July 31, 2024

To,
The Corporate Relations Department,
The National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor,
Plot No. C/1, G-Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051

To,
The Corporate Relations Department,
Department of Corporate Services,
BSE Limited,
25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400001

Re: Script Symbol "EMBASSY", Scrip Code 542602 and Scrip Code 973434, 973545, 973546, 973910, 974885, 975051, 975056 and 975311 (NCDs) and Scrip Code 726240 (CPs).

Dear Sir/ Madam,

Subject: Transcript of the Earnings Conference Call for the quarter ended June 30, 2024.

ln continuation to our letter dated July 26, 2024, regarding the link to access the audio recording of the Earnings Conference Call held on Thursday, July 25, 2024, at 1800 Hrs IST to discuss Embassy Office Parks REIT's financial results for the quarter ended June 30, 2024, please see enclosed the transcript of the aforesaid Earnings Conference Call.

The transcript referred to above has been uploaded on our website and can be accessed through the link as set out below:

https://eopwebsvr.blob.core.windows.net/media/filer_public/01/1c/011c3b83-ad77-4a02-b753-eaeb95b260f9/embassy_reit_earnings_call_q1_fy25_transcript_with_qa.pdf

Thanking you,

For and on behalf of **Embassy Office Parks REIT** acting through its Manager, **Embassy Office Parks Management Services Private Limited**

VINITHA ARAVIND MENON
Digitally signed by VINITHA ARAVIND MENON
Date: 2024.07.31 10:59:38 +05'30'

Vinitha Menon
Head - Company Secretary and Compliance Officer
A25036

Encl: As above

Embassy REIT
Q1 FY2025 Earnings Call
July 25, 2024

CORPORATE PARTICIPANTS

Aravind Maiya – Chief Executive Officer (CEO)

Abhishek Agrawal – Chief Financial Officer (CFO)

Ritwik Bhattacharjee – Chief Investment Officer (CIO)

Sakshi Garg – Head - Investor Relations

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MANAGEMENT DISCUSSION SECTION

Operator: Good evening, everyone. A very warm welcome to all for Embassy REIT's first quarter FY2025 Earnings Conference Call. Currently, all participants are in a listen-only mode. Our speakers will address your questions during the question-and-answer session at the end. As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference – Ms. Sakshi Garg, Head of Investor Relations for Embassy REIT. Mam, you may begin.

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Sakshi Garg

Head – Investor Relations

Thank you. Welcome to the first quarter FY2025 Earnings call for Embassy REIT.

Embassy REIT released its financial results for the quarter ended June 30, 2024, a short while back. As is our standard practice, we have placed our financial statements, earnings presentation discussing our performance, and a supplemental financial and operating databook in the Investors section of our website at www.embassyofficeparks.com.

As always, we would like to inform you that management may make certain comments on this call that one could deem forward-looking statements. Please be advised that the REIT's actual results may differ from these statements. Embassy REIT does not guarantee these statements or results and is not obliged to update them at any time. Specifically, any financial guidance and proforma information that we will provide on this call are management estimates, based on certain assumptions and have not been subjected to any audit, review, or examination procedures. You are cautioned not to place undue reliance on such information and there can be no assurance that we will be able to achieve the same.

Joining me today are Aravind Maiya, our CEO, Abhishek Agrawal, our CFO and Ritwik Bhattacharjee, our CIO. We will start off with brief remarks on our business and financial performance and then open the floor to questions.

Over to you, Aravind.

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Aravind Maiya

Chief Executive Officer (CEO)

Thank you, Sakshi.

Good evening and thank you all for joining us today to discuss our Q1 results.

We are happy to report on another successful quarter to start off the financial year. This quarter, we leased a total of 1.9 msf and completed the acquisition of the 5 msf Embassy Splendid TechZone ('ESTZ') asset in Chennai. We also started a new redevelopment project in Embassy Manyata, aimed at increasing the leasable area from 0.3 msf to 0.9 msf, with an expected yield on cost of around 20%. Most importantly, I am delighted to announce our Q1 distributions of ₹5.6 per unit, which implies a DPU growth of 7% QoQ and 4% YoY.

As I had highlighted in our previous earnings call, FY2025 is expected to be a year of growth for our business on all fronts – our scale, occupancy, NOI and DPU. We are on track to deliver that growth to our investor base, which has crossed the 1 lakh mark recently. On another positive note, a recent Budget announcement has reduced the holding period for long-term capital gains on REIT units from 36 months to 12 months. This puts us at par with listed equity shares and should further enhance the attractiveness of the REIT product amongst investors.

On the macro front

Indian office market continues to do well and recorded a strong first half with 31 msf absorption in the top 7 cities, a 26% jump YoY. Almost all independent property consultants are now expecting CY2024 to create a new absorption record, beating the all-time high of 61 msf in 2019. Amongst cities, Bangalore and Chennai stand out, accounting for over 40% of H1 absorption and over 50% of the active RFPs in the market. With 100% of our developments coming up in these two markets, we are very well positioned.

The key demand driver continues to be global corporates who are setting up or expanding their GCCs ('Global Capability Centers') in India. In the past 3 years, almost 70% of our leasing has been to GCC clients. Our GCC exposure continues to rise with 87 such companies, occupying close to 20 msf total area, forming part of our 250+ tenant roster.

Moving to our Q1 leasing performance

- We leased 1.9 msf across 22 deals, including 0.7 msf of new leases and 0.6 msf of renewals at 11% combined spreads. This included early renewal of two leases totaling 0.2 msf, which were due to expire in FY2026.
- In addition, we secured another large pre-commitment of 0.6 msf, along with an expansion option for 0.3 msf. This pre-lease is with one of our largest GCC tenants and we will construct a built-to-suit tower by redeveloping Block B in Embassy Manyata. With an expected yield on cost of around 20% on this redevelopment, we have once again unlocked additional value at our prime asset Embassy Manyata.
- At Embassy Manyata, in the last few years, we have also initiated five refurbishment projects, post large tenant exits, spanning 2.2 msf area. Of this, we have already backfilled 1.3 msf at 75% spreads. These refurbishments have been instrumental in adding value to the asset and have enhanced the in-place rents of Manyata by 10% just in the last 12 months.
- In terms of lease expiries, which are front loaded this year, we noted 0.9 msf of tenant exits during Q1. We have received an exit notice for an additional 0.4 msf from one of our IT services tenants in Pune, which we had indicated as a potential risk.
- We ended the quarter with an occupancy of 85% by area and 88% by value. Our Mumbai portfolio is already at 99% occupancy, Chennai at 95% and Bangalore at almost 90%; and three of our properties are now 100% occupied.
- So, currently, we have 5.8 msf vacancy in our portfolio, with 2.5 msf vacant area in Bangalore and 1.3 msf in Noida. I want to highlight that we have a strong traction for this 3.8 msf vacancy across Bangalore and Noida; with a good pipeline for Embassy Manyata, Embassy TechVillage and Embassy Oxygen.

On the SEZ front

- During Q1, we successfully denotified the 0.8 msf F2 block and the under-development 1.4 msf D1 and D2 blocks in Embassy Manyata. With this, we have denotified a total of 3.4 msf area since April 2023 and have already leased up over 70% of this. Another 0.3 msf block in Pune is under the denotification process.
- In addition, we have successfully demarcated another 0.1 msf in Noida this quarter to Non-Processing Area ('NPA') under the new guidelines, taking the total demarcated area to 0.8 msf. Of this, over 40% is already leased up and we have a strong pipeline for the remainder. Another 1 msf area in Bangalore is under the demarcation process and we expect to complete this by next month.

Moving to our development portfolio

- Our current development pipeline now totals 8.6 msf with a capex outlay of ₹4,600 crores. This is expected to result in incremental stabilized NOI of ₹1,000 crores, implying around 20% yield on cost.
- If we look at the deliveries scheduled till end of FY2026, six blocks spanning 5.8 msf will come up in Bangalore and Chennai. We have already pre-leased around 70% of this area, including expansion options. This 15% area addition to the existing 37.7 msf of completed space, gives good visibility of the REIT's growth runway in the mid-term.

Lastly, on our recent acquisition

- We have completed the acquisition of the 5 msf Embassy Splendid TechZone asset in Chennai and fully integrated the asset from June 2024. With that, we are now a 51 msf office portfolio and have strong embedded growth levers, giving us a clear pathway to continue delivering DPU growth.

I will now hand it over to Abhishek to present our financial updates.

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Abhishek Agrawal

Chief Financial Officer (CFO)

Thank you, Aravind and good evening, everyone. Let me take you through the financial highlights for Q1.

- Our Revenue from Operations stood at ₹934 crores, up 2% YoY and NOI at ₹758 crores, up 3% YoY. If we look at the commercial office segment, both revenue and NOI were up by 4% YoY. The increase was mainly driven by new lease-up at high re-leasing spreads and contracted rent escalations.
- For our solar segment, which represents less than 5% of our topline, the NOI dropped by 34% YoY, mainly due to a seasonal reduction in solar unit generation as well as a reduction in government tariffs. On the other hand, our hotel segment NOI grew by 16% YoY, due to an occupancy uptick of 800 bps to 61% as well as an ADR growth of 5% YoY.
- We declared distributions of ₹531 crores or ₹5.6 per unit for the quarter, representing an increase of 4% YoY and 7% QoQ. This increase was driven by an uptick in our NOI as well as positive working capital changes, which was partially offset by an increase in our interest costs.
- During the quarter, we raised around ₹1,450 crores of debt at an average rate of 8.06%. This debt was primarily used to refinance a Commercial Paper as well as other high-cost debt at the recently acquired ESTZ asset in Chennai. The debt raise was done through multiple term loans at SPV-level, tapping various new banks and hence expanding our debt investor base even further.
- Our net debt book now totals around ₹18k crores, implying a 32% leverage ratio and a 7.8% in-place cost and our balance sheet remains solid with dual AAA-Stable credit ratings.

Lastly, on the forward financial outlook

We remain on track with the FY2025 guidance that we had provided last quarter. We continue to expect our NOI to be in the range of ₹3,215 to ₹3,345 crores and DPU to be in the range of ₹22.40 to ₹23.10 per unit. At mid-point, this guidance implies a 10% growth in NOI and a 7% growth in DPU, on a YoY basis.

I will now go through some of the key assumptions on which our guidance is based.

- We have updated our annual leasing guidance from 5.4 msf to 5.6 msf, post factoring the 0.2 msf early renewals signed in Q1. This comprises 3.8 msf of new lease-up, including new building deliveries planned for this year, 1 msf of pre-commitments and 0.8 msf of renewals.
- We now have 2.7 msf of lease expiries due for the year, implying 1.9 msf of total exits. With that, we are updating our Mar'25 occupancy guidance to 88% by area or 91% by value.
- We expect an 18-20% increase in our interest costs on a full-year basis.
- We remain on track to achieve our scheduled rent escalations and the NOI guidance for our hotels and solar park that we provided last quarter.

We have delivered on our distributions guidance every year and we remain focused on delivering this years' growth numbers to our unitholders.

I will now hand it back to Aravind.

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Aravind Maiya

Chief Executive Officer (CEO)

One last update. Ritwik has informed us of his decision to leave our organization at the end of September to pursue other interests. Ritwik joined the REIT in 2018 prior to its listing and has been instrumental in Embassy REIT's success as well as the growth of the REIT asset class in India over the last six years. He has been a guide and mentor to many within the organization and well respected by all our stakeholders. On a personal note, he has been a great friend and a colleague to me over the years. We thank Ritwik for everything he has done for the REIT, and we will miss his wisdom and sense of humor.

Ritwik, would you like to say a few words.

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Ritwik Bhattacharjee

Chief Investment Officer (CIO)

Thanks, Aravind.

I'll keep it brief. It has been 6 wonderful years and I'm immensely proud to have worked with this fantastic team at Embassy REIT. I'd especially like to thank Jitu, Aditya, Blackstone, the Board, Aravind, the entire management team and every single member of this organization. It's been a real privilege.

I believe the REIT structure has enormous potential in India, and thanks to all the unitholders, bond holders and other stakeholders for your continued support.

Lastly, I've built some fabulous friendships with a lot of you on this call, and I look forward to many more chats in the future. I'll be in touch.

Let's now move to Q&A please.

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QUESTION & ANSWERS SESSION

(Note: The Q&A has been edited for clarity)

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you and good evening. Congrats on improving DPU. My first question is with respect to your guidance of 91% occupancy by value. Where do you qualify your current occupancy in terms of value?

The second question is, if you can give more colour on what's happening with some of the expiries, especially in Embassy Quadron and in Embassy Manyata?

Aravind Maiya: Sure. For your first question, it's an easy answer. Right now, we are at an occupancy of 85% by area and 88% by value, that's the number guided to go up to around 91% by end of the year.

In terms of expiries, at Embassy Quadron, we called it out last quarter that we see a potential risk with one of our tenants at Embassy Quadron and broadly in line with that, we received a notice from them for exit of about 0.36 - 0.4 msf. They are set to leave by latter part of this calendar year. It's been a tough asset for us. I mean we could delve a bit more on that in due course.

At Embassy Manyata, the exits in the first quarter are a bit more front loaded, but largely in line with what we put out last quarter. Last quarter, we had said that there are potential exits of around 1.6 msf, of which 0.9 msf exits are in line. There's no further increase in that as of now. A large portion of these 0.9 msf exits are from Embassy Manyata asset because of which Manyata's occupancy has dipped to 83% and we believe that this is a temporary dip. If you look in the last 2 years, as some of the older blocks reached ultimate expiry and some of the tenants exited, we have used this opportunity to refurbish those buildings. We have refurbished three buildings in the last 1.5 to 2 years. All of them have reached close to 100% occupancy post refurbishment, with rentals increasing anywhere from 2.5x to 3x. Similarly, we are now refurbishing two blocks post these exits. And we believe that we will see similar results, in terms of both occupancy and rental growth.

And when you look at it collectively for Embassy Manyata as an asset, besides the 12.2 msf which is completed, we have 3.7 msf under construction. Of the 3.7 msf under construction, ~92% is pre-leased. We just have very little space left to lease. So, when you look at it collectively, as a park, I would say that it is doing phenomenally well. The dip in occupancy, what you've seen this quarter is temporary or transitional in nature.

Puneet Gulati: And these two blocks, when you refurbish, where does the area move?

Aravind Maiya: Puneet, refurbishment doesn't increase the area, we just change the look and feel of the blocks. Two redevelopments are ongoing in Embassy Manyata. One is the D1, D2 block which we started last year, we broke down the building and increased the area from existing 0.4 msf to now 1.4 msf and the new block which we spoke about, currently is 0.3 msf and that goes up to 0.9 msf.

Puneet Gulati: This is block L4?

Aravind Maiya: No, this is Block B or Magnolia.

Puneet Gulati: Okay, Block B, where you have ANZ.

Aravind Maiya: Not really. We will probably not refer to a specific tenant on this call.

Puneet Gulati: Understood. That's it. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: My first question is that the acquisition seems to be debt financed for now. Are you largely good with that? Or is the plan to reduce debt by raising equity still on?

Secondly, Abhishek you were mentioning that the total interest expense will go up by about 18% to 20% this year. Any early views as to whether that increase will carry forward into FY2026 or is it really that the bulk of the increase comes through and then stabilizes during the year?

And then, the third one is on the distribution guidance. Given that in Q1, we are starting off at 4% YoY and then you have laid out that occupancy goes up from 85% to 88%. Is it a bit early to say how this goes up from, let's say, the low half of the range or towards the midpoint. I just wanted to understand what would it take to still strike the upper end of the guidance from the current levels?

Aravind Maiya: Thank you. I'll request Ritwik to take the first question.

Ritwik B: Yes. Look, just on that acquisition, we are comfortable doing it with debt. I think the broader picture is that when we went out there with the equity raise, clearly, there was some discomfort in the market. But I don't think that really changes our overall strategy of thinking about using our units as currency, at some point in time. If you just look around, markets tend to be volatile. And we don't want to be short-sighted in our view. At some point in time, we might be out there, if the prices are there for us to go out and think about tapping the markets to de-lever or say have capital for a rainy day. That's effectively how we think about acquisitions and capital raising. Effectively, REIT is still a very new instrument. There has always been a lot of conversations around REITs from the market about how we should actually raise funds, but ultimately, we will keep that at our discretion and make sure that we do what is right for the REIT.

Aravind Maiya: And Abhishek, will you please take the second one.

Abhishek Agrawal: Yes. Kunal on the interest expense, the 18% to 20% increase is because of, the capitalization of the deliveries that we have done last year, deliveries that we will do this year, refinancing impact, increase in the interest cost because of refinancing and because of the debt that we have taken to fund the acquisition.

Now, how much will roll forward to FY2026 will depend on the interest rate trajectory. However, at the start of the next year we will come back with a guidance on how much of the interest cost will roll forward to next year.

Aravind Maiya: And on your last question, Kunal, I will give you a very theoretical answer. What can move us to the higher end of the range - it is early lease-up, decrease in interest rates, early collection of rentals. The basic business levers, if we are able to front-end a bit, could lead to the numbers being in the upper end of the range. That being said, if anything is delayed, it could be in the lower end of the range. It is broadly as simple as that.

Kunal Tayal: All right and all the best Ritwik.

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

Mohit Agrawal: Thanks for the opportunity and Ritwik, wish you the best for the future and look forward to being in touch. So, my question is that Aravind, you mentioned in your remarks that Embassy Quadron has been a tough asset. Now there was a media article a week back saying that the company is looking to sell this asset. So, any comments on that?

The second question is, about a quarter back you, and when I say you, I mean the entire REIT community, had engaged with the government to classify REITs as an equity asset class. Where are those discussions? And has there been any discussions or feedback from the regulators?

Aravind Maiya: Sure. On Quadron, what you saw in the press, I would largely say that these are market

rumours, we will stay away from commenting on it. The only comment I would make is that overall, our philosophy has not changed. We are long-term owners of assets. But having said that, of course, we're open to recycling assets if we see better value in that. So, we will keep all options open. That's all I would like to say at this stage.

In terms of equity classification, discussions are on. At a big picture level, I think SEBI is open to this idea now, basis recent conversations. They are evaluating at the highest levels to see what needs to be done to classify this as equity, but we will continue to stay engaged with them as well as through IRA. And, this whole change, from 36 months to 12 months for long term capital gain, is one of the levers for that. A few other things need to be put in place. But big picture, government is open to this idea, but it's still under discussions.

Mohit Agrawal: Okay perfect. That's all. Thanks.

Moderator: Thank you. The next question is from the line of Piyush Mittal from Kotak Alternate Asset Managers Limited. Please go ahead.

Piyush Mittal: I have two questions. Firstly, on the acquisition. Now that we are not getting any rental support, what would the revised cap rate for the acquisition look like? And the second question is that I read a footnote about Embassy Whitefield which said that a letter of invitation was received which we don't seem to be evaluating. So, if you could just throw some light on that?

Aravind Maiya: Yes. So, on the cap rate, I will not get into the details of the number. In short, all I would like to say is that we have stuck to the numbers what were disclosed in the acquisition deck. Without rental support, the number was ₹1,185 crores, which is close to ₹80 crores reduction in the overall value. That is the number at which we have bought.

In relation to the second question, yes, we've received a ROFO, but as disclosed in the supplemental deck, necessary full information was not provided and hence, we have not been able to respond conclusively on the ROFO.

Piyush Mittal: Subsequently if you were to receive that information, are we planning on evaluating it further or that's being put on hold for now?

Aravind Maiya: Like any other ROFO assets, we'll continue to evaluate all of them based on all available data. Once we get it, we will decide to pursue or to not pursue.

Piyush Mittal: All right. Great. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Satinder Singh Bedi from Eon Infotech Limited. Please go ahead.

Satinder Bedi: Good evening. Thanks for the opportunity and congratulations on a very healthy bump up in the distributions. So, I got one question for Aravind and then two, three for Abhishek. So, Aravind any outlook on Embassy Oxygen, Embassy TechZone & Embassy Qubix, how do you see the occupancy moving, let's say, by 31st March 2025, and any potential exits that you see till March 2025?

Aravind Maiya: Sure. Let me take that and then you can give all the questions to Abhishek. In terms of Embassy Oxygen in Noida, as I mentioned, the market is looking up. It's been pretty healthy over the last three, four months. You would have seen that occupancy has gone up marginally. We also demarcated one full tower and a floor, and we are seeing traction on all these. Three of the blocks are relatively new. Embassy Galaxy in Noida has already reached an occupancy of 99%. So, in Noida overall, I see the occupancy moving up over the next three quarters.

In Pune, the overall Hinjewadi market has been slow for various reasons as we have said even before. Embassy TechZone and Qubix are relatively okay because they are situated in Phase 1 of Hinjewadi. And both these occupancies range somewhere from early 70s to mid-70s. There's a little bit of traction. If you look at both Embassy TechZone

& Embassy Qubix, put together, we have around 0.3 msf of non-SEZ space and another 0.3 msf building that is being de-notified, which means we have around 0.6 msf of existing supply in non-SEZ. So, from our point of view, our focus is to see how we can lease up this space over the next three quarters. So that's the big picture comment on these three assets. I will hand it back to you, Satinder, on your questions on the numbers.

Satinder Bedi: Abhishek, this time the distribution components have been very tax efficient. The dividend has seen a big bump up and the interest costs have come down. So, do you see this as the trend going forward or is this more of a one-off?

Second question was on the dividends and distributions from Embassy GolfLinks, they've dipped by about 22%, despite a 2% increase in revenue. So, anything to read into this?

Third is on the working capital changes of ₹374 million. So, what components make up this ₹374 million?

Abhishek Agrawal: On the first question on the distribution split, the amount of dividend depends on the profitability of each of the SPVs, which is dependent on the interest cost and the depreciation. With all the capitalization, the depreciation and the interest costs are increasing. It would be very difficult to say what will the trend be going forward, but as seen this quarter, the dividend increased because one of the SPVs started with a negative reserve and it became positive last year. This could be distributed as dividend in this quarter. I think the split in distributions in Q4 of last year will be the split that we will maintain in the next one year.

On the second question related to total distributions from Embassy GolfLinks. We think that this number of ₹63-64 crores per quarter is a stabilized number at least quarter-on-quarter for this year. The reason for dip depends on a lot of factors. One is the cash availability with the entity, payment of property tax and all of those. So, we believe that the ₹63-64 crores per quarter will be the number for the next one year.

On the working capital, like we mentioned last year, there were a lot of leases and pre-leases done during the last year, but we did not receive the security deposits. We have now started to receive these security deposits. The biggest component for this quarter's working capital is the security deposits.

Satinder Bedi: Okay. And what would be this out of ₹374 million?

Abhishek Agrawal: The net security deposit movement is around ₹50 crores for this quarter, offset by some payments and lower collections. So, net-net around ₹40 crores of working capital.

Satinder Bedi: Okay. Thanks a lot. All the best.

Moderator: Thank you. Ladies and gentlemen as there are no further questions, on behalf of Embassy REIT, that concludes this conference. Thank you for joining us and you may now disconnect your lines.