Embassy Office Parks

30 July 2026

Operator: Good evening everyone. A very warm welcome to the Embassy Office Parks REIT first quarter FY27 earnings conference call. Kindly note, all participants are in a listen-only mode. Our speakers will address your questions in the Q&A session at the end. As a reminder, this conference call is being recorded.

Management: Thank you. Welcome everyone to the first quarter FY27 earnings call for Embassy REIT. Embassy REIT released its financial results for the quarter ended June 30, 2026, a short while back. As is our standard practice, we've placed the financial results, earnings presentation discussing our performance, and a supplementary financial and operating data book in the investor section of our website at www.embassyofficeparks.com.

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

Joining me today are Amit Shetty, our CEO, and Abhishek Agarwal, our CFO. We'll start off with brief remarks on our business and financial performance and then open the floor for questions. Over to you, Amit.

Management: Thank you, Sakshi. Good evening and thank you all for joining us today to discuss our Q1 results. We are happy to report a strong start to FY27 with another successful quarter. We delivered a robust financial performance, growing our revenue and our NOI by 17% and our DPU by 9% year-on-year.

On the leasing front, we signed 1.3 million square feet across 17 deals, welcoming 10 new occupiers into our portfolio. But what really stands out is the quality and profile of these tenants. Majority of them are large global enterprises with annual revenues exceeding $1 billion. A significant number of them are deeply embedded in the AI ecosystem, spanning sectors like semiconductor, cybersecurity, robotics and automation, and networking infrastructure.

Beyond the new entrants, established GCCs continue to expand. Over 60% of India's GCC leasing during the quarter was by these existing companies. The growth is being increasingly led by an influx of newer functions and a mandate to drive innovation and efficiency on a global scale. With over 250,000 AI or machine learning professionals already employed within the Indian GCCs, India has emerged as the largest hub for this talent outside the US. Bangalore, in particular, remains central to this narrative, and we believe it will play a pivotal role in the strategic AI build-out for these global organizations.

Market data continues to validate this thesis. India's office sector recorded its highest ever absorption this quarter at 23 million square feet, up 14% quarter-on-quarter and 12% year-on-year. Not surprisingly, 44% of this was contributed by GCCs, and around 30% was led by Bangalore.

With this backdrop, let me dwell deeper into our Q1 leasing performance. We leased a total of 1.3 million square feet during this quarter, including 0.7 million square feet of new leases and 0.6 million square feet of renewals. GCCs contributed up to 81% of our total leasing, with this demand primarily driven by telecom, technology, research, consulting, and analytics sectors. 86% of our new leasing was contributed by 10 new entrants in our occupier register. Interestingly, of this, 21% demand was driven by AI-related sectors.

Turning to rent reversions, we achieved 10% combined leasing spread in Q1 and continue to lease above market trends. New leasing during the quarter was signed at an average of 8% premium to the market trends, reflecting the strong occupier demand and pricing power embedded in our portfolio.

Let me now give you a closer look at Embassy Manyata, our flagship asset. For newer blocks in this asset, we are signing leases at above 125 rupees per month, implying around 20% premium to the market trends. Over the last 2 years, we've increased the in-place rent of this asset by around 16% and expanded occupancy by 10 percentage points to 93%. Around 0.5% of vacancy in this asset is in block H1, which is currently undergoing refurbishment and is due for completion within the next 3 months. We have a robust leasing pipeline for the entire block and are targeting to convert it within this financial year.

Overall, as of June 2026, we maintained our portfolio occupancy at 90% with now four out of five cities at an overall 90% occupancy level. A few other quick updates: during the quarter, we completed the construction of 0.6 million square feet of Block 1 at Embassy Splendid TechZone in Chennai. This building is fully leased and we expect to receive the occupancy certificate by the end of next month. Our total development pipeline now stands at 6.2 million square feet, with around 60% already pre-leased for delivery scheduled over the next 24 months.

We also launched a new hotel last month, a 211-key four-star Hilton Garden Inn at Embassy Tech Village. I'm happy to report that this hotel has clocked ADRs of over 19,000 rupees for the full first month of its opening. Another 318-key five-star Hilton Hotel, a 37,000 square feet convention center, and 75,000 square feet of retail area at the same complex are all slated for launch during the course of the year.

Also today, we have announced that Four Seasons will conclude its management of the hotel at Embassy One in Bangalore with effect from February 28, 2027. We are currently evaluating potential new hospitality operators and look forward to finalizing a new partner in the near term.

Moving on, we are pleased to have been included in some of the newly launched domestic indices: the Nifty REITs & InvITs Index, the Nifty Realty Index, and the BSE REIT & Commercial Real Estate Index. These benchmarks are expected to pave the way for launch of new index-tracking products, support greater market visibility, and broader investor participation. We also look forward to securing inclusion in the mainstream domestic equity indices in the upcoming rebalancing cycle.

From a return standpoint, Embassy REIT delivered total returns of 19% in the last 12 months, driven by 12% price appreciation and 7% distribution yield. These returns are particularly noteworthy in the context of the broader equity market which generated negative returns over the same period, reinforcing the stable and differentiated risk-return characteristics of the REIT product. Also, our unit holder base has continued to grow steadily and has now surpassed the 150,000 mark. I will now hand over to Abhishek to present our financial update.

Management: Thank you, Amit, and good evening everyone. Let me take you through the financial highlights for the quarter. We delivered strong double-digit year-on-year growth and reported our highest ever revenue and NOI.

We grew both our revenue and NOI by 17% year-on-year to 1,241 crores and 1,020 crores respectively. This increase was mainly driven by an uptick in our portfolio occupancy and rentals, as well as the new buildings delivered during the previous year. Our hotel segment NOI grew by 6% year-on-year with an occupancy uptick of 100 basis points to 61%, as well as an ADR growth of 5%. Our solar plants continued to run at optimum capacity and generated 44 million units in Q1, recording a stabilized quarterly NOI of 23 crores.

We declared distributions of 598 crores or 6.31 rupees per unit for the quarter, representing a 9% year-on-year growth. This increase was driven by an uptick in our NOI, which was partially offset by the higher interest expense. During the quarter, we raised around 3,045 crores of debt at 7.46% per annum blended interest rate through a combination of commercial papers, NCDs, and bank loans. Post this, our net debt stood at 21,879 crores, implying a 31% leverage ratio at 7.3 \\%$ average interest rate. In addition, around 60% of our debt book is locked in at fixed rates.

Lastly, on the forward financial outlook: based on our year-to-date performance, we remain on track to achieve our FY27 guidance. We continue to expect our NOI to be in the range of 4,150 crores to 4,350 crores and DPU to be in the range of 27 rupees to 28.6 rupees per unit. At midpoint, this guidance implies a 13% growth in NOI and a 10% growth in DPU on a year-on-year basis. We remain committed to delivering this growth to our unit holders while optimizing our balance sheet and maintaining strong cash flows.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the telephone. The first question is from the line of Girish Choudhary from Avendus Spark. Please go ahead.

Girish Choudhary – Avendus Spark: Hi, good evening. Thanks for the opportunity and congratulations on a good set of performance. My first question is on the DPU guidance and the quarterly run rate. This quarter was 6.31. The full-year guidance was 27 to 28.6. This implies a meaningful step up for the rest of the year in terms of quarterly distribution. If you can just highlight the specific drivers of this acceleration for us to understand regarding working capital or taxes.

Management: Any other questions that you have, Girish?

Girish Choudhary – Avendus Spark: Yes, the other one would be in terms of the Embassy Splendid TechZone. You mentioned about the OC coming in a month from now. When should we witness the rentals starting from that asset once the OC comes in? And the third one is on the Four Seasons transition. If you can just explain what prompted the change and incrementally what type of operator or positioning you are evaluating. Should we expect any closure or renovation expenses as and when the transition happens?

Management: Girish, regarding the first question on guidance: we are on track to meet the guidance. If you look at the 6.31 that we are distributing this quarter and compare it with the previous year in the June quarter, it is 9% higher. At midpoint, we have guided around 10% higher. What typically happens is the property tax gets paid during the first quarter, and hence the first quarter number looks a little lower, but it catches up. That has been the trend always, and we are confident that this year also we will be able to meet the guidance.

Moving on to the second question regarding the Embassy Splendid TechZone: this is Block 1. The construction is fully complete. We are just waiting for the occupancy certificate from the authorities, which we expect between August 15 to 30. Regarding the second part of the same question about rent-free periods, I would not like to discuss the quantum, but it is a standard rent-free as per market practice.

Moving on to the third question regarding the Four Seasons transition: it was a mutual decision between us and Four Seasons to part ways. We have just secured the board approval to execute the termination agreement. We will now go out into the market and solicit a new operator for this hotel. In due course, we will come back and update the market. There will be some upgrade costs. It is too early for us to comment on the upgrade cost. We will come back and update the market once we have finalized the operator.

Girish Choudhary – Avendus Spark: This helps. Thank you and all the very best.

Operator: The next question is from the line of Yashas Giljanchi from Bank of Baroda Capital Markets. Please go ahead.

Yashas Giljanchi – Bank of Baroda Capital Markets: Thank you for taking my question. I see that you have approximately 13 million square feet of potential acquisition opportunities. I am trying to understand what drives the decision to acquire a rooftop asset. Is it largely contingent on the sponsor? And when it comes to third-party acquisitions, how do you view the current market? What would make you decide to acquire an operational asset?

Management: We have always maintained that there are three principles on which we acquire our assets. The fundamental principle is that it has to be in the top six cities of the country and in the relevant micro-market where there is corporate leasing activity. The second is that the asset quality should match our current asset quality. The third being that it should be DPU accretive. If it meets these criteria, we acquire these assets. Having said that, we are looking at both sponsor and third-party acquisitions. This 12-13 million square feet of pipeline is across these five cities in India.

Yashas Giljanchi – Bank of Baroda Capital Markets: That is right. With approximately 50% of your outstanding debt maturing over the next 3 years, do you expect to refinance a larger portion of your debt into fixed rates? Also, how do you expect your average cost of debt to trend over this period?

Management: As of now, we have moved around 60% of our debt to fixed cost. We will continue to see where the interest rate trajectory is, and based on that, we will decide. At one point, the fixed rate debt was almost around 66-67% of our portfolio. If we get a good rate and feel that the interest trajectory is moving upwards, we may want to lock in more debt at fixed rates. But the final number will depend on how the market moves because the market is very dynamic right now. On the average rate, we expect that if there is no change in the repo rate, we should be in the range of 7.5% by year-end. But that number keeps moving based on the interest trajectory.

Yashas Giljanchi – Bank of Baroda Capital Markets: That's clear. Thank you.

Operator: The next question is from the line of Raj Kadam from Nuvama Group. Please go ahead.

Raj Kadam – Nuvama Group: Hi, thank you for the opportunity. Congratulations on a great quarter. I had a question related to the property tax demand relating to Manyata Business Park. Can you please elaborate on the reason for not recognizing any provision for that? If there is an adverse impact, what would be the impact on distributions?

Management: If you look at our financials, there are two cases related to property tax. In one case, where we have a very strong position, we have not recognized most of the provisions. But on the other case, we have provisions in the financials which will cover the impact if there is any adverse decision. Also, we have paid a significant amount under protest for this case. Even if it goes adverse, I don't think any impact is coming on the financials or the distribution anymore.

Raj Kadam – Nuvama Group: Great. Thank you.

Operator: The next question is from the line of Parvez Kazi from Nuvama Group. Please go ahead.

Parvez Kazi – Nuvama Group: Hi, good evening and thanks for taking my question. Except for Pune, our assets in most cities already have pretty high occupancy levels. What is the outlook for the Pune asset?

Management: For Pune, large city-wide infrastructure projects are being completed. The first being the metro. Free trials of that metro are already complete and we are hopeful that in Baner it will be operational in the next month or two. By the end of the year, the complete line will be operational. With that, we hope to see more traction from the Pune market.

Having said that, we have done about 140,000 square feet of leasing, predominantly renewals, but also one new leasing trade in Pune. We are seeing new inquiries because from an arbitrage perspective, the market has moved up. The eastern side of Pune is already at about 100 to 120 rupees and central Pune is about 80 rupees, while we are in the 55-60 rupee bracket. Therefore, we are seeing some traction from the technology sector as well. It is early days, but we are hopeful with these improvements that the Pune occupancy will tick up.

Parvez Kazi – Nuvama Group: Thanks and all the best.

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

Pritesh Sheth – Axis Capital: I have a couple of questions. Firstly, on the projects under development, I see timelines for a couple of projects have been pushed out—Manyata Block B and Phase 2 of the Business Hub—by almost 9 months. Is there a specific reason for that? Second, on the ADRs you are getting for the new hotel, which is 19,000 rupees. I suppose this is a three-star or mid-scale property. What would be the expectations for the five-star hotel that will come up?

Management: There is a delay in two of our properties. For Manyata Block B, this is primarily because of the rerouting of a drainage canal that is passing through our property. There was a delay in approval. Having said that, this is a fully pre-leased block and the tenant is fully aligned and aware of this. There is no risk to the tenancy, but there is a 9-month delay in delivery.

Regarding the Business Hub, there was a design change. Also, the metro opposite this building will be operational by the end of 2027. From a timing perspective, we believe we will see more leasing velocity closer to the metro opening.

On the hotel side, this is the Hilton Garden Inn we have opened at Tech Village in Bangalore. We are achieving 19,000 rupees ADR. The Hilton five-star will definitely be north of this, but it is too early to comment as the launch is planned towards the end of the year.

Pritesh Sheth – Axis Capital: Should we take this 19,000 rupees as a stabilized rate, or is it initial retail demand? Will it normalize to 13,000-15,000 rupees once corporate demand comes in?

Management: Interestingly, this is probably the highest demand or most supply-constrained hotel market in the country. There are about 1,200 room keys in that micro-market with about 71 million square feet of corporate occupiers in that 12 kilometer stretch. We believe this will only grow from here and we don't see any slump in this rate.

Pritesh Sheth – Axis Capital: Thanks for that clarification. One last on the cash taxes. As a percentage of EBITDA, it was closer to 10%, while the average has been 5-6%. Should we consider this a new normal, or was there a one-off this quarter?

Management: We look at cash tax as a percentage of revenue, which was always around 6% or lower. The 97 crores for this quarter includes almost 30 crores which was paid for the previous year. It took us some time to finalize the number. We paid that in April. If you strip out those 30 crores, it is around 67 crores, which is about 5.4% or 5.5%. So it is in line. It's just that the 30 crores for last year got paid in cash this time.

Pritesh Sheth – Axis Capital: How should we think of the steady run rate on a longer-term trajectory?

Management: For the next one or two years, we should look at around 6% of revenue as the cash tax. The tax budget keeps changing, but for now, I would say 6% for this year and the next.

Pritesh Sheth – Axis Capital: Perfect. That's helpful. Thanks, that's it from my side.

Operator: The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha – Jefferies: Hi, a couple of questions. Firstly, on the hotel, what should we see as the impact of the opening on DPU or NOI in the next two to four quarters? Second, related to CAM charges, we have seen some markets starting to hike minimum wages. What have you seen on the ground, and do you see your margins coming down?

Management: Regarding the CAM charges, we are seeing minimum wages increasing in Bangalore. But the way our contracts are drafted, this will all be passed to the tenants with a contracted markup. So for us, there is no negative impact.

Regarding the Four Seasons transition, we don't see any impact currently, as we are thinking of closing this hotel only towards the end of the financial year. Once we have the operator finalized, we will update the markets. On the Hilton opening, there will be a positive impact on the DPU. The Hilton Garden Inn opened slightly ahead of schedule, and the ADRs we are achieving are over the budgeted levels. This hotel is already GOP break-even within its first month.

Abhinav Sinha – Jefferies: I understand. Thank you so much for that answer.

Operator: The next question is from the line of Deep Shah from 361 Capital. Please go ahead.

Deep Shah – 361 Capital: Good evening. My question is around our debt. Roughly 7,000 crores worth of fixed debt comes up for refinancing in the remainder of FY27 and FY28. I want to understand if you would like to refinance them with fixed-rate debt, or are you flexible given half of our debt matures in the next 21 months? Second, with reasonable completions coming in FY28, is it fair to assume DPU growth would be slightly lower than NOI in FY28?

Management: On the first one, for this year we have 4,300 to 4,400 crores of debt. We are flexible because it will depend on where the interest rate is at the time of refinancing. From now until September, we have only 300-400 crores to refinance. The next batch comes in October. If the interest rate is going north, we may take more fixed long-term debt. If it is going down, we may do short-term for a while and wait to lock in long-term debt at the bottom of the cycle. We want to insulate our financials; if we can get 5, 7, or 10-year paper at good rates, we will take it.

On the second point, the difference between NOI and DCF growth is also due to the interest rates. Once we have completed the deliveries and the winding up of non-cash elements finishes after the rent-free periods, that is when the contraction of that variance will start.

Deep Shah – 361 Capital: Is there great appetite for 5, 7, or 10-year paper currently, or are lenders looking at shorter-term perspectives given macros?

Management: You are absolutely correct. As of now, very long-term paper is difficult to find in the market. Investors are generally looking at shorter-term papers.

Deep Shah – 361 Capital: Understood. This is super clear. All the best.

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

Pritesh Sheth – Axis Capital: Could you highlight the leasing demand sentiments? Industry numbers are strong and you had a good quarter, but we heard about some deferrals due to geopolitics.

Management: We are seeing this as very normal right now. When the war started, there was some travel deterrent and decisions were slower, but at this point, it has become business as usual. Travel is regaining momentum and corporates are taking decisions. We have seen 110 new GCC entrants into the country in the last two quarters. The country has done phenomenally well with 45 million square feet of gross leasing absorption in the first half. Rental rates have started moving up.

Regarding RFPs in the market, we are seeing about 22 million square feet of RFPs, and 60% of that is towards Bangalore, which is a strong suit for us. Overall, leasing demand has been robust and we are very happy with it.

Pritesh Sheth – Axis Capital: You mentioned 20–25% premium rentals over market at Manyata. Is this premium only at Bangalore assets or at a portfolio level?

Management: It is across the country. It is a function of flight to quality. Given our asset quality is grade A+, we are getting this premium across all our properties.

Pritesh Sheth – Axis Capital: One last one on solar. We have clocked 23 crores NOI for two quarters. Is this the new normal?

Management: Absolutely. This will be the stabilized generation and revenue.

Pritesh Sheth – Axis Capital: Perfect. Thank you and all the best.

Operator: As there are no further questions, on behalf of Embassy Office Parks REIT, that concludes this conference. Thank you for joining us and you may now disconnect your lines.