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NIRLON

June 30, 2021

BSE Limited,
The Corporate Relationship Dept.,
P.J. Towers,
Dalal Street,
Mumbai - 400 001.

Security code: 500307

Dear Sir/ Madam,

Sub: Participation in Investors'/ Analysts' conference call held on June 25, 2021

We refer to our intimation dated June 16, 2021 informing the stock exchange of an earnings conference call on June 25, 2021.

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, Mr. Manish B. Parikh – Chief Financial Officer, and Mr. Jasmin K. Bhavsar – Company Secretary, Vice President (Legal) & Compliance Officer of the Company, and Mr. Ashish Bharadia - DGM – Business Development, Nirlon Management Services Pvt. Ltd.

The transcript is attached herewith. The Transcript and the audio recording will be available on the Company's website 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

NIRLON LIMITED MUMBAI

Jasmin K. Bhavsar
Company Secretary, Vice President (Legal) & Compliance Officer
FCS 4178
Encl: a.a.

Nirlon Limited
Q4 FY21 Conference Call
June 25, 2021

Moderator: Ladies and gentlemen, good day and welcome to Nirlon Limited March 2021 Results Discussion. As a reminder all participant lines will be in 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 Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you, Aisha. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations for 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 fourth quarter and Financial Year ended 2021.

Before we begin, as mandatory, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call 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 management's belief as well as assumptions made by, and 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 focus of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarterly review.

Now, let me introduce you to the management participating with us in today's earnings call. We have with us Mr. Rahul Sagar, Chief Executive Officer and Executive Director; Mr. Kunal Sagar, Promoter and Non-Executive Director; Mr. Manish Parikh, Chief Financial Officer; Mr. Jasmin Bhavsar, Company Secretary, Vice President Legal and Compliance Officer and Mr. Ashish Bharadia, Deputy General Manager - Business Development of Nirlon Management Services Private Limited.

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

Kunal Sagar: Thank you Anuj. Thank you very much for that. Good afternoon everyone and welcome to our first ever earnings conference call for the fourth quarter and the full Financial Year ending

2021. We hope that all of you are safe and well, and that this will hopefully be the beginning of many such future interactions. Let me start by giving a brief background on the company. This may provide some context for those who are looking at the company for the first time.

Nirlon was incorporated in 1958 as a pioneer in manufacturing synthetic yarns and industrial rubber products in India. The company did very well until the mid-1980s. After this, it went through a very rough time, and emerged from bankruptcy restructuring in 2005. Since 2006, it has primarily been in the business of development and management of commercial real estate by creating an IT park on its approximately 23 acres of land in Goregaon, Mumbai. This development is known as Nirlon Knowledge Park or NKP. NKP has been constructed in phases, with four out of five phases of development completed by 2015, and the final phase expected to be completed in this current Financial Year. Phases 1 to 4 have a chargeable area of approximately 1.9 million square feet and the soon to be completed Phase 5 will have a chargeable area of approximately 1.16 million square feet. These areas are on the basis of 80% efficiency. GIC of Singapore became the majority shareholder and the co-promoter in 2015, by an open offer through its affiliate Reco Berry Private Limited, also of Singapore, and currently has a 63.92% holding in the company.

Let us now briefly take you through the financial performance of the company. For the fourth quarter of the Financial Year 2021, the company reported a total income of approximately 78 crores and an EBITDA of about 56 crores, representing an EBITDA margin of 71.37% and PAT about 29 crores representing a margin of 36.84%. Licensee collections in 2021 were in excess of 99% of the billing. For the Financial Year ended 20-21 the total income reported was approximately 319 crores with an EBITDA of approximately 240 crores, representing an EBITDA margin of 75.02% approximately, while the PAT increased to about 127 crore representing a PAT margin of approximately 39.89%.

Coming to some of the operational highlights: Like for most other companies, the past year has been a uniquely difficult one, while the operational performance of the company improved despite much adversity. This was because of the extraordinary efforts made by our employees, our partners, vendors, etc. and the excellent support received from our licensees, our lender, our Board of Directors and our major shareholder. However, with the increasingly quicker vaccination program rollout, we remain optimistic that the effects of the pandemic will recede to some extent in the second half of this Financial Year.

We have taken many ongoing measures to provide the required pandemic related health and safety measures in NKP and Nirlon House. In January 2001, NKP was awarded the Well Health Safety rating for facility operations and management by the International Well Building Institute in the US.

As on 31st March 21, approximately 190,000 square feet area was vacant, primarily on account of one large licensee moving out post expiry of their license term. The company is in discussions to relicense this vacant space and has seen decent traction in this respect. Phase 5 is nearing completion, and we received the OC for Phase 5 on June 18th. We're looking forward to an improved performance by the company in the coming years. The entire Phase 5 chargeable area of approximately 1.16 million square feet has been committed by JP Morgan.

Finally, we are happy to inform you that the board has proposed a final dividend of Rs.8 per share for the Financial Year 21 subject to approval by the shareholders in the forthcoming AGM. With this, we conclude our prepared 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 Ankush Agarwal from DTI Research. Please go ahead.

Ankush Agarwal: Sir, firstly are there any future plans to reinvest in the business given that post Phase 5 development, we don't have any land available for development in the NKP?

Kunal Sagar: This is Kunal. Let me try and address that question. If I understood right, you're asking whether future profits are going to be reinvested back in the company. Am I correct?

Ankush Agarwal: Yes.

Kunal Sagar: We are just in the process of completing Phase 5. And we are discussing with our various stakeholders exactly what the strategy for extra cash and for distribution, for dividend, etc. is going to be going forward. And that's something that we're going to take a little more time to exactly come to a conclusion on. As soon as we do so, we will make sure that we communicate that to you in the most appropriate way. We are just about coming to the end of Phase 5, and with the various uncertainties that are there, this is something that is still being discussed by us. We're very keen that we have a clear strategy and a focus going forward on this and as I said, we'll make sure that we communicate this, once these discussions are concluded at our end. Rahul would you like to add anything to that?

Rahul Sagar: No, that's fine.

Ankush Agarwal: So, I understand that in the near term at the moment there's no plan, but as a thought process of the company or from GIC, has there been any intention that Nirlon as a business has to grow somehow. I understand that at the moment there are no plans given the uncertainty but as a long term strategy for a company has there been any intention somehow?

Kunal Sagar: No, so again, we will just reiterate, it's a very high priority for us to answer this question in a clear and an appropriate manner. And it's a very important decision for us to be taking. We've been discussing this for a while, and we need some more time because of the current circumstances to come up with an answer that we are convinced is the right one going forward. There are a number of options that are possible in terms of what we would do whatever they may be. But we just want to make sure that we've thought through them clearly before we mention one thing or the other. So we don't want to specifically say that it is this or that, of course the option of growth is something that generically is possible, as far as any company is concerned, but at this stage we don't want to be saying that we are going to do A, B or C, because we are very much in the process of discussing. Once we come to a conclusion will be able to give you a better answer.

Ankush Agarwal: Right, got it. And so secondly, I see that over next two, three years nearly a million square feet of our leases are coming for resets. Will these leases come at substantially higher renewal rates going ahead? For the rental rates would there be substantial increase on these leases if you can highlight that?

Kunal Sagar: So our resets just so that we are clear, in terms of the presentation there are about 325,000 square feet or so, that is due in the next year, in 2023. And we would fully expect that those reset that we will have will be renewed. At this point we do expect that they will be renewed. In terms of pricing, again we would want to wait a little longer before we commented on what kind of increases may or may not be possible on those renewals. It's worth noting that we haven't had a situation where any escalation has not come through. Perhaps this is a better way of answering your question:

In the last year, since the pandemic began we have been fortunate, that we haven't had a situation where we either had to reduce any license fee or we've had a situation where we have had any escalations that haven't been honored by our existing licenses. And we do expect that this will continue going forward. As to what the new rate might be, we would still wait a little before we give you an answer on that, given the current circumstances.

Ankush Agarwal: And just one last clarity on this. So these 325,000 square feet that's coming up, this is a contractual escalation that happens every three year or it's end of a lease term?

Kunal Sagar: These are the end of the actual lease terms as per the contracted lease terms.

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee Securities. Please go ahead.

Manan Shah: I wanted to understand, so now our occupancy is around 95%. So what are we doing to lease out the balance 5%, and what kind of interest are you witnessing for this, and what sort of activities are we doing, efforts that we are putting in?

Kunal Sagar: Right, so we'll answer that quite specifically. We had about 190,000 square feet that was vacant on the 31st of March. Of that, we have currently licensed approximately 28,000 square feet and we have commitments to license a further approximately 50,000 square feet.

So as on date, as far as Nirlon Knowledge Park and Nirlon House together are concerned we have about a 110,000 square feet that we are in the process of discussing with people where there are no specific commitments. So we've had good progress in these last three months in terms of either specifically renting out or getting commitments for some space. In the discussions that we're having on the balance 100,000 square feet approximately in NKP, and about 10,000 square feet in Nirlon House, I would say the traction is quite decent under the present circumstances, and we would expect and hope, that during the course of this Financial Year that this space would also be licensed out. Rahul, do you want to add something to that?

Rahul Sagar: Things are not what they were of course prior to COVID but, we do see some amount of traction though the inquiry flow is not the same as it was prior to March 2020. However, we feel confident that we will be able to license this balance 100,000 odd square feet and hopefully have some agreements in the 21-22 Fiscal Year. It is a tough time, but we do see some traction in the market. And the other thing I just want to add is that, we also want to make sure that we get the right profile of licensees. We don't just want to jump in because of the current situation outside, because of COVID and get someone who we don't think is an appropriate fit for our business, or is an appropriate fit for the Park. So, to some extent will wait until we see we have the right long term licensee in place.

Kunal Sagar: I agree with Rahul on that and the key for us is to find someone who we know that they will be with us for 9 or 10 years. The value proposition that is provided to them, the product that we are providing to them is something that they appreciate and that we appreciate in return. So, it's just good to have a situation, whether it's commercials or otherwise that we have someone we know is likely want to be there for the full nine years. That's been one of the reasons that fortunately, over all these years our vacancy has been close to zero. And we are hopeful that that's where it will once again be during the course of this Financial Year.

Manan Shah: Okay, got it. Just a follow up on that, so the new licenses that we are signing are they happening at par to our existing rates at a discount or at a premium to those rates, if you can just give some color on that?

Kunal Sagar: Just to answer you, essentially we are renting, we are licensing at the rates that are existing. We are not pushing too hard for any significant premium and we are certainly not looking at any discounts to what our current rental levels were prior to the pandemic as well.

Manan Shah: Okay. And then last question from my side, can we expect any accelerated repayment for the loan once the Phase 5 commences and also one more question that, is there any no-rent period once a new tenant moves in in the Phase 5?

Kunal Sagar: Let me answer the second question first. There is a five month rent free period for JP Morgan, once they take possession of the premises. Rahul, you want to address the other question on the loan repayment? Effectively, it's a situation which is a part of what we're discussing in terms of our overall strategy: accelerate one thing or whether we want to look into distributions or whether we want to use money for something else. So please go ahead Rahul.

Rahul Sagar: So that would basically be part of our overall strategy going ahead, which we will of course inform you once we know exactly what we are doing. At this point in time we have just received the OC for Phase 5, and we are just waiting for the next steps to happen in terms of the handover and the occupation, etc.. When that happens, during this particular period we will be evolving a strategy looking at the events inside and outside the company very carefully, and we will be evolving a strategy for the debt repayment etc. Once we are clear, of course you will have this information with you. Thank you.

Kunal Sagar: Just to add one point to which is that, obviously acceleration of debt will be an option for us, because we've been fortunate that that level of surplus is available. Whether in fact that's the road which we go down will be linked to the decision on distributions, and in terms of where we might want to invest the surpluses. So, it will be a composite decision. That's why we had mentioned upfront that is something that we accord at a very high priority to and we don't want to necessarily rush into. But we do want to make sure that we have a very clear answer in the next few months. So, all these options are very much something that is in the process of being considered.

Moderator: Thank you. Next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: On the various options that you're talking about going forward, is there a possibility of more tax efficient capital structure as well in terms of a REIT structure?

Kunal Sagar: That's an excellent question. I will try to answer that. While we are exploring, one of the issues that is being discussed or that is being explored, is what might be the positives or the negatives for a public limited company like us, looking at what the options are as far as REITs are concerned. Obviously in terms of a one location asset, that's something that we'll have to look at very carefully. But, if I understood the question right, you're asking whether Nirlon itself would look at becoming a REIT?

Samarth Singh: That's right, Nirlon trades at a significant discount to actual valuation. And that's just because the capital structure is wrong, if you convert to a REIT you will get the right kind of shareholders and the real value will be similar to other public listed REITs.

Kunal Sagar: So, again there the main issue that we have to consider is, being in one location, from a regulatory point of view - is that something that is possible? If is it possible, is it desirable from a non-regulatory point of view, just to have a one location REIT? The definition of REIT is more than one location in many ways, and that is an issue. That's a question that we are considering in terms of how best to look at a more tax efficient structure. Whether the REIT is the answer or not, is something that we will revert on again based on our current public limited structure and based on the fact that it's a one location asset. So, again part of the overall strategy that is currently being debated.

Samarth Singh: Right, okay thanks. My second question was, as of today what is the expected possession date for JP Morgan?

Rahul Sagar: We just received the OC as we said on the 18th of June, and we are in discussions with JP Morgan. We hope that date will be sometime in the very near future. And yes, once we achieve the handover, once he handover is done, and the rent free period starts we will notify you accordingly. But, we are aiming to do this of course as soon as possible.

Kunal Sagar: So just to add to what Rahul said is that the one thing that we should make clear is that JP Morgan are keen to take possession and we are keen to obviously give possession. We are now in the nitty-gritty of the last stages of what constitutes a physical handover. Obviously the OC was the biggest step forward. But in terms of on site, the various things that they would like to see have been detailed out in much precision, and we're in the process of checking the boxes with them to see whether A, B and C has been done including commissioning of equipment, what is the exact condition that they want to have the site in, when would they like to start their fitouts, etc. So it's that kind of discussion that we are hoping to have in the first week of July with their top management. And hopefully, we will be able to answer this in a more specific and clear way in terms of an exact date or a specific time, sometime in July. That is what we would expect. Rahul would you agree with that? We are extremely keen to communicate this date to all our shareholders including all investors.

Rahul Sagar: There are operational issues as we said, which are now being looked at.

Kunal Sagar: We just want to make sure that we don't say approximately one month or approximately two months. We will have a good fix on this shortly. As we said in our presentation we do estimate that even including the five month rent free period that we have contracted with JP Morgan, we do expect that the JP Morgan license fees will begin during the second half or before the end of this Financial Year. So, I hope that gives you a little better idea.

Samarth Singh: Yes, it's very helpful and on this dividend that we are giving out, how should we look at this, this is a onetime dividend or just sort of the base, and either dividend will go up from here or stay flat. But at least this is what, assuming your occupancy is at the stage where it is, that this is the distribution that shareholders can expect?

Kunal Sagar: So, let me try and address that in two ways. One is, I would say that this is a cautious beginning - we want to make sure that any kind of distributions we make are something that are clearly sustainable. In terms of how much further, obviously, we accord a very high priority to having a clear and well defined policy going forward, which is what we are working on. But at this point what we would like to say is that this is a cautious beginning we made in this regard. Of course it's a lot higher than what we've paid in other years, but, we would like to clearly ensure that we have at the very least a sustainable figure going forward, if not an increasing one. Again, I don't want to get ahead of myself, because as we said it's part of the overall plan that we are discussing with all the stakeholders, especially the large shareholder, and that's something we will come to a conclusion on soon. But it is a beginning that we are happy to make.

Samarth Singh: Okay. And have we thought about maybe this is, again a part of the discussions you still have to have with your other shareholder, but is this what is the correct or appropriate debt to equity that you think this company should have?

Kunal Sagar: That's an excellent question. Well, in general so far, we've prioritized, and have had a very clear thought process which prioritized having a lower level of debt, or a debt level that was a fairly conservative level of debt, relative to equity. And, equally importantly, in terms of what we believed was the ability to pay back that debt in a rational timeframe in a rational way. What we'd like to do is to optimize that debt level, but we don't want to optimize it in any way that would change the overall risk profile of the company, as far as debt goes. That may allow us still to change the current level of debt going forward or it may not depending on the discussions we have. But effectively, so far we've been fairly cautious and our first thought will be always to ensure that we are not changing the overall risk profile in terms of whatever we do in terms of debt.

Samarth Singh: And is it possible to sort of reduce the cost of debt post the construction of Phase 5 either by changing: you have an LRD right now, if I'm not mistaken. So change that to some sort of a NCD or something like that?

Kunal Sagar: We have a blended rate right now. It's partially a construction loan, partially an LRD type loan. We certainly intend to ensure that it becomes at least an LRD going forward and there is the scope to reduce, depending on how the interest rate regime moves going forward. We certainly believe there is some scope to bring the cost of finance down. Rahul would you agree with that, I know it's something we're discussing.

Rahul Sagar: Once the construction is over and the building is occupied the interest rate will come down. As we said right now we have a blended rate. Then it moves more towards the pure LRD which is not exactly what we have right now. So we do see some opportunity there in the near future once the building is occupied.

Samarth Singh: What is your LRD?

Kunal Sagar: Sorry, I didn't get the question fully?

Samarth Singh: What is the cost for the LRD at this point?

Rahul Sagar: The current interest rate is 8%.

Samarth Singh: That's the blended rate, right?

Kunal Sagar: Yes, that's the blended rate, correct. So that's the combination of the LRD and the construction loan effectively.

Samarth Singh: And could you tell me, what the LRD is at?

Kunal Sagar: There are no two separate rates, it's one rate. It's a combined loan. So it's not that the LRD is so much and construction is so much. There's no split between the two.

Samarth Singh: Okay. But, normally you would manage to get LRD at below 7%, is that right?

Kunal Sagar: I don't want to commit on that one way or the other. We all know roughly where the market in general is. We fully expect that we should have a very competitive LRD rate and we've always had fairly decent rates. So, that is as much as I would want to mention. Not anything more specific than that. We'll have to check and see what it is. You mentioned it is less than seven, I don't want to commit to that one way or the other. But obviously, there is some scope to reduce the finance cost.

Samarth Singh: Okay. What is the area occupied by Morgan Stanley?

Kunal Sagar: Morgan Stanley is about 385,000 sq. ft. They are about 17% or 18% of the total existing area just now.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Edelweiss Wealth. Please go ahead.

Pritesh Sheth: My question firstly, was on this Morgan Stanley that you told like 385,000 square feet and we know that they are consolidating their spaces in your competitors' upcoming property. So any indication they have given in terms of vacating their existing leases in next two to three years? And what would be our strategy in terms of once they vacate out such a large space, what would be our strategy after that?

Kunal Sagar: First of all sorry, let me just correct myself, I think I said 385, the number is 345. Can our team just confirm if it 345 or 385? Just so that we have the right numbers.

Management: Yes, it's 345 sir.

Kunal Sagar: Okay. So this is something that, obviously Nirlon and Morgan Stanley are both acutely aware of that they are going to be consolidating across the road from us. We have, depending on when the alternate space is completed, we have two to three years, maybe a little more than three years, after which they will be migrating over there. We have had very clear discussions with them that they would give us a substantial amount of time in terms of notice before they start moving. They've also indicated that they would give us that time, and that their move would not be an abrupt move where overnight everybody would disappear. It would be done in a phased manner. So we are aware of this. They are one of our most important licensees over these years. We have an extremely good equation with them and we will work together with them to see that it works for them and it works for us. There are other indications we've had, which will be of course something that we have to address at that point to see if they would still be valid, in that there would be people who would like to pick up further space in the park depending on what circumstances are then. And in any case, we would of course be quite confident if we had to go to the market. It's not a small amount of space under any circumstances to fill in. It's something we are very cognizant of and we'll be working extremely hard on it in the long term with sufficient notice to see that we go to market to the extent required, or we discuss with our existing licensees to fill in that space. But that is highly relevant, and to us a question that is very much in the forefront of our minds as well on an operational level. Appreciate your asking that.

Rahul Sagar: Just to add a little bit, so just to add one more point is, when we bring in somebody into the campus, we will also keep this in mind that we know we have a potential vacancy of approximately 350,000 square feet plus minus in the next approximately three years. So, when we do sign a new license with a licensee, we would of course very carefully look at his ability to grow well in the campus as well. That's a very important criteria for us, and that process has already started and continues to happen. Thank you.

Pritesh Sheth: Thanks. So, your renewal number for along six lakh square feet in FY24 getting expired includes that Morgan Stanley number I assume right?

Kunal Sagar: It will include some of that. The Morgan Stanley licenses don't expire necessarily in that year unless they do by natural efflux. So we're not looking at this. The chart doesn't in any way reflect the fact that there would be a pre termination by Morgan Stanley, just to be clear. The chart is entirely to do with licenses that are expiring in the natural course.

Pritesh Sheth: Got it, thank you. And secondly, so after Phase 5, do we have any other space available to build more towers there and what would be the pending cost for Phase 5, that we will be spending lets say in FY22?

Kunal Sagar: So, the first part I can answer, Rahul will answer the second. There is no plan to build any further towers. We have a reasonable amount to FSI that's available, but at this stage we're not planning to build any further phases or any further areas in the complex. From an infrastructure point of view, with Phase 5, we will have reached a situation where should we try to put in any more space there, we would potentially be losing value rather than adding value. So there's no plan to add any further building there. Rahul you want to address the second question on the Phase 5 balance cost?

Rahul Sagar: From April 21 to March 22, there will be approximately 220 crores plus minus of cost to go in Phase 5. And we don't expect any serious or significant changes in cost at this point in time as well. Thank you.

Moderator: Thank you. The next question is from the line of Bhupendra Tiwari from ICICI Direct. Please go ahead.

Bhupendra Tiwari: My question was related to the previous participants question only. Just wanted to understand so we have a capital work in progress of 1140 odd crores. And I believe last time we had given in our PPT that budgeted cost is 1220 odd crore. Which means incremental 80 odd crore, and the debt that we have right now is 980 odd crores. So, is it that we haven't drawn that incremental debt, and when we draw it, it will become 1200 crore debt or how do I look at it?

Kunal Sagar: You are looking at it absolutely correctly. Our internal accruals thus far have been more than were estimated when we started Phase 5 and therefore we had less withdrawals. We intend to make some further withdrawals now going forward before we finish the project. Rahul is that the correct answer?

Ashish Bharadia: Yes. Just to add to that, the 1140 number that you see that includes the IndAS adjustment for interest on own funds. So that also gets added to it because of the requirements of the accounting standards.

Bhupendra Tiwari: Got it. But adjusted for that what would be the total work in progress value, if I would kind of exclude that interest in your own fund?

Kunal Sagar: Could Ashish or Manish take that question please?

Rahul Sagar: Yes.

Kunal Sagar: If you need a clarification on this question, please feel free to ask. I wasn't exactly sure. But, I generally get the question.

Rahul Sagar: So, the question is, if you we remove the capitalization of interest due to IndAS in the 1140 crores, what would be the net number, correct? Have I understood the question correctly?

Bhupendra Tiwari: Yes.

Rahul Sagar: Okay. Just give us a minute we will just come back to you.

Bhupendra Tiwari: So, meanwhile I will ask the follow up question. So, I also read in the PPT and that at the full capacity, the expected lease rental will be 200 odd crore from Phase 5, which implies rental rates of +150 per square feet. And our current implied rental rate are lower. I understand it's a new and the big capacity that we are bringing in. Has JP Morgan come back to us and asked for some kind of lower rates or something because they haven't moved in yet? Just wanted to understand because has there been some kind of leniency given to the existing kind of a customer instead of not raising rates and all those things. So what has been their sense?

Rahul Sagar: Right now, there has been no further commercial negotiation with JP Morgan with regards to the rate for Phase 5. Thank you.

Kunal Sagar: They have not asked us for any reduction, and that is not something that we expect at all to be happening based on the discussions that we've had. There is no indication that they will ask for any reduction, or that they would ask for any delay in their moving in to Phase 5 once the conditions of possession are addressed by both parties, on which, as we said we expect to have clarity on in July. And also, just to be clear, we haven't offered any concessions to anyone else in the Park either. What we've had is a renewal in the last year. It's a renewal at the existing rate because it was a pandemic year, but we haven't, and there has been no concession in terms of any reduction in rates anyway, just to answer you.

Bhupendra Tiwari: I was coming from that end only, because if there is no increase kind of a thing, the implied rates they kind of remains lower than what they would have kind of built in say three, two years back when they signed up with you?

Kunal Sagar: It's a good point. The point we want to make is that the difference between them is not that much of a difference. The rate of JP Morgan is in the mid-140s, it's not the 150 rate if one looks at the contract, which is a public document in any case. It's not something that's unknown. So there is not a very large difference. We try to ensure that, that kind of situation doesn't occur where someone feels that they're too high or somebody feels that they're giving an advantage to somebody. We try and keep it more or less the same.

Moderator: Thank you. The next question is from the line of Ravi Jain from 2.2 Capital. Please go ahead.

Ravi Jain: So you have this property Nirlon House, which is kind of a prime location, but I don't know if you're utilizing the full FSI there, so is there a plan to reuse that space in different way or it will be just continue as it is?

Kunal Sagar: Thank you for that question. Nirlon House is a property where there are nine different owners, Nirlon is the single largest owner there, so there are about eight or nine different owners that we have there. We've been in discussions with them to check with them whether they would like to do a redevelopment of the property. That's something that is really the obvious question to ask them and those are discussions we hope to have. Again, that's one of the points of discussion there going forward in terms of whether that's a possibility or not, depending on how the other owners react. It is something that we haven't come to any kind of conclusion on.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: I have two questions - one is could you talk about the supply side situation in the Goregaon micro market market. Thank you.

Kunal Sagar: Rahul and Ashish would you like to take that Goregaon supply?

Rahul Sagar: Sure. As of this point, prior to April 2020 we didn't really have any issue with regard to licensing of our property. In fact, we were always in a situation where we had a good volume of excessive demand over supply. In the last one year to 15 months of course, things have slowed down considerably. But specifically, we have another very similar type of property very close to us. And we're not exactly sure what the vacancy levels there are, etc., Of course that is something which we are aware of that there will be a good amount of volume coming from a similar property very close to us and we are acutely aware of that. Apart from that, of course we know that there is another development that is going to be ready in the next few years, probably in and around 2023-24. Up until March, April 2020 frankly we didn't really had any issues where we needed to be concerned about these type of developments because we actually thought it was a good thing, because the more business that comes to Goregaon it becomes an IT hub or an office hub or a commercial hub whatever you want to call it. So, we feel that supply is always going to come, there is always going to be more and more supply that is in the pipeline that is going to come. But we feel that if we have the right product at the right commercials we should be able to do okay even after COVID and during COVID. We are acutely aware of these larger developments which exist and which are going to exist in and around the micro market in Goregaon, we are completely focused on our product with the right commercials to ensure that we continue to have a situation where in fact there is an excess of demand over our existing supply that we have in NKP. So, to answer your question we are acutely aware of it, but we are focusing on our strategy which we see has worked well for us in the past, and we see will work well for us in the future as well.

Anuj Sharma: Sure, thank you that was helpful just if you could quantify what amount of supply would come in on the existing base in the next three, five years any quantitative numbers of that?

Kunal Sagar: You are talking of the Goregaon micro market?

Anuj Sharma: Yes, the Goregaon micro market yes?

Kunal Sagar: Frankly, I don't have that data with me just now where I am. And it's a slightly subjective situation, because it also a matter of whether it's a comparable grade, whether we're talking of just NESCO and Oberoi or if we're talking about a slightly larger area. But we will be happy to answer this question if you can make it a little more specific in terms of what the boundaries would be. We'll be more than happy. I know the data is available relatively easily to us. So we would be happy to get back to you, just depending on what kind of parameters you want to assign to that question.

Anuj Sharma: Sure. I'll write to you on this and my second question is, there is generally on the demand side, what is the profile of tenant which has evolved in the past three years and how do you see it evolving, and in our context, their parent profile. Thank you.

Rahul Sagar: Sorry, just to see if we understood your question, because it was not completely clear. Your question is, what is the profile of the tenants that have been coming in the last three years and what is the profile of the tenants you would expect to come in the next two years as well?

Anuj Sharma: Yes, what is the profile we are trying to attract, thank you so much.

Rahul Sagar: The profile we are trying to attract of course, and Kunal and I can both answer this question, is that we feel that we have been fairly successful with a lot of the captive users, a lot of the captive financial institutions and banks, etc. We feel they are a good fit. We feel that most importantly they are a good fit in good and bad time. Especially during the last 15 months during COVID we feel they are also a good fit, because the ability to grow within the campus has worked well for us since inception. If they like it here and if we do a good job with them, they will continue to grow within the campus which is very important. So we feel this captive segment of the market of the banks and financial institutions, with IT/ITES functions being performed in NKP, have been very successful in the past few years and we feel that with the existing situation, they will continue to hopefully grow in India and in Mumbai, and to the extent that we have space, in NKP as well.

Kunal Sagar: I just want to make a point on this, which is a very important point for us, which we think about all the time. One of the reasons this profile of multinational banks is currently the major occupier profile, and we expect it to continue to be the major profile - multinational banks, financial institutions etc. - is that the strategy that they apply effectively as far as the Mumbai market is concerned is they have normally one large area in one large location that they use as their primary back office, or as their primary location where they make most of their investment in people and most of their investment in the infrastructure, IT infrastructure and all of that. We have been fortunate that that has been our position as far as Citi is concerned, as far as Deutsche is concerned, to a large extent as far as Morgan Stanley is concerned, and hopefully as far as JP Morgan is concerned. So once that kind of critical mass, or that kind of critical infrastructure is available to them and to us in our location, then that makes for a very good fit both ways from both sides. We will do anything that is required to make sure that their operations continue, however bad things are. It is what we managed to get done last year. And from their point of view, even if their occupancy comes down to 5%, or less than 5% as it has done during this pandemic, it's still a place that is very important for them because it's their major hub. It allows them to do whatever the other work is, the work from home or whatever they're doing and it's still in a sense originating from this place and it remains the base. And that's the kind of profile that we will be continuing going forward. So, at this point of time, a critical mass of these banks' space in the Mumbai location is in NKP, and this is similar to other locations in Mumbai as well. Other banks have that kind of critical mass, perhaps next door or in other places. And that seems to be the profile that has worked well and should continue to work well.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir over these rising thoughts about work from home type concept, a lot of the tenants out in the Goregaon micro market are largely linked to banks and IT. So, in your incremental negotiations that you're doing, are you seeing cutting down on spaces by anyone, any rising vacancy that you can foresee for your existing park or it's kind of status quo is what you think?

Kunal Sagar: We haven't seen that, specifically related to work from home just now in the discussions we've been having. But, having said that, the pickup is slower than it was pre COVID and there's obviously a reason for it. We will see what kind of final paradigm is going to emerge post COVID or once COVID recedes enough to say that we are in a post COVID situation. The work from home paradigm, we're not trying in any way to say that we know how that is going to play out. That's something that we will see. But from whatever we've seen we are, frankly, very confident that the office space requirements in the Indian market with the kind of core customers that we have in terms of the IT and the banking customers, that is not a situation or a demand that is necessarily going to disappear. There will certainly be changes in how work happens, but to what extent it affects or doesn't affect demand in the long term is something that we still have to see, and that we wouldn't want to, that we can't frankly at this point predict because it's a scenario that's playing itself out. The Indian market, and again the work from home in India is very different from the work from home perhaps in a developed market. This is something that we'll have to monitor carefully. But the conviction that we have obtained in the last 15 months of seeing what has been happening is that extensive work from home for the kind of core customers we have is not sometime we think will happen to an extent where the demand is going to dry up completely, for a number of reasons. We do strongly believe that whatever the new paradigm finally is after COVID recedes enough, while there will be changes, there will certainly be a substantial amount of demand that will continue for the kind of office space that we provide. Does that answer your question? There is ambiguity in this answer, and I don't want to come across in a way that we know exactly what's going to happen, but we do have our convictions and we have good reasons to have them which is what we see on the ground as well.

Pritesh Chheda: Sir, my second question is between us, NESCO and Oberoi, which is about 3.5 to 4 million square feet leasable, chargeable area. How much of it would be vacant today and how much is the incremental supply coming? So we know yours is at 1.1 million over the next three years. Between the three of us, how much incremental supply is coming in this micro market over the next year. And what is the vacancy on the 3.5 - 4 million square feet chargeable today?

Rahul Sagar: Sorry, you are saying the 3.5/4 million square feet of NKP? We could not hear the first part of the question.

Pritesh Chheda: I said between us, NESCO and Oberoi, how much of it would be vacant in a 4 million square feet chargeable area today?

Kunal Sagar: We will try and answer that from our point of view.

Pritesh Chheda: Yes, sir from your best educated guess is good for us.

Kunal Sagar: Yes. So, as far as Nirlon is concerned what we can say is that we should have, and we are hopeful that our vacancy will be very close to……. or rather that occupancy will be close to 100% or very close to 100% and that we won't have much vacancy. As you know, right now it's about 90/95% and that will hopefully be closer to 100 by the end of this Financial Year, as we discussed earlier. Honestly, I don't know the situation with Oberoi.

Pritesh Chheda: Sir, I will reframe my question, I'm looking at the vacancy number right now. I am not looking at the vacancy number, what it would be at the year end. Today in that market sum total those three, the three largest players I could understand the vacancy for you is 5%. But at the market level, it would be a larger number or a smaller number?

Kunal Sagar: I don't have the numbers for Oberoi and NESCO readily available with me frankly. If our team has it in their location, I will be grateful if they could share it. But normally, we don't go too deep into what their vacancies are, because oftentimes one doesn't know what is the discussion that they're having, how much is in the pipeline. And just looking at space which is empty or not occupied may not necessarily give the right answer, because there could be people who've given notice, and there could be people who have signed new contracts. And under those circumstances, just a static number in terms of space, which is "empty", may not give us the right answer. And we would never actually know the true scenario competing with us in that sense. So, I don't really have a good answer to your question in terms of the current vacancy in Oberoi and current vacancy in NESCO. But maybe somebody else on the team has some ideas?

Rahul Sagar: No, what we want to say also is that, there are basically three or four IPCs that are doing the majority of the licensing for this type of space, for this type of a product and they are frankly t common to us and they are common to the other parks in and around us whether it's in Goregaon or whether it's something to the East of us, or whether it's something to the South or the North of us. But, essentially we hear a lot of things that so and so has this vacancy, and so and so has that vacancy, but we don't really, as Kunal said it's not really our purpose or it's not really our business to go into detail what the other people are doing. On the whole, on a micro or a macro level in and around Mumbai we feel that if vacancies are low, and occupation is high in and around Mumbai, and in and around the parks around us, we feel that's a very good sign and that's a positive sign and that would of frankly be an extremely positive thing for everybody, including us. But we specifically don't really look at other people. We would look at the trends in terms of occupancy in and around our area, in and around Mumbai, we would look at the growth of jobs in the sector, we would look at the volume of jobs if they're continuing to come to India for this particular profile of licensee, etc. So we generally see that if occupancies are high and vacancies are low, it's a positive sign for us. And if it's a positive sign for everybody, it's a positive sign for us as well. Thank you.

Moderator: Thank you. The next question is from the line of Ajit from SBI Capital. Please go ahead.

Ajit: I have a follow on question to one of the colleagues who had asked it on the call. This is more regarding on the REIT. So, is there any kind of a discussion with GIC that this asset would be one part of the overall REIT structure, any form of discussion, just wanted to have a understanding?

Kunal Sagar: Frankly, we haven't had this discussion. If this asset could be part of any other REIT is not a discussion we've had, honestly, so far with GIC, just to answer your question very clearly.

Ajit: Right, thank you. And second question is in the current 5% vacancy, which we have experienced over a one year period and we are looking forward to kind of get it leased back. So, what kind of changes in terms of as you rightly mentioned there is no change in the rental we are going with the market. But in terms of escalations on a 3+3 kind of structure 3+3+3 or something, is there any changes in terms of the tenure and the rate at which the escalation used to happen pre pandemic and post pandemic?

Rahul Sagar: That's a highly relevant question. We haven't had any. Our escalation is standard at 15% every three years and we've had no change in that. In the last year, in the 2021 Financial Year whatever escalations we had have occurred in the normal course. And going forward in the last nine months of this year, there are similar contracted escalation which we are at this point expecting will continue to happen as contracted, which is 15%.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: I just wanted to know, the CAPEX spending to be done further with respect to the total CAPEX that you are doing?

Kunal Sagar: I am sorry, maybe I can request you to repeat? I kind of lost the question. Apologies.

Niraj Mansingka: What is the spending which is remaining to be done on this project that you are developing for the JP Morgan building?

Kunal Sagar: You are asking how much money is left to be spend in Phase 5?

Niraj Mansingka: Exactly, yes.

Kunal Sagar: Thank you. Rahul you want to answer that?

Rahul Sagar: We answered that question a little bit earlier. This year the balance spending on Phase 5 would be approximately 220 to 230 crore.

Niraj Mansingka: Okay. And the other question is, by when do we think we will be able to get a thought process on how do you share the cash flows to the shareholders, because considering there's no growth and you only will use the existing cash flow to repay the debt. So what timeline do you think we will be able to take decisions, and by when you will be able to take a decision on how the cash flows for the company will be shared with the shareholders?

Kunal Sagar: Frankly we don't want to specify in terms of when we will take this decision. It would depend on how the major macro factors including the pandemic situation plays out, and then we have an appropriate time to take a decision. But our effort clearly is to do this at an early date. I'm sorry to be vague on it. But there are some of these the pandemic related and other issues that we do need to discuss together with our shareholders, as we said and then take a call on it. We want to do it at an early date so that this is something that's clear to everyone. But we don't want to give you a specific date as of this point. It's obviously not going to be years and years or anything like that, but we would try and decide early as we can.

Niraj Mansingka: So just want to give a thought. I am sure you will surely be able to do that, but considering that REITs are trading at such attractive valuations and post the rent coming from JP Morgan, EBITDA will actually increase dramatically. So, I think, a good structure would be probably moving towards a REIT or something similar to that, that's the feedback from our side.

Kunal Sagar: We take your point, I am assuming that's a statement, it's not a question right?

Niraj Mansingka: Yes, it's a statement sir. And last question, what are your thoughts on the fact that, the metro is coming up and this is a very large campus and after BKC, Maker Maxity there would be a large campus of this size of yours and nicely built up. So, how do you see the rate differential between BKC and yours narrowing? Or do you see it narrowing in next three years or not? Just wanted your thoughts on this your company versus BKC.

Kunal Sagar: That actually is again a very good question. One of the advantages that the good Goregaon developments have had, let say like Nirlon or NESCO or the ones that are in our region is that, this location is actually very close to BKC, and the differential in rent is very significant. That's been an advantage too, in terms of volume that has been rented in the Goregaon area being much larger. Whether we see a narrowing of that, to my mind it's more a function of what happens in BKC. We need to see if the rents are going to go down or go up. And it's a very different market paradigm. It's a much more of a front office location. There are smaller spaces taken at higher rents. So it's a little difficult to compare the two in terms of whether that differential is going to come down or not, because they are two very different products for very different regions and for very different areas that are taken. The only thing I could say is that the differential is what allows Goregaon and similar areas to be successful, as well as BKC to be successful. I'm not sure to what extent the differential will reduce or increase. But again, the two products are very different and they are essentially rented for very different purposes. So, I'd like to leave it at that, if that makes any sense.

Moderator: Thank you. The next question is from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: A couple of questions on the MSA-what were our project management fees for the year. What will they be for FY22 and then what happens post Phase 5?

Kunal Sagar: Okay, so just to be clear, you're asking what are the project management fees that were paid by Nirlon to the management services company for Phase 5 right? We are not speaking of property management. We are speaking of the actual Phase 5 project management?

Samarth Singh: That's right.

Kunal Sagar: Okay, Rahul and Manish would you just answer those? Could you answer that question in terms of the specific numbers?

Manish Parikh: In the Financial Year 2020-21, Nirlon has paid Rs.13.5 crore to Nirlon Management.

Samarth Singh: That includes the advance sort of adjustment as well.

Manish Parikh: Correct.

Samarth Singh: Okay. And is that what we will be paying out in FY22 as well?

Manish Parikh: In FY22 it will be slightly lesser than this, because Phase 5 is almost at the verge of completion.

Kunal Sagar: Also, just to make a point that this project management fee is a finite number, its the contracted number. And if the project for any reason is delayed, which is not happening, but should it have dragged on later, the project management fee would not increase. Nirlon would not keep paying the management services, company beyond a specific contracted rate that has been approved under the MSA. There is no extra money that would be paid in that sense. So, whatever is the delta between the last year and this year is what will get paid out in the Financial Year 22. And then there's is an end to that.

Samarth Singh: So, that will be saving that will flow to the bottom line for Nirlon?

Kunal Sagar: Absolutely. It's not continuous, it's a specific contract until Phase 5 is over and then that's done.

Samarth Singh: Okay. And the MSC right now is 3% that is for property and lease management fees and then marketing fees on top of that, is that right?

Kunal Sagar: Yes, the property management fees are 3% of the top line. And marketing fees are as per a separate schedule, which is again based on fairly standard market norms.

Samarth Singh: And is there any plan to make any changes to this, there was a notice on the BSE website that we will do some changes?

Kunal Sagar: The changes to that are on account of additional work that JP Morgan has asked Nirlon to do in the building. That work is base building work, which belongs to Nirlon. Whatever the additions are will belong to Nirlon, but it is work that JP Morgan has specifically requested to put into the building. So they are reimbursing Nirlon for that additional work that is being done there. However, that work has to be done by someone and that's additional work which is not covered under the project management contract. So what you saw the in notice above, is related to that.

Samarth Singh: Okay, so it is just like a onetime thing, it won't be a recurring thing?

Rahul Sagar: Exactly, in both cases there are two scenarios. One is the base building and the other is potential work for a fit out. And both of these are one time. There is nothing that will be, there is nothing that is going to be a continuous outflow.

Samarth Singh: Okay, thanks. And do we have any area that has been historically leased out which is significantly below our average lease rates, which can give us some upside whenever that area comes up for lease?

Kunal Sagar: Good question. Rahul can someone in the room with you answer that? I don't think there is anything that is at considerably lower rates, but maybe that's a question that is wwrth looking at to see if we have that data readily available. Most people have had their escalations, and have come up to normal levels. But whether there's anyone at a historically low level, I don't know, but we can confirm that.

Rahul Sagar: To answer your question, we feel the rates in the last two, three years have got more consolidated. We had some licensees that were historically low from inception 10 or 11 years ago. Some of those licensees have been replaced by other licensees, at rates which are more in-line with the other larger occupants in NKP. We don't think there are any serious larger volume licensees that are significantly below the approximate averages in NKP.

Samarth Singh: Okay. And last question from my side. Do you know the distributions to your shareholders and especially the GIC, is there any tax differential for them whether it comes via a regular public limited company giving a dividend versus a REIT, or there's no tax difference to them?

Kunal Sagar: That's something that we can look at, but I wouldn't want to try and answer it off the top of my head frankly.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to the management for closing comments.

Kunal Sagar: Thank you. We just want to thank everyone who participated very much for their interest. It's much, much appreciated by us. We would look forward to our next call for the first quarter of this current Financial Year.

Rahul Sagar: Thank you.

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