



**Nirlon Limited**

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**August 12, 2023**

**The Secretary,  
BSE Limited,  
P.J. Towers,  
Dalal Street,  
Mumbai- 400 001.**

**Security Code: 500307**

**Sub:** Participation in Investors'/ Analysts' conference call held on Wednesday, August 9, 2023

We refer to our intimation dated July 31, 2023 informing the stock exchange of an earnings conference call on Wednesday, August 9, 2023.

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 Vice President (Finance) of the Company, and Mr. Ashish Bharadia, Vice President (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**  
**Q1 FY24 Conference Call**  
**August 09, 2023**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY24 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 the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Purvangi Jain** Good afternoon, everyone and a 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 would like to thank you all for participating in the Company's earnings conference call for the first quarter of the financial year 2024. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's conference call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's belief as well as assumptions made by information currently available to the 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.

Now, I would like to introduce you to the management participating in today's Earnings Call and give it over to them for their opening remarks. We have with us

- Mr. Rahul V Sagar, Chief Executive Officer and Executive Director
- Mr. Kunal V Sagar, Promoter and Non-executive Director
- Mr. Manish Parikh, Chief Financial Officer and VP - Finance
- Mr. Ashish Bharadia, VP - Business Development and Investor Relations (Nirlon Management Services Pvt. Ltd.)

Without any further delay, I request Mr. Kunal Sagar to give his opening remarks.

**Kunal Sagar**

Thank you, Purvangi and good afternoon, everyone. Welcome to our Earnings Conference Call for the first quarter of the financial year 2024.

Let us take you through the financial performance of the Company. So, the first quarter is the financial year 2024, the Company reported a total income of Rs.149 crores, an increase of approximately 7% on a year-on-year basis. EBITDA stood at Rs.117 crores, we grew by approximately 9% on a year-on-year basis representing an EBITDA margin of 78.4%. Profit after tax was Rs.50 crores, which was a growth of more than 250% on a year-on-year basis, while PAT margins stood at 33.4%. This growth of 250% over quarter one of the previous year, is largely due to the effect of the change in the depreciation method that was effective from quarter three financial year 2023 and one-time expenses for debt refinancing, which were incurred in quarter one of the last financial year.

On the operational front for the current quarter, the average occupancy rate increased to 99.4%. and as on June 30<sup>th</sup>, 2023, approximately 14,000 sq. ft of area was vacant. ICICI Prudential has expanded its space at NKP by approximately 9600 sq. ft. Deutsche has concluded terms to renew approximately 320,000 sq. ft of space in NKP, which is due for renewal in financial year 2024 and Ipsaa, our creche amenity, has renewed its approximately 3000 sq. ft. of space at NKP in quarter two financial year 2024. With this we conclude our short presentation and open the floor for your questions.

**Moderator:**

Thank you very much sir. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press "\*" and "1" on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Shirish Vaze from Money Life Advisory Services. Please go ahead.

**Shirish Vaze:**

Thank you, sir for the opportunity. I just have one question. We have been talking about restructuring for a while, so the most tax efficient kind of way to restructure would be to merge with any of the three listed office REITs. So, I just wanted to understand, are you in conversation with any of the three listed REITs for a possible restructuring? Thank you.

**Kunal Sagar:**

We continue to engage with our majority shareholders, our advisors and stakeholders on the subject of restructuring. All concerned are working within our regulatory framework to arrive at a reasoned and thought-out path forward in this matter. We will not specifically comment on whether we are looking at A, B or C option because it's a work in process. I hope that's something that answers your question to some extent.

**Shirish Vaze:**

Yes, sir, thank you, sir. I will just get back in the queue.

**Moderator:** Thank you. We will take the next question from the line of Satinder Singh from Eon Infotech Investments. Please go ahead.

**Satinder Singh:** Thanks for the opportunity and congratulations on the successful conclusion of the Deutsche renewal. So, what's the rental reversion that we would have received on this renewal? The reversion in terms of the new lease rent, license versus the previous license, on renewal.

**Rahul Sagar:** In general, as we said, the license fees are, with approximately three to four months of license fee free period, in the range of approximately ₹150 per sq. ft. That is what NL has been achieving in NKP for the past few quarters, for the past few renewals. With Deutsche Bank as well, the terms are very similar to what I just mentioned i.e. approximately ₹150 per sq. ft. at 80% efficiency with three to four months of license free period .

**Satinder Singh:** My question was in terms of understanding, is there a kicker? So, what was the exit rental like, so the rent they were previously paying in the last license compared to the rent now. So, with a view to understand as to whether there's an uptick expected in the next results.

**Rahul Sagar:** The rent they were previously paying was across three or four particular locations within NKP, and those leases have been signed not at the same time and the leases are not really running concurrently so to speak. So, in general, it would be hard to quantify that because there are leases for different volumes which have been signed at different times over the past few years. So we can generally say, being as specific as possible, that when you look at the price of approximately ₹150 per sq. ft. with three to four months of rent free, generally there is gradual increase to some extent over the past. Over the previous license agreements, there is usually a gradual increase, but since it's coming from different timeframes etc. it's not so easy to specifically quantify.

**Satinder Singh:** Okay and any risk to the balance 130K? So, we talked about 450,000 of renewals to come up in FY2024. So that means we have about 130,000 remaining left. Any risks that we see through renewal of the same based on the visibility that you have as of today.

**Rahul Sagar:** No, we do not see specifically any risks at this point. Of course, we are watching and we are monitoring very carefully, but there is nothing significant in terms of risk that we want to say. We feel in general that the majority of the renewals have been going on in a very systematic and steady way with a marginal or gradual increase towards the ₹150 mark with three to four months of rent free. So, we do not really see, there's nothing significant to say in terms of any risk at this point in time. There's nothing that we really know of.

**Satinder Singh:** Right sir, one final question which if I can squeeze in before I come back again in the queue. So, any risks that you see from upcoming supply in the micro market? So are we to understand that that we do not foresee as of today much of a risk on occupancy or on rental increase from the upcoming supply in the micro market?

**Rahul Sagar:** I mean there is always going to be upcoming supply in the micro market as well as in the macro market. That's very normal actually. We find that if the licensees are happy here, of course with the commercials, as well as with other conditions in NKP and with the day-to-day conditions and the day-to-day service in NKP. We are not so worried as to what upcoming supply is coming, because that's not really something within our ability to control. So, I mean we have no issues if there is upcoming supply that comes in the NKP as well as in the in the macro area whether it is in Mumbai and Maharashtra or marginally outside as well. We are just focused on giving the licensee a good experience and if they are satisfied commercially to some extent and think there is value here, then we are not so worried about what's happening out there.

**Satinder Singh:** Right. Thank you very much. I will come back again in the queue.

**Moderator:** Thank you. We will take the next question from the line of Dilip Jain, an individual investor. Please go ahead.

**Dilip Jain:** Since we have been continuing in the old tax regime to stay flexible for future restructuring opportunities, our tax outgo has been about 18 crores higher in fiscal year 2022-2023 than if we had paid tax at 25% had we moved to the new tax regime. Similarly, in fiscal year 2021-2022 also we had paid around Rs.32 crores extra tax. Post delisting, post the the intended delisting of Nirlon, only the promoters will get the benefit of sticking to the old tax regime, which is kind of unfair to the existing non promoter shareholders. Given that GIC is one of the most ethical promoters globally, it is my humble request to you and to the promoters to announce a special dividend in the amount of the extra tax outgo that's about Rs.50 crores only to the minority shareholders, only to the non-promoter shareholders, so that our group of minority shareholders are adequately and fairly compensated. Is my request fair, sir? And will you consider it?

**Kunal Sagar:** Mr. Jain, we have heard your request, we take it on board. We will not say anything more about it at this point, but we hear your request and we have taken it on board. Just to mention what we had explained as the reasons for staying with the old tax regime in earlier calls, is that we feel that the potential value of doing that is significant enough, the flexibility that we would get from staying in the old tax regime is significant enough to stay with the old tax regime. We understand, as you said that there is a finite timeframe for which it will be continue to be beneficial. We are very conscious of that and your point is well taken.

**Dilip Jain:** Okay thanks a lot, sir. One last one, last question for you, yesterday as per media reports in Business Line, GIC is in talks with Blackstone to buy around US\$2 billion of their stake in commercial reality in Pune. If these talks were to fructify, since Nirlon is also into similar portfolio of assets that is commercial reality, can these assets be combined into a possible REIT listing? I understand it's all out in the future, but I just wanted your opinion on it. I would be really thankful if you could just mention a line or two.

**Kunal Sagar:** Mr. Jain, as you correctly say, that's a press report on which neither Blackstone nor GIC has said anything. So, we would not like to mention anything on that at the moment.

**Dilip Jain:** Okay but on such lines, if such deals were to fructify, are we open to combining assets because the promoter is the same as GIC, are we open to combining assets into a possible REIT?

**Kunal Sagar:** I think that could be beyond the scope of our call here.

**Moderator:** The next question is from the line of Satinder Singh from Eon Infotech Investments. Please go ahead.

**Satinder Singh:** Thanks again. What is the physical occupancy that is currently now achieved? Any move up from the previous 65-70 % that was indicated or it continues to be stable or any update on that sir?

**Kunal Sagar:** Yes, fortunately, the footfalls in the campus, if that's what you are asking, are increasing and they are, if one excludes for just a moment the new phase five of JP Morgan, the footfalls are increasing to about 80%-85% of what they were at pre-COVID levels and the trend continues to be upward. Also, JP Morgan, who have started recently, are already very quickly up to 65% and they are hoping to go to 100% in the next few weeks as well. So those trends are of course very encouraging, both those trends.

**Rahul Sagar:** Yes, that's the most important thing that is if the physical occupancy is going in the right direction, which thankfully it is at this point in time. It's something that we monitor very carefully and we do consider it to be a very important factor and at this point in time it is going in the right direction.

**Satinder Singh:** That is very heartening thing to know. I think 80%-85% and 60% for JP. I think it is great. Sir. It's 14,000. while it is, it's actually nitpicking, but this 14,000 that is vacant, how much of it this is in Nirlon House out of this 14,000 sqft.

**Rahul Sagar:** Approximately half of this is in NKP and the balance is in NH and what is in NH also, a large part of that is in the basement, which is basically storage space, so, it's not very significant by any stretch.

**Kunal Sagar:** One other point, Mr. Singh is that even for the NKP space, none of it is office space. It is basically amenity space.

**Satinder Singh:** On a NH, okay we know that there are multiple stakeholders in the building and to that extent we value unlocking is kind of constrained. So today, if one were to consider the market value of Nirlon Limited's stake in NH versus the rental income of about Rs.3 crores that we get every year, the yield will be very low. So, what are the various possible value unlocking options that the management sees at this point in time given the constraints?

**Rahul Sagar:** Yes, we are evaluating the options with regards to Nirlon House. As you may probably know Nirlon House is a multi-owner building. So, it always takes a little bit longer to come to any decision or to come to any restructuring or what future plans are when it's a multi owner building. But it is something which we are spending some time on and we are very keen that the potential or whatever it is that we decide in NH is to the benefit of the shareholders of NH. However, as I said, with multiple owners who have a completely different profile because of the profile of the space and the volume of the space and the location and it's not so easy to conclude this issue so easily. Once we have anything, we can tell you.

**Kunal Sagar:** Just to add to that and just to be very clear, it is a significant priority for us and we do believe that there are good solutions to it, and as soon as we have anything concrete, we will make sure we let you know.

**Satinder Singh:** Thank you for this encouraging input. Okay sir and while the management have mentioned that we've kind of built out NKP fully, even though the FSI is underutilized, and since the assets are not very old, probably there is not much development potential in the immediate, but is it a fair assumption to make that after five years or so, maybe there could be a future development opportunity by redeveloping something or you feel it is even further out than that?

**Rahul Sagar:** Nothing has been specifically discussed at this point in time. Phase 5 as you know, we got the OC in June 2021 and phase 5 is fully licensed as well, and these buildings are not significantly old in terms of their life. If we look at phase one, it was ready in approximately 2008, so there's nothing significant for us to say with regard to future for land within NKP which concerns utilization of FSI, which is readily available.

**Kunal Sagar:** I would agree with Rahul. I think it would be a little premature to try and guess what we might do in five years. I think there are so many different factors. Obviously, we understand that is something one of several options but whether in fact it's realistic or whether in fact is something that we even think of going down that road, it's too early to say as of now.

**Satinder Singh:** One final observation on the HSBC loan. The feeling is that probably the rate of interest being paid is quite high for the kind of asset that NKP is and the kind of corporate governance that NL delivers. So, I wonder if there is some action on this because we could knock off a meaningful interest cost possibly.

**Kunal Sagar:** So, we have a contracted rate with HSBC, which is linked to three-month T-bills that is our contract with them now. At some point it has been to our advantage, at some point it is not necessarily entirely to our advantage, that is the current contract we have with them. Of course, on a common sense basis we hear what you have to say. Whenever there is any opportunity to address that, we certainly would try and do so.

**Satinder Singh:** Right. One final suggestion, but as you mentioned, I know it's something that I do not want to push it beyond a point and you are already seized of this. Just a small request again, kindly do try and expedite this restructuring/unlocking. The Company pays 31% plus and then as dividend recipients, we end up paying another 35%. The promoter GIC affiliate, in this case might not paying that 35% tax, being a foreign Company, probably they might have advantage of a lower tax on the dividend. So, to that extent there is not full alignment of interest between the minority shareholders like us and even the Sagar family and the foreign affiliate. So, the sooner it can be sorted out and since it's been something that has been on for a few years now, it will be great if this could be resolved. Thank you and all the best and thank you for the frank answers.

**Moderator:** Thank you. We will the next question from the line of Jill Gada, an individual investor. Please go ahead.

**Jill Gada:** So, actually my first question was like now that the majority of our area has already been rent out, right? So how do we see our top line grow other than the escalation over the due course of business?

**Rahul Sagar:** How do we see the topline grow apart from escalation and?

**Jill Gada:** Escalation basically over the due course of the business.

**Rahul Sagar:** So as you said, predominantly the capacity is now full, predominantly the escalation will come with the contracted escalation clauses in the agreement. Apart from this, we also have few opportunities with regards to renewals and / or with regards to if somebody exits the campus, to get in the same existing person with the renewal or a new licensee at a higher license fee. So, these would predominantly be the two other ways to do it with regards to your question. It would be renewals and of course upcoming potential vacancies where of course the management would try and maximize the license fees of the incoming occupant.

**Jill Gada:** Okay and how much would be the contribution of the Nirlon House to the total revenue?

**Rahul Sagar:** I think the contribution result is approximately a little bit less than one 1% of the license fees of NL.

**Jill Gada:** Okay and my last question would be like you know, we have been paying like hefty dividends in financial year 2022 and financially 2023. So, like, can we expect this trajectory to continue this year as well? And like you know potentially can this payout increase as we reduce our debt over the next few years since we have no other usage of our cash currently?

**Kunal Sagar:** Yes, we believe that with the current levels of occupancy, this is a sustainable dividend. Our intention is to try and keep it in this range, +/- a little bit, but we try and keep it as steady as possible.

**Jill Gada** Okay, that answers my question. Thank you so much.

**Moderator:** Thank you. We will take the next question from the line of Laksh Jain, an individual investor. Please go ahead.

**Laksh Jain:** Good afternoon, sir. Congratulations on the great set of occupancy rate. Sir, we are paying 35% tax for quite a long time now and the dividends which we distribute again are also taxed at 35%, it's been quite a time now. When can we expect a possible delisting or any other possible share swap of another listed REIT Company, if possible, by when can we expect this, sir? Because it's been a long time now, so can we get a clear picture on this, sir?

**Kunal Sagar:** Mr. Jain, without giving you a very specific timeframe to say when we will have an answer on this, we just want to reiterate that we understand the concerns that you and other shareholders have raised on the matter. We are working together with our major shareholders to try and come to whatever the final conclusion on this matter is as early as we are able, to make sure that we understand the implications in all regards as far as the decision is concerned.

**Laksh Jain:** There are only two possibilities. It is going to be either delisting or a share swap of another listed Company and is this shared swap possible without delisting?

**Kunal Sagar:** Mr. Jain, we do not want to comment on the specifics of whether it's a share swap or whether it's a delisting. That would not be very fair when the process is still ongoing in terms of what we are trying to understand, the implications and the impact of all the relevant regulations and the various issues that are involved in taking this decision.

**Laksh Jain:** But it's going to be either of the two if I am not wrong. Is there any other option we have apart from these?

**Kunal Sagar:** Again, we would not want to speculate on exactly what shape or form this may or may not take, because whatever we are working on, is an answer or decision that is still to be taken. So we will not want to say whether it is A or B.

**Laksh Jain:** Okay, no problem, sir. Thank you, sir and very good luck.

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

**Satinder Singh:** Sir. any update on the Morgan Stanley vacation plans from the last call. Any update on that that you would like to share?

**Kunal Sagar:** No specific update, Mr. Singh. What we mentioned last is that the fact that Morgan Stanley is contracted to move from NKP remains clear. We do not have any specific notice from them as to when that move would commence, or how long it could take. We continue to be in close touch with them in terms of their development, in terms of how the place that they are going to is progressing. And they will let us know as soon as they have a concrete plan of action, when they issue us a notice, so we can also take concrete steps to fill in that vacancy. Of course, as you know, we are very cognizant of that and that's where it is, but there has not been any specific or formal update since the last time.

**Satinder Singh:** How many years have they been a tenant here, sir at NKP, Morgan Stanley?

**Kunal Sagar:** Sorry, I did not hear the question.

**Rahul Sagar:** So, what's your question? What will be the vacancy after?

**Satinder Singh:** No, how many years they been a tenant here at NKP?

**Rahul Sagar:** No Morgan Stanley has come in phases over various phases over the past 14 years. They were occupied initially in phase one in approximately 2009. Then they came into phase two as well in approximately 2011. They came into phase three in, not exactly sure but maybe or in 2013, 2014, 2015, and then they even came into phase four, which was after 2015, 2016. So, they have been growing and apart from this, they have further increased their footprint in phase one as well over the past few years. So, they have been growing consistently within NKP over the past 14 years across all four phases.

**Satinder Singh:** So, what is the area we occupy currently, sir? Total area in all?

**Rahul Sagar:** Roughly 450,000 square feet.

**Satinder Singh:** About 450K, right? Right, sir. So finally, Sir, is the valuation of the investment properties concluded, sir kind of that's normal exercise that NL does for the assets. Is that already concluded and what is the value of the investment property right now?

**Kunal Sagar:** Hold on a second. We will just check that for you. Just to answer your question, the valuation has been concluded and it will form part of our annual report that will be going out to shareholders shortly.

**Satinder Singh:** Okay, fine. Thank you very much. All the best. Thank you very much.

**Moderator:** A reminder to all the participants if you wish to ask questions, you may press "\*" and one on your touch tone phone. Anyone who wishes to ask questions may press "\*" and "1" now. Ladies and gentlemen. We will take the next question from the line of Harshit Golecha, an individual investor. Please go ahead. Mr. Golecha, I have unmuted your line, kindly proceed. As there is

no response. Ladies and gentlemen. I would now like to hand the conference over to Mr. Kunal Sagar from Nirlon Limited for closing comments. Over to you, sir.

**Kunal Sagar:** Thank you very much again for attending and we appreciate your interest and look forward to remaining in touch.

**Rahul Sagar:** Thank you very much.

**Moderator:** Thank you very much, Sir. Ladies and gentlemen, on behalf of Nirlon Limited, that concludes this conference. We thank you for joining us and you may now disconnect your line.