



**Nirlon Limited**

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**February 17, 2024**

**BSE Limited,**

The Corporate Relationship Dept.,

P.J. Towers,

Dalal Street,

**Mumbai - 400 001.**

**Security Code: 500307**

Dear Sir/ Madam,

**Sub:** Earnings Call Transcript

- Ref:**
1. Participation in Investors'/ Analysts' conference call held on Tuesday, February 13, 2024
  2. Audio link for the Earnings Conference call held on Tuesday, February 13, 2024 with Investors'/Analysts'

We refer to our intimation dated February 2, 2024 informing the stock exchange of an earnings conference call on **Tuesday, February 13, 2024**.

This is to inform you that the conference call was attended by Mr. Rahul V. Sagar, Chief Executive Officer & Executive Director, Mr. Kunal V. Sagar, Promoter & Non-Executive Director and Mr. Manish B. Parikh, Chief Financial Officer and V. P. (Finance) of the Company, Mr. Jasmin K. Bhavsar, Company Secretary, V.P. (Legal) and Compliance Offer and Mr. Ashish Bharadia, V.P. (Business Development and Investor Relations) of Nirlon Management Services Pvt. Ltd.

The transcript is attached herewith. The Transcript and the audio recording are available on the Company's website "[www.nirlonltd.com](http://www.nirlonltd.com)".

The interaction was based on a Q&A format, and the presentation for the aforesaid is available on the Company's website.

Kindly take the information on your record.

Thanking you,

Yours Faithfully,

**For Nirlon Limited**



Jasmin K. Bhavsar

Company Secretary, Vice President (Legal) & Compliance Officer

**FCS 4178**

**Encl:a.a.**

**Nirlon Limited**  
**Earnings Conference Call**  
**Tuesday, February 13, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 & 9 Months F.Y.24 Conference Call of Nirlon Limited.

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

I now hand the conference over to Ms. Purvangi Jain from Valorem Advisors. Thank you and over to you, Ms. Jain.

**Purvangi Jain:** Good afternoon everyone and a very warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the Investor Relations of Nirlon Limited.

On behalf of the Company, I'd like to thank you all for participating in the Company's earnings call for the 3rd Quarter and 9 months of the Financial Year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on the Management's beliefs as well as assumptions made on

information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the Company's fundamental business and financial Quarter under review.

Let me now introduce you to the Management participating with us in today's Conference Call and hand it over to them for opening remarks. We have with us:

- Mr. Rahul Sagar – Chief Executive Officer and Executive Director
- Mr. Kunal Sagar – Promoter and Non-Executive Director
- Mr. Manish B Parikh – Chief Financial Officer
- Mr. Ashish Bharadia – Vice President Business Development and Investor Relations, and
- Mr. Jasmin Bhavsar – Company Secretary and Vice President Legal and Compliance Officer.

Now without any further delay, I request Mr. Kunal Sagar to give his opening remarks. Thank you and over to you, sir.

**Kunal Sagar:** Thanks Purvangi. Good afternoon and welcome to our earnings call for the 3rd Quarter and 9 Months ended for the Financial Year 2024.

Let us take you through the Financial Performance of the Company:

For the Quarter under review, the Company reported a total income of 153 crores, an increase of 6.2% on a year-on-year basis. EBITDA stood at Rs.121.00 crores, which grew by about 2% on a year-on-year basis, representing an EBITDA margin of 78.93%. Profit after tax was Rs.52.00 crores, a decrease of approximately 3% on a year-on-year basis, while the PAT margin was 34%.

As regards the 9-month performance, the Company reported a total income of approximately Rs.453.00 crores representing an increase of 6% on a year-on-year basis. EBITDA stood at Rs.359.00 crores, an increase of 4% on a year-on-year basis, representing an EBITDA margin of 79.18%. Profit after tax was Rs.154.00 crores, representing an increase of 43% on a year-on-year basis, with a PAT margin of 34.08%.

On the Operational Front, the average occupancy rate for the Company as a whole, that is NKP and Nirlon House combined, was stable at 99.6% for the 3rd Quarter of the Financial Year 2024, and as on the 31st of December 2023 NKP was 100% occupied. At NKP, EY has renewed approximately 39,000 square feet of space, Adani Power renewed 9,000 square feet amenity space and an amenity space for the gym was licensed in December 2023 for approximately 6,700 square feet.

With reference to the questions from shareholders about potential restructuring or other possible value accretive measures, discussions and consultations with concerned parties to resolve relevant issues are likely to continue for some time. The Company understands the importance of this aspect for investors and shareholders and will

communicate any decision taken in this regard to investors.

As regards whether the Company intends to move to the new tax regime, after a careful analysis and deliberation in Board meetings, the Company has decided to stay with the old tax regime for the present. This is primarily due to the accumulated MAT credit available for set offs in the old tax regime, whereby the Company estimates the financial benefits of moving to the new tax regime for Financial Year 23-24 and for Financial Year 24-25 will be nominal, whereas the likely benefits to minority shareholders under any potential restructuring by remaining under the old tax regime are estimated to be appreciably greater.

Accordingly, there is little to be gained by making an irreversible move to the new regime at this time and closing the option to potentially greater gain from benefits under the restructuring available only under the old tax regime. This position will be regularly reviewed by the Company for any change in circumstances.

Finally, we are happy to inform you that the Board has approved an interim dividend of Rs. 15 a share or a pay out of 150% on the face value of each share for the Financial Year 23-24 at its meeting held yesterday.

With this, we conclude our opening remarks and open the floor to questions.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Dilip Jain from Ayush Capital. Please go ahead.

**Dilip Jain:**

The decision to continue in the old tax regime to maintain future restructuring flexibility is leading to a higher tax outgo thereby reducing our cash flows and our ability to pay a higher dividend. Sir, you had promised to consider a special dividend to compensate minority shareholders in the last conference call. Kindly let us know your decision taken on this?

I'll go ahead with my second question. In the September AGM we were updated that value addition or monetization of Nirlon House was being assessed and evaluated. I would request you to share the developments on the same. And my last question is we were supposed to be in the last phase of a possible restructuring conclusion, so any update on the same would be highly appreciated.

**Kunal Sagar:**

As far as your question on the tax regime goes, as mentioned in our opening statement, we clarified that the benefit of moving to the new regime at this point is nominal if at all, because the Company has accumulated MAT credit which it is using to set off its tax liabilities under the old tax regime. This credit will lapse if it is not used under the old tax regime and as a result of this credit, there is no (material) benefit at this moment to move to the new tax regime. So, we don't have a higher tax outgo by staying with the old tax regime now. In fact, by staying with the old tax regime, it allows us to keep the option open, to use any benefit that is available under the old tax regime depending on any potential restructuring in the future. So, there is effectively very little to be gained at this stage by moving to the new tax regime and we are not losing by staying in the old tax regime. This is potentially for the Financial Year 23-24 and for the

Financial Year 24-25. So, do take on record, that we do not estimate a higher tax outgo as a result of staying with the old tax regime, and hence we are continuing with the old tax regime at this stage.

As far as your question on Nirlon House goes, we have begun the process of evaluating and moving forward with what kind of value addition we need to do with Nirlon House and as we take decisions in that process in terms of which direction we want to go, we will certainly make sure that we update all of you.

**Dilip Jain:** Sir, about the restructuring conclusion, so it's been quite a while. Sir it's been about 8 or 9 quarters since we've been discussing the restructuring, and I presume that we were in the last phase of a possible conclusion. I understand that this is a time consuming process, but if you could just share a little information. As minority shareholders we would be really grateful to you.

**Kunal Sagar:** Mr. Jain, as we said in our opening remarks, the discussions and consultations to address the issues that are still open are likely to continue for some time. So, we won't categorize it as something that is in the final stage. That is not something that we indicated on our calls or any information that we put out at any stage. We are moving on it in a systematic way which essentially looks to resolve whatever issues are there and move forward. But as we said those discussions are likely to continue for some time.

**Moderator:** Thank you. Next question is from the line of Kiran Gandhi from Capital Growth Advisors. Please go ahead.

**Kiran Gandhi:** Sir, just wanted to understand, in how much time can we expect the restructuring to be completed. As the earlier participant also asked, it has been quite a long time. And with the whole market, the stock price hasn't performed that great, the restructuring being a very, very key determinant of the wealth creation for the minority. How much time can we expect this whole process to get finally completed in, because we have been listening to this problem since quite a long time now? Any possible further like timeline will be appreciated from your side?

**Kunal Sagar:** We don't have a specific timeframe to mention at this point. We wouldn't want to speculate on that, as we've mentioned in the past. So, nothing different from what we said in our opening statement.

**Moderator:** Thank you. Next question is from line of Ranbeer Singh from Yashwi Securities. Please go ahead.

**Ranbeer Singh:** So, I had two questions. Number one was relating to the MAT credit. What is the quantum of the MAT credit that you guys have in your books right now?

**Kunal Sagar:** Approximately Rs.30.00 crores; just under Rs.30.00 crores.

**Ranbeer Singh:** And just from a shareholder's perspective we don't understand like why it taking so much of time. Like what are the roadblocks that the management is facing in doing this process of delisting or whatever you guys are up to? Like what are the roadblocks or challenges? Are there any challenges that you guys are coming across?

**Kunal Sagar:** So, we wouldn't want to specifically get into on this call in terms of what are the specific issues. I think that would perhaps be more confusing than in any way clarificatory. There is a process or regulation that one has to follow and that we have to make sure that we are compliant with the same, especially as a public limited Company, and we are ensuring that we do that as we move forward with discussions. It has been taking some time to come to a conclusion on this matter, but we do continue to work our way through the various issues that need to be addressed.

**Moderator:** Thank you. Next question is from the line of Yash, an Individual Investor. Please go ahead.

**Yash:** So, I have a two-fold question. The first one is what was the reason for low growth in this Quarter on a year-on-year and a quarter-on-quarter basis?

**Kunal Sagar:** Sorry, may I request you to clarify what would you mean by low growth in this Quarter? Because the numbers have grown by about 6.2% in terms of the total income. If I can just ask you to be a little bit more specific, we'd be happy to try and answer.

**Yash:** Absolutely. So, what I meant was that if you see the license fees which are actually the major contributor to the total income, that only grew by 1.1% on a quarter-on-quarter basis and 3.6% on a year-on-year. Just wanted to understand the metrics as to what happened over there?

**Rahul Sagar:** These are basically license fees that are coming from the existing contracts that are in place and potentially there could be escalations in one quarter as opposed to another quarter. These are basically all fixed contracts that are

currently in place in NKP. We can also clearly say that all escalations, etc., are happening as contracted and some of this could also be as a result of the IndAS, which is basically straight lining the revenue as well.

So, there's nothing that we want to say which is significant from an operational point of view. The Park remains practically 100% occupied and all contractual escalations are happening. Some may happen earlier, some may happen later, but everything as per the contract. In any case the numbers are as per IndAS which is 100% straight lined.

**Kunal Sagar:** It may be better to look on an annual basis rather than a quarterly basis, as we have an accounting entry in one quarter which may not be there in the other, just to try and explain a little further. As Rahul, said there's nothing operational of any significance that has been different from what is planned, budgeted, or projected. So, just to clarify that part.

**Yash:** And the second question was what kind of growth would we be expecting say next year for F.Y.25?

**Rahul Sagar:** We don't want to speculate on the growth.

**Kunal Sagar:** Our growth is essentially driven by two things: escalation of our rents because we are largely fully rented and renewals in the event we have somebody leaving and a new party is coming in. At this time, where we are pretty much 100% occupied, these are the two drivers of growth or an increase in the topline. The two main ones.

**Moderator:** Thank you. Next question is from line of Satinder Singh from Eon Infotech. Please go ahead.

**Satinder Singh:** So, just continuing with the growth levers like you mentioned that the growth levers primarily for an asset which is already 100% leased out is in the form of the renewals and the annual escalations. I think it will help to give a flavor of the lease expiry profile and the escalations too, and the mark-to-market in your presentations going forward. So, that's one suggestion that I had to offer.

Second was on if you could give some flavor on the progress of Morgan Stanley's upcoming renewal or their moving out.

And finally, again one more suggestion. This was regarding the annual valuation exercise which is now due in the next 45 days or so. So, our feeling was that we have a property in NKP which is at about Rs.145.00 or Rs. 148.00 per month which translates into about Rs.1,750.00 per sq. ft. per annum as rental. Against that based on the previous valuation, if you calculate the per square feet rate works out to just about 17,000 - 18,000 which means we are talking of a cap rate of almost about 10%. As against this, other commercial real estate properties as owned by various REITs, typically are priced at a cap rate, for this kind of a property, at maybe about 8%. So, our feeling is that maybe if you could work with the valuer to understand as to how is it that other REITs have their properties of comparable quality or even lesser quality typically valued at 8% cap rate while we are valued at about 10% because this could lead to a reset in our property valuation maybe by about 20% - 25%. So, there's

a case for the management to understand as to why does our park get valued so conservatively? So, that's one more suggestion.

**Kunal Sagar:** We'll just take the three parts of your question. As far as the lease expires and the lease renewals are concerned, this year for 23-24, we have just one final lease left to sign which we expect to sign later this month or in March.

**Rahul Sagar:** So, recently we have Citibank which we are going to continue. This year we have one big renewal which has already been concluded and one in 2025 as well. But all in all we can say that we have not received any indication or any significant notice from any licensee expressing their desire to vacate and we estimate at this point that renewals will happen as projected and as planned. There is nothing significant to say on the licensee front in terms of vacating or in terms of leaving NKP at this point in time. Of course for MSAS we have had some indications of interest from existing occupiers as well as external occupiers. So, as and when we get clear indications of dates from MSAS, that process will continue to develop in the normal course. But first we need to really receive clear indications by way notice from MSAS as to their dates for vacating.

**Kunal Sagar:** Just to add a little bit to what Rahul said, as you know this, Morgan Stanley's planned exit is a long standing one, that they will be at some point moving forward. We confirm that we haven't had any formal notice to vacate from them so far. It's potentially something that we will get soon. The move is likely to begin in phases in 24-25. We have anticipated this for a long time. Again to reiterate

what Rahul said, because it's very important for us, we have strong interest from other prospective occupants to replace the vacating licensee in phases and at market rates in the normal course. And of course, as we ourselves get more details on this transition, we will make sure that that is communicated to all stakeholders. That's as far as the lease renewals and the lease expires for this year and the Morgan Stanley go. If we understood your question on valuation methodology correctly, this is a suggestion that you are making to us to perhaps look at the valuation methodology to better reflect market value of the asset. Was that your suggestion?

**Moderator:** The next question is from Lakshya Jain, Individual Investor. Please go ahead.

**Lakshya Jain:** My first question, as one of the shareholders has asked already, is about Nirlon House, my question is regarding the same thing. Sir are the tenants and landlords cooperating with us for the same?

**Rahul Sagar:** We have nothing more significant to say about Nirlon House. We have no issue with any of the other owners or any of the licensees. At this point in time, there's nothing significant to say. As and when we come to the next step to see what is actually going to happen with Nirlon House, we will keep you informed. We are working on some particular points very closely.

**Kunal Sagar:** Just to clarify, as we've mentioned in the past, this building is 75% by Nirlon and the other 25% undivided interest is owned by an entity called the Nirlon Foundation Trust. So, the idea is not to be vague or

nonspecific about it. It just that we have to move together with the Trust and again we follow a process, and we'll keep moving forward.

From the Nirlon side, we're doing everything that needs to be done, and we are working with Trust so that we try do everything necessary on that side as well.

**Lakshya Jain:** So, the Trust is open sir for the outright sale of the entire Nirlon House?

**Kunal Sagar:** We don't want to speculate on where that process is at, because that will be confusing for no reason. This is a very laid out process that we have to follow, and we are moving along that process.

**Lakshya Jain:** My next question sir. There is a lot of buzz happening around MSM REITs which include single asset REITs. So, sir are we in the process of transferring Nirlon Knowledge Park into an SPV and Nirlon holding that SPV. By doing this, there will be no need for us to delist, we can continue to stay listed and the dividends will also be tax free. So, it is win-win for everybody including GIC, being the majority shareholder, and minority shareholders like us.

**Kunal Sagar:** Sorry if you could clarify are you making this as a statement or are you asking us if this is a process that is ongoing?

**Lakshya Jain:** Yes, I'm asking whether this is the process which is ongoing?

**Kunal Sagar:** No.

**Lakshya Jain:** So, you have no plans of shifting this transferring NKP to SPV?

**Kunal Sagar:** There is no process of nature that you described that is underway.

**Lakshya Jain:** I didn't get you sir I am sorry.

**Kunal Sagar:** There is no process. The process that you have described is not something that is underway at Nirlon. This SPV and the transfer of the Company into an SPV - that is not a process that is either being discussed or that is ongoing at Nirlon just now.

**Lakshya Jain:** So, is it possibly legally what I just asked, this transferring the Nirlon Knowledge Park asset into an SPV and Nirlon then holding that asset?

**Kunal Sagar:** We won't want to comment on that. It is speculative at this time.

**Lakshya Jain:** No, because today morning an article came in MINT regarding the same thing for that single asset REIT is like possible now?

**Kunal Sagar:** What you are describing is not something that you explained.

**Lakshya Jain:** No there is nothing guess work or speculations and just telling the fact. This is actually happening for the past 4 months and today again it was more described upon?

**Kunal Sagar:** We will take your point on record without commenting on it in any way because we're not sure what exactly you're referring to in terms of what happened this morning.

**Lakshya Jain:** This discussion is happening for 6 months. It was stressed upon again today this SPV thing single asset REIT?

**Kunal Sagar:** We are not aware of this discussion, and we wouldn't want to comment on this particular process or this particular transaction that you're referring to. So, we wouldn't really want to comment on it please.

**Lakshya Jain:** Sir because there is no other option with us either we want to stay listed, we have to transfer it to SPV or else the other option is getting delisted?

**Rahul Sagar:** Your point is well noted.

**Moderator:** Thank you. Sir we have line for Satinder Singh reconnected. Satinder Singh, please go ahead.

**Satinder Singh:** I had mentioned my question and the line got dropped off. You want me to repeat it please?

**Kunal Sagar:** We just wanted to understand whether you are making a suggestion to us to consider the valuation process that we follow now, did we understand you correctly?

**Satinder Singh:** Yeah, so my suggestion was only that our valuation as done in the past does seem significantly lower than the valuation done for other similar commercial real estate assets all over the country as published by various REIT. So, we are talking of a large now set of maybe 40, 50 assets which are valued, and those valuation reports are available in the public domain. We have probably an asset which is even better than 90% of the assets that are in REITs, so you have a wonderful asset which I think you

are managing wonderfully well and those get capitalized at typically 8%. We have an asset which gives us Rs.1,750 to Rs.1,800 per sq. ft. per annum as we rent. So, valuing it at 17,000 to 18,000 which is about 10% cap rate does seem very low. So, we were just wondering if in the interest of maximization of shareholder wealth, you could you look into this please and work with these valuers to see that why is it that we are so much out of line with so many assets. So, we are talking of a large pool now of assets whose valuation is in the public domain, so that's the suggestion.

**Kunal Sagar:** I think we'll certainly take a look at what you said, and we appreciate your suggestion and you're explaining it so clearly.

**Moderator:** Thank you. Next question is from line of Ritwik Jain, Individual Investor. Please go ahead.

**Ritwik Jain:** Sir, I just wanted to know what is the debt repayment plan and when do the principal repayment starts?

**Kunal Sagar:** The principal repayment of our loan is broken down into two phases. The first phase begins after 5 years from when the loan was taken. So, we've had the loan now for roughly 2 years and in another 3 years the first part of the principal repayment will be due which is 25%.

So, just a clarification, sorry that was my mistake. After 5 years we have a situation where we have to pay 5% a year from years 6 through 10 which is 25%, and finally we have a bullet payment at the end of 10 years of 75%.

**Ritwik Jain:** And one more question-what will be our dividend payout be when it starts?

**Kunal Sagar:** Again our effort would be to ensure that we have a steady dividend going forward. So, these are the current terms on our debt. What the terms will be after 3 years in terms of how we would look to best manage the loan part is something that we will continue to discuss and evaluate over the years. Our effort will of course be to see that the dividend remains consistent, regardless of what our debt repayment situation is.

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

**Satinder Singh:** Just one small question. It was mentioned that there's a MAT credit of about Rs.30.00 crores which is unused. So, is that as of 31st December 23 and is the understanding correct that this will get used up by 31st of March 25 in normal course, so resulting in no real tax loss to the Company vis-a-vis the restructuring or converting to a new regime? Is the understanding correct - Rs.30.00 crores as of 31st March 23 to be used up by 31st March 25?

**Management:** So, we'll answer the question in two parts. The first part is that approximately Rs.30.00 crores of MAT credit is as on 31st of March 2023. Now the use of that is expected in approximately 2.5 years from 1st April 2023, based on current projections.

Please do note that this is something that can change. It's a forward-looking statement. It's a projection. So, do look at it in that context at this point this is an estimate that it

will take about 2.5 years to be utilized if we continue under the old regime as we are currently doing.

**Moderator:** Thank you. The next question is from Prakash from Lapis India Capital. Please go ahead.

**Prakash:** I have got two questions. One is on CAM, is CAM positive for us, do we make some money on the CAM charges. And my second question was, if I look at the total expense, given that park is now fully leased, is it possible to create some savings from total expenses?

**Kunal Sagar:** As regards your question on CAM, we have a clear fixed margin and it is a consistent a value addition for us. We have an open book system, and we have a fixed margin, all of which is very transparent with our licensees. We didn't fully understand your second question.

**Prakash:** Any potentials or reduction in expenses?

**Rahul Sagar:** Of course, there are fixed expenses which are also of a statutory nature for which it's not really possible for us to do much. The other major expenses of course are always the repairs and maintenance and that will vary from year-to-year.

So, yes, theoretically it's always possible to reduce the expenses and we are looking at that extremely carefully, But as I said, it's a combination of fixed expenses which are more statutory nature and of course some variable expenses like repairs, etc., We also want to ensure that the park is running in the best possible condition and that the licensees are happy with the facilities etc. So, we will look at all these factors and when it comes to

expenses. But yes we do look at reduction in the best possible way in as much of detail as we can.

**Kunal Sagar:** We also look very carefully to see that the increases in revenue are in excess of any increases in cost that we have on a medium and a long-term basis. There may be fluctuations from quarter-on-quarter, but in general we would always look to have a situation where we have revenue increases in excess of what the expenses may be.

**Moderator:** Thank you. As there are no further questions, I will now hand the conference over to Mr. Kunal Sagar from Nirlon for closing comments.

**Kunal Sagar:** Thank you very much for joining us today. If you have any further questions, please feel free to reach out to either us or our Investor Relations Managers at Valorem Advisors. Thanks again.

**Moderator:** Thank you very much. On behalf of Nirlon Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.