes in N2 and Downtown Powai, and once these schemes get approved, the dividend share in our DPU is expected to increase to

38%. Post the scheme implementation, seven SPVs in our REIT will turn PAT positive along with having positive reserves. Further, any incremental growth in income through lease-up escalation and MTM will translate into higher dividend to the unit holders. We would also have additional reserve balance of INR4.8 billion, providing potential to further enhance the dividend component in the distribution over the next two to three years.

Our balance sheet remained robust and well positioned to support disciplined growth. As at September 30, '26, gross asset value was approximately INR604 billion and the net asset value was INR392 per unit. Our LTV excluding shareholder instruments stood at 26.7%, providing balance sheet headroom for pursuing inorganic growth opportunities with a dry powder of INR34 billion at a threshold LTV of 32.5%. The average interest rate remained at 7.3% for the quarter. Our gross debt comprises of 87% floating rate and 13% fixed rate debt.

Our debt maturity profile remains long-dated with average debt maturities approximately nine years for portfolio assets and 13 years for non-commercial portfolio, providing strong liquidity visibility and limited near-term refinancing risk. We also maintain strong credit profile with dual AAA credit ratings from CRISIL and ICRA. With that, I will hand the call back to the moderator for questions.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] The first question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna - Analyst, Ambit Private Limited
Yeah, thanks team for the opportunity and congrats on the high single-digit DPU growth for the quarter. A couple of questions from my side. My first question to you, Shashank, is on the tenant mix. Tech services still account for 18% of rent and accounted for 63% of Q1 renewals, and Accenture, TCS, and Capgemini combined account for about 14% of rent. In your discussions with these tenants, let's say over the next five years, how much could AI productivity reduce the space each of these tenants could potentially require?

And are you seeing it yet in this category of tenants' expansion plans, seat density, or these tenants seeking contractual rights at renewals? And on the other side, how sustainable is the GCC demand and could it potentially reach 55% to 60% of the rentals in next few years?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Thank you, Karan. Happy to sort of take these questions. Let me talk about the IT services first. I mean, if you look at the industry reports, the conventional IT services have accounted for, almost 38-40% of the total leasing. our assessment and industry reports indicate that IT sector should continue to increase by about 3-5%, in the current fiscal years. while yes, AI and digital technologies, the- all, the IT companies basis our discussions with, our key occupiers, they're looking at increasing adoption of some of these newer technologies.

They are all looking at these as opportunities for them, as their global clients and enterprises invest in transformation, modernization, infrastructure, cloud, data engineering, etc. As far as our conversations with some of our large occupiers are concerned, we haven't got any indications of, any pullbacks that any of them are looking at, or, any resets that they're looking at on the contract

that they have with us. Having said that, Yes, everybody is a little cautious on the way they are approaching this evolving landscape, but we haven't got any indications for short to medium term as of now.

Karan Khanna - Analyst, Ambit Private Limited
Sure. And then second question, Saket, is on slide number 23. With 87% share of floating rate debt and 83% of debt coming up for renewal only post-FY '30, how are you thinking about interest rate sensitivity towards your distributions in the event we see another 25 to 50 bps sort of a rate hike in coming quarters? Quarters. You've mentioned that impact is expected post-2Q FY '27. If you can help quantify the same, and is a INR32 crore annual or INR8 crore quarterly impact a fair assessment of the sensitivity?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Okay, let me, let me start and then Saket and Harris can chip in. So broadly, yes, 25 bps increase in interest rate translates to about INR29-odd crores of annual impact, which is roughly about INR0.08 per quarter DPU impact that we are looking at. Now we are confident that, this potential increase in the interest rate would easily get offset by two things. One, the tax advantages pursuant to the recent change in regulations that we have, we have a saving of- match saving of almost INR100-odd crores every year, plus our BAU growth, in our NOIs that will continue to accrue across the portfolio.

So we, don't really- while yes, there is an impact of about INR0.08, per quarter, per unit on the DPU, but we're comfortably positioned, and this should get offset with some of the tailwind that we have, in our portfolio at an overall level.

Karan Khanna - Analyst, Ambit Private Limited
So this is helpful. And yeah, sorry,

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Sorry.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
And Karan, just to kind of add on, to your question on the fixed versus floating, you are right that we have 85% of our loan portfolio as floating rate and the remaining being fixed. But compared to this, the peer set has roughly 40% floating and percentage fixed. But if you kind of look at it in a more nuanced way, out of the 60% which is fixed, 30% is coming for re-rating in FY '28. So vis-à-vis BIRET, where we have an 85% floating, the peer set will have roughly 70% of their loan as a loan component which will get impacted through the interest rate changes. So across the peer competitive set the impact on interest rates will be similar across the competitive peer sets as far as interest rate changes are concerned.

Karan Khanna - Analyst, Ambit Private Limited
Sure, this is helpful. And last question, that's it. The FY '27 and FY '28 exit occupancy is at 96-97%, that leaves you with contracted escalations of about 5% a year and mark-to-market on roughly 10% area churning each year as guided last quarter. This suggests 6-7% organic NOI growth. So How should one think about incremental growth beyond, let's say, FY '28-'29 once you reach peak

occupancies?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So that's a, I would say, a broader question, Karan. It has 2-3 limbs to it. So one, obviously, our portfolio should reach to that kind of a stabilized occupancy that you've mentioned, and then mark-to-market and contracted rents would come in. Beyond that, there are multiple elements to it, both from- as I touched upon- both organic and inorganic growth. On the organic growth side, we have development potential about, 4 million to 5 million across our portfolios. Our, 600,000 development is coming to a close by early '28 in Kolkata.

That should come in the market. Across our- some of the CANDOR portfolios, we are looking at another 3.5 million to 4 million of development potential. We have the land and we have the FSI. Then there are potential like in Jeevan, the, current policy facilitates buying out and building out incremental about half a million additional GLA there. Plus, some of our campuses like Ecoworld will have- or we are exploring redevelopment potential, in some of our buildings. So overall, there is enough scope that we have for organic growth in terms of development.

And as I said, we will continue to be opportunistic and look for acquisitions as and when there is an opportunity in the market both on the sponsor pipeline side as well as there are third parties available, third-party assets available.

Karan Khanna - Analyst, Ambit Private Limited
Great, this is helpful. Thank you and greetings to the entire team for the festive season.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Thank you, Karan. Same to you.

Operator
Thank you. The next question is from the line of Girish Choudhary from Avendus Spark. Please go ahead.

Girish Choudhary - Analyst, Avendus Spark
Yeah, hi, good morning. Thanks for the opportunity. firstly, I would just, would like to know, a bit more in terms of your acquisition strategy, right? well, while you mentioned about the strong, sponsor pipeline, but given the environment of rising interest rates and, that, and also the units trading at discount to NAV, right? So how does this change your approach to inorganic growth? And then also just extending this, are the asset sellers, I mean, might still be anchored, anchored to historical valuations, right? So would you wait for pricing to adjust, or you think that there are compelling opportunities that justify acquisitions today as well?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So as I mentioned, Girish, we will be opportunistic. We'll obviously look at opportunities which are accretive to yield and accretive to the overall portfolio. We are not looking at, to put it simply, very expensive buys here. We're mindful of that, so we'll be judicious in, use of capital and allocation of capital. sponsor pipeline, as you've seen, there are some good marquee assets in the pipeline, new developments, first-generation leasing. Some of them have, mixed-use feature which complements

with our existing portfolio as well.

So to that extent, we'll be selective, and wherever it is accretive, we'll sort of, would like to go for it. As far as other third-party assets are concerned, as and when they're in the market, we'll evaluate carefully and we'll only participate or bid for it wherever we think, or at a price where we think these are creative. Now I think the other element also would be, I just want to add here, is, if private markets today are trading at better multiples, right, we would actually be open to evaluate if there is any opportunity for us to- for any divestment to make sure that we are able to recycle capital for, getting better yields.

So that's also one option that we'll sort of look at. So open to various tracks to see how do we increase our portfolio in an accretive way.

Girish Choudhary - Analyst, Avendus Spark
Got it. That's

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
From our perspective, again, interest rate volatility will happen in markets every two to three years. I think we're very focused on total return. We've always come out and said that we will target 16% to 17% equity returns. Maybe in this environment we'll gun for a little bit more, but, we'll be guided by that as opposed to short-term interest rate movements dictate our long-term strategy. So I think that, cardinal rule for us of targeting 16% to 18% equity return doesn't change, and any opportunity we look at or any capital decision, that we look at, whether it's a divestment or fundraising or an acquisition, I think will be guided on an in-total basis, keeping that target in mind.

Girish Choudhary - Analyst, Avendus Spark
Got it, got it. That's pretty helpful. secondly, on the 361 transaction into the Ecoworld, I just wanted to understand the account- accounting treatment a little better because when I see the notes to account, there has been a loss, accounting loss of around INR71-odd crores which was reported. So could you just walk us through exactly, where that loss arises, is it attributable to SPV or the REIT? And also, in terms of implications, does it have any implications for future NDCF?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Right, so, this is, a- this has been done in compliance with the accounting requirements, IAS 32, which requires us to account for the put option. And if you- if I were to take you back, 361 has a put option for three years starting March 28, which requires us to account for the potential obligation that may arise for the put option. Simply put, it's an accounting entry on the liability side which on one hand has made us record a put option financial liability which has got offset by an entry on the NCI reserve.

So to that extent, it's a purely accounting entry on the liability side, a plus and minus. It does not impact the portfolio or the asset commercially in any manner, whether it's NAV, whether it's NOI, or, DPUs, etc. It's a pure accounting entry on the liability side. Which has a compensating effect.

Girish Choudhary - Analyst, Avendus Spark
Got it. Thanks, thanks for the clarification.

Operator
Thank you. The next question is from the line of Sumit Kumar from JM Financial. Please go ahead.

Sumit Kumar - Analyst, JM Financial
Hi, good afternoon. Thanks for the opportunity. My first question is on the dividend proportion in the distribution. That has moved to 30% and expected to grow to about 40% post the capital reduction schemes. So, the first question is on, what is the timeline of this, capital reduction, scheme being completed and flowing through to our distributions,

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Right.? So, we've filed the scheme, it's in the process. What we are expecting is by this fiscal year end or the first quarter of '28, we should have these schemes, flow through, which should result in an incremental, component of the dividend. So just to step back, from 16-17%, we've gone up to 30%. we expect post these two schemes, coming into force, we should get to about 38-39%, and thereafter to two more levers that we have. we have a fair bit of reserves that we have on our books which we'll continue to use over next few quarters to give some incremental payout in form of dividend.

Thereafter, I think all the organic growth, if you look at seven SPVs where, we will have the ability to distribute in form of dividend. So the entire organic growth will flow through in form of dividends. So we are very hopeful that this percentage should inch up further.

Sumit Kumar - Analyst, JM Financial
So any, target number you have, given there would be positive operating leverage coming from growth over the medium term, how sustainable that would be and what's the target number?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So, look, we are at the moment very comfortable with achieving about 40-odd percent in the next two to three quarters. Thereafter, with organic growth coming in, we possibly would be about 45-odd percent easily, oh, in the coming years.

Sumit Kumar - Analyst, JM Financial
Sure. my second question is on the dry powder, comment, that has, uh, actually been revised downwards and the LTV assumption has also been revised downwards. So any particular reason for Uh, that, uh, is it related to the hike in interest rates or the expectations?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So we just wanted to be, uh, you know, in the current environment, for our own, guidance, we just wanted to be a little conservative. I know we were earlier looking at some 34-odd percent, if I, uh, yeah, 34.5.

Sumit Kumar - Analyst, JM Financial
Yeah.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT

Uh, so we just wanted to, be a little conservative about 32.5-odd percent. Uh, at that LTV also, that gives us enough dry powder considering that we are at some 27, 26.5%, 27%. Uh, that gives us enough headroom, um, from a, from an availability of capital perspective.

Sumit Kumar - Analyst, JM Financial
Sure. And, uh, one last question if I may. On the- it's a follow-up on the lease expiry schedule. If I look at, uh, you know, page 17 of the presentation, do you have the expiries for H2 and FY '28? Uh, the MTM spread is about 8-10%. So in terms of your discussion with the tenants, are you seeing realizations lower, higher, uh, to this number? Or, you know, what's the sort of current take on this?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
I think the guidance that we have given on MTM spread, uh, you know, we are hopeful that the actual MTM spread that we will be able to realize could be a bit higher than this, given that, you know, most of our portfolios are reaching, uh, you know, near saturation or stabilized occupancy levels. And these are large campus formats that we have. So we have- we are pretty positive and hopeful that at the time of REIT renewals, the actual spreads could be a notch higher than what we've indicated here.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
I'll just add to Shashank's answer, uh, right? If I can just take you to 27 of our presentation, which has a detailed schedule on expiry, as we focus on two of our top assets, right, which is about, you know, 50% of our attributable value, uh, this is Ecoworld and Powai. I think each of these have 1.5 million square feet churning over the course of next three to three and a half years. Let's take an example, right, we just signed something in Ecoworld at close to a 130 number but our average expiry rent over these three years is just 110.

So even if I take a very modest inflationary growth just the three-year MTM potential on Ecoworld is worth INR60 crores to INR65 crores. Very similarly, Powai we're already touching INR200 but our average churn is happening at 180 to 185. Again, with some inflation, we will look to clock another INR60 crores, INR65 crores there. So just two assets are adding INR130 crores, which is INR1.5 of DPU, right, uh, with just these two. Of course, our estimates on page 17 are based on what valuers put out, but what we are achieving in the market is, uh, I would say, a tad better, and these numbers will surely be outperformed.

Sumit Kumar - Analyst, JM Financial
Sure, that's very helpful. That's all from my side. Thank you.

Operator
Thank you. The next question is from the line of Mohit Agrawal from IIFL Capital. Please go ahead.

Mohit Agrawal - Analyst, IIFL Capital
Yeah, good afternoon everyone and thanks for the opportunity. Uh, my first question is on the, uh, DPU growth outlook in the near term. So this quarter you've delivered almost 9% year-on-year. Uh, last quarter this number was about 6.7% and at that time you had guided that this will remain in the 7% to 8% range. So how do you see this going forward, as in given the leasing pipeline and the rentals mark-to-market that you've been realizing, uh, do you see a meaningful pickup over the next

two to three quarters in terms of DPU growth?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So, uh, last quarter we were about 5.6, uh, distribution DPU. This year, this quarter, we are at 5.7. We expect this trajectory to continue, uh, you know, with, the construct of our portfolio, uh, and, uh, you know, some positives coming out of, uh, you know, the favorable changes on the tax side, both on the MAT credit and effective tax rate, etc., going down. So to that extent, there we expect a further positive fill-up to our DPU numbers.

Mohit Agrawal - Analyst, IIFL Capital
Okay, so the growth part which I was- so that 8%, 9% growth would, continue. And you spoke about MAT credit, so like from a cash tax perspective, you think that number could go down further? Because right now also that number is actually 1% to 2% of your EBITDA.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Yes, we are looking at just at a broad level and annual MAT saving over the, you know, at least for next two to three years in the range of INR100 crores to INR110 crores annually. Uh, that's the ballpark number that we have, uh, which will result in an annual saving for the next two to three years.

Mohit Agrawal - Analyst, IIFL Capital
Okay, understood. My second question is on the, uh, when I look at your lease terms, the new leasing that is happening typically is at about a 10-year lease tenure, uh, for the last few quarters. Uh, is that by design, or is it that, you know, the incremental GCCs are asking for longer tenures? And if you could comment a little bit about how the escalations with these kind of, uh, is it the similar 15% three-year escalations, or are these contracts now moving to more like an annual escalation?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So it's a mix there. It's a market phenomenon. Some of the markets, uh, you know, in down south the market is moving towards more an annual escalation. Uh, some of the markets up north continues to be at 15%, uh, reset every three years. So that's more a market phenomena, I would say. In some cases, yes, we are able to pivot to an annual increase, and that's the intent that we have as much as possible that we can do that. As far as the long tenure of the lease is concerned, that will always be our preferred approaches to get to longer-term leases with our tenants because we do understand any rethink on your occupancy or office location, etc., requires a lot of mitigating a lot of moving elements including occupiers, your employees, etc. So our intent would always be to go in for long-tenure leases?

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
I would say the natural strength will always be new leasing and the way we define new leasing is actually the first-time take-up. Every time somebody takes space for the first time they would invest significantly in the fit-out and for that reason they'll always want a longer tenure, Mohit. Renewals may be a shade lesser. So you're right, last two quarters we've our average turnover on new leases is 10 years. Renewals would be, call it, eight years because at the time of a renewal, a tenant is just

signing up for a second generation of the leasing, right?

So they may want to keep some flexibility, but the first-time take-ups are typically 10 years. And we like it, like Shashank said, because it just secures cash flows for a much longer duration.

Mohit Agrawal - Analyst, IIFL Capital
Perfect. That answers my question. Thank you and wish you all a very happy Diwali.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
Thank you. Same to you.

Operator
Thank you. The next question is from the line of Pritesh Sheth from Axis Capital. Please go ahead.

Pritesh Sheth - Analyst, Axis Capital
Yeah, good afternoon and thanks for the opportunity. Uh, first question is on the, uh, you know, occupation occupancy trajectory from, here on. Uh, you know, I know we were targeting around 96-97% kind of occupancy, uh, you know, over a near term. Uh, but, uh, if you can just, uh, further down, like, how should we think about the occupancy at end of FY '27-'28, uh, considering that it's just like now 2 million square feet odd which, uh, is coming up for expiry where we need to, you know, which is what we need to lease out. So, uh, yeah, so targets on the occupancy.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Sure. See, if you broadly look at space, we have about, uh, 2% vacant area on our NPA, you know, converted or applied area, which, uh, you know, which, has a very robust demand, uh, across our SCG portfolio. So I think that should easily happen. Um, and thereafter, you know, if you look at, uh, some of our portfolios, Ecoworld continues to be in high demand. Um, we have, we have some occupancy there where we are sort very bullish that if you look at our Gurugram campuses, as I mentioned, we are seeing some positive traction there.

Both of them have moved up, uh, you know, G2 has moved up to 84%. Uh, there is a, you know, positive news today. We were very pleased to welcome Maruti in our campus with their engineering center, uh, that they've announced today. It's a 2,000-seater center. Um, you know, once they have come in, uh, you know, there would be a pivot to take up more space by them or, similar players there. So overall, uh, we are hopeful that we should be in the zip code of about 96%, uh, by the end of this fiscal, um, and thereafter would look at stabilizing the occupancy in the subsequent year by another 100-150 bps.

Pritesh Sheth - Analyst, Axis Capital
Got it, very helpful. Uh, and, uh, in terms of organic development, I think beyond the 4-5 million square feet that you already disclosed, you mentioned about 3 million to 4 million square feet of another potential. Uh, can you elaborate on that? Like, is it part of the existing assets? Uh, you know, those lands are sitting with one sponsors or within the REIT? Uh, so just some more details on that.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Okay, no, let me, let me clarify. What we are looking at is, you know, three specific levers. So one is

about INR600,000 crore of development which is nearing completion, which is Baytown in Kolkata. That should come in, come up by early fiscal '28. Thereafter, we have existing incremental development potential in N1, N2, and the balance in K1, which is roughly about 3.5-4 million, for which we have the land and which we have the FSI. Uh, what we are on these two additional levers, what we are potentially looking at, you know, trying to take benefit of the, change in policies.

For example, in G1, we could look at buying TOD FSI for another half a million. And the fourth element is potential redevelopment opportunities, let's say, you know, in Ecoworld, which could be another million or so. So that's the broad portfolio of potential redevelopment that we, are looking at across our campus, which obviously we'll evaluate and, see, you know, how do we pick it up in a phased manner.

Pritesh Sheth - Analyst, Axis Capital
Sure, got it. That's helpful and thanks for that clarification. Just one last, uh, you know, I think this quarter we had 8% NOI growth and 9% DPU growth. 9%, I mean, slightly higher than the NOI growth. Um, are there levers to maintain this, or, um, uh, I mean, maintain this DPU growth higher than NOI growth, or on a, on a more longer horizon it would be aligned? In that sense,

Saket Gupta - Head of Finance, Brookfield India Real Estate Trust REIT
Yeah, I think the primary reason for that is that we have got some saving in the interest expenses. Uh, last quarter we mentioned we will repay the loans, which we have done that. So that has resulted in that saving for us. It's a perpetual saving as we planned earlier, but as we mentioned in the earlier call, there is obviously an interest rate hike. So we will see how this plan together. But overall picture is that tax cash saving is also there, so it's a combination which will continue.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
See, on directionally, I think at some stage these should converge. Uh, there obviously would be working capital element that will be in play, you know, whether it's security deposit refunds and new security deposits coming in, or interest rate movements, etc. So there could be some variation here and there, but directionally the two should move in tandem.

Pritesh Sheth - Analyst, Axis Capital
Sure. And just one last, uh, sorry, uh, you know, this, uh, put option loss that we recognized, uh, will this, uh, happen every time when we are revaluing, uh, the asset? Uh, you know, this M2M will keep coming, or how should one think about it?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Yes, so every time there is a revaluation of the portfolio, these numbers will undergo a change. And both the numbers which have a compensating impact will move in tandem. So the net impact would be zero.

Pritesh Sheth - Analyst, Axis Capital
Got it. Helpful. Thanks. That's it from my side and all the best. Happy Diwali to the team. Thank you.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Same to you. Thank you.

Operator
Thank you. The next question is from the line of Yashas Gilganchi from DAM Capital Advisors. Please go ahead.

Yashas Gilganchi - Analyst, BOB Capital Markets Limited
Good afternoon, team. Thank you for taking my question. Um, how do you expect your average cost of debt to evolve over the financial year? Now I understand that a limited amount of outstanding debt expires through FY '29. However, do you expect to change the composition of your debt? I mean the split between fixed and floating. And lastly, does that incremental- does the incremental access to capital from banks change how you think about funding?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Okay, so, uh, two parts to your question. So one is the composition of interest rate. Um, you know, as of now we are not specifically looking at refinancing or moving any floating into fixed. As and when there is a reset, as and when, uh, you know, there are renewals coming up, we will take a call at that point of time. Uh, But to your specific point, we're not looking at immediately refinancing any of our portfolio and moving to a fixed rate regime.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
Yes, so I'll just add, so if you look at the average cost of debt today, we are at 7.3%. About 85% of the portfolio is floating. Of that, there are two benchmarks, one is linked to repo, there are some loans which are linked to the bank benchmarks. So part of the portfolio resets to repo as and when the repo rate moves, and the balance will be linked to as the MCLR will move for the respective benchmarks. So the portfolio will keep getting reset accordingly, and that's how you should think about interest rate increases going ahead.

We've already outlined some numbers in terms of the actual impact with respect to the cost versus the 25 bps. Rate hike. That's already happened. Uh, in terms of the, uh, fixed component, that was a bond that we'd taken in December last year, so that's a five-year tenor. Uh, we are currently at about 26-27% LTV. The incremental borrowing that we do take, we will continue to evaluate between fixed rate and floating rate structures. Today, as, you see, uh, with where bonds are priced today, they're priced at about a 40 to 50 basis point 50 basis points higher yield versus where 15-year LRD loans would be priced at.

As and when we think about future leverage that we need to add in, whether it's for an acquisition or otherwise, we would look at both of these options and evaluate what's- and do what's best at that point in time. In terms of refinancing, less than 5% of our portfolio is coming up for maturity in the next couple of years. So there is not much to be done there. Hope that addresses your question.

Yashas Gilganchi - Analyst, BOB Capital Markets Limited
Yes, thanks, that is clear. Uh, are you actively pursuing any acquisitions? Uh, how do you describe the market for the, uh, for institutional office assets now in terms of demand and supply? What are the cap rates you observe, and what cap rate- at what cap rate does an asset become a potential target for acquisition?

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited

So I'll just say that, uh, that of course there are opportunities with the sponsor group, uh, you know, uh, there are a few interesting ones which are newly built properties in highly complementary markets which we think are a right fit for the portfolio we have. We continue to stay close to those, but there are also third-party opportunities that we're seeing in the market that we evaluate from time to time. I would say we are not anchored to cap rates like I described earlier during the call. I think we're focused on a 16% to 18% total return.

There can be opportunities that offer higher growth, uh, which may merit a tighter, uh, in- I would say entries. And there can be opportunities that offer less growth and may merit a higher, uh, I would say entries. So we are not, we are not, uh, we are not judging opportunities by cap rate but by the return potential. And I think that will be the lens continue to apply as we move along.

Yashas Gilganchi - Analyst, BOB Capital Markets Limited
Got it. Thank you very much.

Operator
Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta - Analyst, Maximal Capital
Good afternoon, sir, and thank you for the opportunity. Uh, so this, uh, so as I understand, this 100 basis point of impact would impact your DPU by around 5-6%, right? 32 basis points on 5.7%. Um, now on your NAV, what would be the similar impact, sir, for every 100 basis points?

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
So, um, there will be no impact on NAV, and I'll give you context. Uh, when we started the- or we started the interest rate declining scenario in the last one and a half to two years, interest rates decreased by about 150 basis points. The cost of debt that was taken as part of the valuation assumptions has through this period only got impacted or reduced by 25 basis points. So interest rates have to really rise for it to make a meaningful difference to change the cost of debt assumption as part of the valuation workings.

And do note that when the valuers are making these assessments, they are doing this for the industry as a whole. So all REITs are typically using, say, or the valuers for the REITs, which are all independent valuers, they're all using similar assumptions. So that's how you should probably think about it. So maybe if it does move beyond, say, a percentage or so, at best maybe you could think about a 25 bps kind of an impact at best. And again,

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Yeah, and, to just to add to, uh, to it, you know, our, free cash flows, uh, would see a positive impact because of some of the favorable, uh, regulatory changes like MAT that we spoke about, which we are then confident should offset any potential downside if we could experience because of rising interest rates.

Sarvesh Gupta - Analyst, Maximal Capital
Okay, so broadly, basically you are saying that the valuers would not take this rising interest rate into scenario unless there is a significant increase? The valuation would not change because in the

previous cycle they did not increase the valuation when the interest rates were going down.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Look, valuers would definitely take into account any changes in the interest rate when they compute the WACC and other things, uh, because that's a reality. I think the, follow-on or the counter impact would be that yes, there is an interest rate that has gone up that will get factored and that will impact their assumptions. So some of the financial assumptions, the counter would be the organic growth that we are looking at and some of the positive changes which will help us in, our cash flows, which we are hopeful will then offset any, downside there.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
So just adding, look, while our cost of debt today is 7.3%, the assumption taken by the valuers is already 8%, right? So if you think about it that way, they, you know, when the valuers are doing this math, they are thinking about through-the-cycle interest rates versus necessarily how rates are moving through the cycle.

Sarvesh Gupta - Analyst, Maximal Capital
Okay. And when you are acquiring a new asset now, let's say if you have to acquire from the sponsor, now for you cost of debt would have gone up, uh, you know, especially on the new debt that you will be taking. It will come at a higher cost. So, uh, I mean, you know, in your discussions for the potential opportunities, have you also seen a similar decrease in the overall valuation of the properties to compensate you for the lower- for the higher interest rate that you will have to bear going forward?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So the way, uh, I will answer this is that it's a little more nuanced approach to it rather than, uh, you know, painting it with the same brush to say, okay, the interest rate goes up and hence the cap rate goes up and, uh, and hence the impact on the valuation. I think every investor, every acquirer including us, will take a differentiated approach asset by asset you know, what's the, composition of asset, positioning of the asset, you know, front office, mixed use, how accretive it is to our geographical location, existing portfolio, etc., um, you know, potential on upsides, uh, going in, etc., and then take a view on what should be the pricing there. And that's an approach I would assume every investor would follow, not just

Sarvesh Gupta - Analyst, Maximal Capital
No, that is, that is all right, sir. But like to like, for example, today, six months back to now, for the same asset, would you pay lower or would you not? Uh, you know, given that you will have to bear a higher interest rate cost

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
For it, I mean, theoretical answer for something like that would be, yes, we'd like to pay lower, right? Uh, but the, but the fact of the matter is that you also have to- like, again, the assumption in your question is that all acquisitions are only debt financed. You also have to see what is the amount of equity you have available, what is the amount of equity that you can raise, and actually look at that

full capital structure mix and see what is it that you can deliver to the equity guy. In India, it is unfair to compare cap rates with interest rates because all your leases come with a 5% contracted rent rent growth, right.

So even if you let's say buy something at an eight, the reality is you're getting a 13% contracted return because you're going to get 5% escalations, right. Now you have to compare your cost of debt versus that 13 and take a decision as to how much do you want to pay for an asset, not just purely looking at the interest rate as a sole metric. So that's the only thing I'll say, but yes, the answer would you in a situation where interest rates go up by 1%, would you want to pay the same amount for the asset?

The answer would be no, right? You'd ideally want that, five years of interest expense that you will incur extra to be passed on to the seller as opposed to being bought by the buyer.

Sarvesh Gupta - Analyst, Maximal Capital
Okay. And finally, this 16% to 17% equity returns, which is your potential target, so what is the starting base for this? Is it the IPO date, or how do you look at- because for example, now we have seen a lot of decrease in the price So now 16-17% might look more achievable. So how do you compute this 16-17% target and how do you judge yourself against it?

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
Yeah, so that's a determination we make for the cash, equity cash that we use at the REIT. It has nothing to do with the stock price. The way, if we have cash available in the REIT, we want to use it to make 16-17% returns. Uh, the stock price movements will, can give you a different return. In today's environment, if you ask me, they may give you a higher return, right? But when we have cash available at the REIT, we want to at least generate 15% to 17% from it.

Sarvesh Gupta - Analyst, Maximal Capital
Understood, sir. Thank you, sir, and all the best.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
Thank you.

Operator
Thank you. The next question is from the line of Gaurav Goel from Kotak Mahindra Bank. Please go ahead.

Gaurav Goel - Analyst, Kotak Mahindra Bank
Yeah, thank you for the opportunity. Um, so my question is with respect to your N1 asset in Sector 62, Noida. How do you assess the current rental market dynamics in this micro market? And given the evolving office leasing environment, what is your outlook on market rental growth over the medium to long term? And what factors do you believe could drive rental appreciation in this location?

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
So on N1, if you can look at slide number 12, we have given that our in-place rents are at INR66, and

the recent leasing that we have done in the- in this asset is roughly at INR75. So we have a very positive outlook, and, we presume- we, believe that we'll be able to kind of get these mark-to-markets, uh, in this asset as and when these leases will come for expiry. So as a market, that N1 asset and then the Noida market Sector 62 have been kind of performing very well for us. And, uh, we see going forward, uh, uh, the rentals to kind of look upwards, uh, in our N1 asset.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
I think just to add on to it, you also have to look at, uh, the micro market there. I mean, if you look at that micro market, Sector 62 and around there, isn't any, uh, supply in the near term that's coming up, uh, in a big way. Most of the supplies have been focused on the expressway side. And this is a large campus format development which again we really don't have a peer set there in that micro market. So to that extent, as Harris said, we do see rentals moving up.

Gaurav Goel - Analyst, Kotak Mahindra Bank
Sure. Just a follow-up question on the 75 number that you just mentioned. So is that 75 a bombshell rental or is it like a fitted out rental number?

Shailendra Sabhnani - Managing Director, Capital Markets, Brookfield India Real Estate Trust REIT
Bombshell rental,

Gaurav Goel - Analyst, Kotak Mahindra Bank
Bombshell rental. and thank you and similarly can you just provide a view on the K1 asset that you have the micro market in which K1 asset is located with the change in the political scenario there do you see the market rentals to go even further up vis-à-vis the previous scenario?

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
So again I think in K1 our in place is about 50, 51. And the recent leasings have been at about 60-odd, that zip code. Uh, you know, again, you know, very similar situation for us. That is almost 98-99% leased. From a supply perspective, you know, not too much supply coming in from a, from a similar campus format developments. Uh, we are looking at, as I said, exploring options of potentially developing, uh, the FSI that we have there. As far as the, on-ground sentiments are concerned, uh, you know, for us, since our leases have all been locked in, um, and campus is full, so while there is, there is general improvement in the sentiment, uh, you know, but the re-rating would happen in due course as and when the renewals come up.

Harris K.A. - Vice President Capital Strategy, Brookfield Property Management Services Private Limited
I'll just add that in case commerce increases in the state generally and of course there's a lot more inbound business, I think the only thing that really changes for us is we are sitting on a huge amount of development potential. Our ability to consume that will be much faster should there be demand at scale that is available. In fact, the good news is we already have 500,000 square feet already built that we are seeing some interesting conversations on. And we can totally see a difference in the kind of clientele that we're already beginning to attract.

So yes, knock on wood, if all goes well, we may be able to actually deliver our development plan much faster in this asset. Got it. That answers my question. Thank you so much.

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Shashank Jain - Chief Executive Officer and Managing Director, Brookfield India Real Estate Trust REIT
Thank you so much. I really appreciate the time that everybody's taken. And on behalf of the entire team here, I do wish to convey a very happy Diwali and season's greetings to all of you. Uh, thank you so much.

Operator
[Operator Closing Remarks]