



Nirlon Limited

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June 3, 2022

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 Friday,
May 27, 2022

We refer to our intimation dated May 17, 2022 informing the stock exchange of an earnings conference call on Friday, May 27, 2022.

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".

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
Q4 FY22 Earnings Conference Call
May 27, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY22 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 the operator by pressing *, then 0 on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Anuj Sonpal.

Anuj Sonpal: Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal, CEO of 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 fourth quarter and financial year ended 2022.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings 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 beliefs 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 purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Rahul Sagar - Chief Executive Officer and Executive Director; Mr. Kunal Sagar - Promoter and Non-Executive Director; Mr. Manish Parikh - Chief Financial Officer and Vice President (Finance); Mr. Jasmin Bhavsar - Company Secretary and Vice President (Legal) and Compliance Officer; Mr. Ashish Bharadia - Vice President - Business Development and Investor Relations, Nirlon Management Services Private Limited. Now without any further delay, I request Mr. Kunal Sagar to start with his opening remarks. Thank you and over to you, sir.

Kunal Sagar: Thanks Anuj. Good afternoon and welcome to our earnings conference call for the fourth quarter and the Financial Year ended 2022. We hope all of you are safe and well. Let us take you through the financial performance of the company for this year.

For the fourth quarter of the Financial Year ended 2022, the company reported a total income of approximately Rs. 138 crores, an increase of 48% from previous quarter and EBITDA stood at Rs. 114 crores, an increase of 52% from the previous quarter. This represents an EBITDA margin of 82.43% which increased by 224 basis points sequentially. Profit after tax stood at Rs. 37 crores representing a PAT margin of 26.94%. For the Financial Year ended March 22, the company reported a total income of approximately Rs. 387 crores, an increase of 21% from the previous financial year, and EBITDA was Rs. 300 crores representing an EBITDA margin of 77.63%. PAT stood at Rs. 111 crores representing a PAT margin of 28.65%.

As mentioned in our presentation, during the year ended 31st March 2022, the company completed the development of Phase V at Nirlon Knowledge Park and licensed the entire Phase V development comprising 1.16 million square feet of chargeable area with effect from December 15, 2021 to JP Morgan Services India Private Limited for a period of 10 years. JP Morgan is paying license fees as per the agreement from 15th May 2022 as contracted. Accordingly, income and expenses relating to Phase V are recognized in the Profit and Loss Account with effect from 15th of December 2021. This is the primary reason for the increase in license fees and profitability in the fourth quarter. The overall occupancy rate of Nirlon Knowledge Park including Phase V has increased to approximately 98% in this quarter compared to 95% in the previous quarter.

Of the area that was vacant earlier, JP Morgan licensed an additional 13,000 square feet at NKP and two clients licensed approximately 4,800 square feet at Nirlon House, of which 75% i.e., 3,600 square feet is Nirlon's share. Separately, Barclays has renewed approximately 63,000 square feet in May 2022 of its space due for renewal / expiry in Financial Year 23 in NKP.

As on 31st March 22, approximately 65,000 square feet or approximately 2% of the area was vacant. Of this vacant area, the company has licensed approximately 7,500 square feet in Q1 Financial Year 23 and is in discussion for the balance area.

On the 2nd of May 2022, the company refinanced its entire debt and availed a Green Loan facility from HSBC for Rs. 1,230 crores including an OD sublimit of Rs. 80 crores. This new facility is for a tenure of 10 years with a principal moratorium for the first 5 years and a bullet repayment of 75% at the end of the 10th year. As of today, the interest rate applicable is 6.6% on the OD facility and 6.1% for the balance facility.

The company had paid an interim dividend of Rs. 15 per share for the Financial Year 21-22 in quarter 4 of Financial Year 22. Additionally, the Board has recommended a final dividend of Rs. 11 per share for the Financial Year 21-22, subject to approval of shareholders in the forthcoming AGM. As mentioned on earlier calls, this is in keeping with our practice of ensuring the maximum amount of surplus cash is regularly paid out to investors, while ensuring a prudent level of liquidity is available for contingencies.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dilip A. Jain, an Investor. Please go ahead.

Dilip A. Jain: Congratulations on an excellent set of numbers and the announcement of the final dividend. Sir, we have stated in previous con-calls that we would like to maintain a stable dividend policy. Having paid Rs. 26 per share as total dividend in the current fiscal year, do we intent to maintain a stable dividend payout in the future given that the circumstances are normal? Sir, my second question is, as you have mentioned in the earlier concall, that a one location asset containing REIT structure may not be possible from a regulatory standpoint. So therefore, in case we decide to diversify into different real estate classes, I would like to just mention that various real estate classes globally give returns in the low single digit to mid teens. Sir my question to you is, are we open to real estate fields which give higher rental yields than the office real estate portfolio? Thank you very much, sir, I look forward to your responses?

Kunal Sagar: Mr. Jain, we will answer your first question which is on the dividend sustainability, I think it was?

Dilip A. Jain: Yes sir.

Kunal Sagar: We believe that the level of dividend that we paid for this year is a sustainable dividend for us going forward. We estimate that for the next few years this is a sustainable dividend that we should be able to pay.

Dilip A Jain: Excellent sir, very nice.

Kunal Sagar: The second question, we didn't fully understand, are you saying that would we like to move to a class of real estate that is not office? Is that what you are suggesting?

Dilip A. Jain: Yes sir, there are other real estate classes, I believe for example, there are data center REITs. There are various other classes which gave a yield which is probably single digit to mid teen, so are we open to diversifying into them in the future?

Kunal Sagar: We are not presently looking at any other class of development in Nirlon other than office development for the moment.

Dilip A. Jain: So you had mentioned earlier sir that from a regulatory standpoint, a one location asset containing REIT structure may not be possible. Do we have any information on where do we stand on that particular point as far as the REIT conversion if at all it were to take place in the future?

Kunal Sagar: We have more information. The one location aspect is not the defining characteristic in terms of whether one will move towards the REIT or any other restructuring. That is one of the points. We believe would be a secondary point rather than one of the primary points.

I think we mentioned last time that the larger issues are, in fact, the so called conversion to a REIT is not something that is a regulatory possibility. It is not possible to just convert to a REIT. As we had explained last time, there is a convergence of various regulations and various people who need to come together for this. So, our understanding so far, is that a listed entity can theoretically become an SPV under a REIT, which is also a listed entity. However, there are no precedents or ready framework for this particular circumstance at the moment. Due to these considerations, in the absence of any specific approval or any specific exemption, there may be a situation where it may be desirable or required for the company to transition towards a REIT in two steps, which may involve either an open offer or a delisting, and then move in the direction that one decides to take. As we had said the last time, this is a set of discussions that is ongoing at our end, and we have a lot of significant feedback which we will take into consideration before we take any final decision on the matter.

Moderator: Thank you. The next question is from the line of Gaurav Jain with Spark Capital Advisors India Private Limited. Please go ahead.

Gaurav Jain: Congratulations on the good set of numbers. My question pertains to the rental increase that one has witnessed over the past 1 year and I must compliment that you have given a very clear chart of how much renewal you expect over the years for Nirlon. So on that is there a broad rental increase that we are looking at in percentage terms on per square feet, per month basis? And I ask this question in the context of competing office space nearby Nirlon in the form of Commerz, Nesco and some of these other developments?

Rahul Sagar: Gaurav, there are couple of reasons for the increase in the license fees between FY21 and 22. No doubt there has been escalation which has come through from the existing phases - Phase 1, 2, 3 and 4. There have been some vacancies which have been filled as well over the course of the fiscal year 21-22. If you look at the Ind-AS number, JP Morgan rent would have started from December 15, where the rent starts to be straight-lined as per Ind-AS. So that is another reason, and probably a very significant reason as to the increase in the revenue between FY20-21 and 21-22. That would really be it. So basically consistency in the escalations coming through, the marginal reduction in vacancies and then of course straight lining of the JP Morgan rent from December 15, 2021. Does that answer your question?

Gaurav Jain: If I can be more specific here in asking, in terms of increase, are we looking at 10% to 15% increase in rentals over say 21 on per square feet, per month basis, is that a fair assessment?

Rahul Sagar: I think the increase in the rental per square feet between 20-21 and 21-22 would not be significant to the extent of 10%. Whereas there may be a few marginal increases, I don't think it will be as significant as 10%.

Gaurav Jain: And is it fair to assume sir that this number?

Rahul Sagar: I am speaking of the new rentals, of course. The escalations have come in, have kicked in as per schedules.

Gaurav Jain: And is it fair to assume, sir given the competition around you, rental increase would be like mid-single digit, is that a fair assessment?

Rahul Sagar: Rental increase would be mid-single digit for what?

Gaurav Jain: For renewals, like whenever they are coming up?

Rahul Sagar: It is a tough question, really. There are a lot of factors that constitute the rents. So I would not want to comment on the fact whether the rental increase would be mid-single digits for renewals or for new Leave and License for that matter.

Kunal Sagar: Gaurav, it depends on what level the previous license has expired at, and so sometimes you may get something that is significantly more than what you have, and sometimes you may not get that level because you are looking at a base that is different. So, as Rahul said that is an individual specific situation that occurs, and we don't want to generalize on that.

Gaurav Jain: And lastly sir, now that everything is sort of leased out, less than 2%, around 2% vacancy, how do we think about growth for Nirlon Assets going forward?

Rahul Sagar: The growth will of course come for a company like ours, at this point where no additional or further construction is envisaged, from a consistent occupancy rate and minimum vacancy over a consistent period of time, as has been the case predominantly over the past 10 years approximately. And of course growth would come with consistent escalation in rentals which have also been occurring over the past approximately 10 years, and thirdly a very significant part of growth which, of course, we cannot specifically comment on now would be if the actual rate also, so to speak, shows a steady and a consistent upward trend. But of course on the third point it is not so easy for us to make a specific comment on right now. That would predominantly be the driver of growth in the topline, and of course that would be the most significant factor for overall growth in the P&L.

Gaurav Jain: And just sir lastly, as we stand today, are offices working at 100% capacity in Nirlon?

Rahul Sagar: That is a good question, Gaurav. So we see a steady increase of people coming into the campus. Of course, this is something which we monitor very closely and I would like to say

that based on the first four phases, apart from JP Morgan of course because that is in the fitout stage, we see that we are approximately around the half way mark in terms of the number of people coming in. We see approximately 50% of the pre-COVID volume of people entering the campus every day. So that is extremely important and that is something which we look at and we would be very happy to see further people coming in into the campus. But I'd say at this point in time, we are approximately at the 50% mark.,

Kunal Sagar: We have been encouraged to see that since our last call, the occupancy has gone up significantly. As Rahul said, between 50%, and sometimes close to 60%, and we do see that trend continuing to go up. So this is something that we are encouraged by.

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

Niraj Mansingka: Few questions: One - JP Morgan took additional 13000 square feet from you. Was it at the same price, or it is slightly at a premium or a discount?

Kunal Sagar: Are you asking if the 13,000 square feet that has been taken by JP Morgan additional, is that at a premium or a discount?

Niraj Mansingka: Yes.

Rahul Sagar: I think it is pretty much at the same rate.

Niraj Mansingka: And the Barclays that was renewed, so obviously there would be an escalation because the renewals have come in? So can you give a color on their renewal rates like, the question here I am trying to get is, since you have contracted JP Morgan which was some years back, 2 years or 3 years back, the rates might have gone up or gone down. Just wanted to understand, because currently the occupancy is increasing and there is also some amount of positive side in the business. So wanted to know the rates for Barclays. What is the current rate for the market and reset for Barclays what rate was it done?

Rahul Sagar: So the question is what rate has Barclays renewed and is it higher or lower than earlier rate?

Niraj Mansingka: No, not with regard to Barclays earlier one, but because we can say JP Morgan is a benchmark, I think that would be a better way?

Rahul Sagar: So with regard to JP Morgan as a benchmark, we'd say the Barclays rate, if you compare it, is fairly similar to the JP Morgan rate. We would say it is very close around the JP Morgan rate if you compare it on a like to like basis.

Niraj Mansingka: The reason I am asking was there has been this development here, then the metro stations are coming, there is a huge gap still between BKC and your area and still the rental rates are not going up. So wanted to get your color on that side also?

Rahul Sagar: Yes, that is a good question. But one must also understand apart from the micromarket in Goregaon and apart from BKC, the profile of the licensees we have, are very strong licensees for any developer, and all these licensees have a very strong footprint in Pune and in Bangalore etc. as well. So one needs to also take into account that the talent pool of employees accessible to licensees in Pune and Bangalore is very significant and is very good and the competition for NKP apart from the micro market. And, of course yes, we always think that the prices should increase more compared to BKC. But based on the profile of the space which is basically the larger floorplates of 30,000 and 40,000 and sometimes even more, that is a very serious competition to space being offered in Pune and in Bangalore, just to name two locations where the talent pool available to this profile of licensee is very decent.

Niraj Mansingka: No, I understand this. I just wanted to push further a thought. Maybe we can get more understanding on that. See the capital cost of making a property has gone up, the land prices have also gone up in the last 5 years. Effectively, a new guy building a property would get a lower yield that you would have got say 5 or 10 years back. So don't you think that the lucrativeness of making a commercial property has gone down and hence the rates are bound to go up and if not going up, so still want more color. Or do you see that until occupancy of the region goes complete, then only you will see possibility of some industry rate hikes?

Kunal Sagar: Niraj, rather than speculate that way, let us look at what we have been seeing and what has been happening - we've come out of 2 years of COVID, there has been, touch wood, nothing negative that has happened in that time. If anything there have been various positive developments that you had in terms of leasing as well as in terms of rates. We haven't had anything that is negative. Also, the kind of transactions that we are doing now are incrementally showing an upward trend as not a downward trend.

One doesn't want to be subjective about it – as to whether that is good or bad. We have been quite encouraged given the way the last two years have gone and given where we are now, the kind of enquiries that we have and the kind of rates that we are licensing at are certainly higher than what they were earlier and to that extent it has been something that is quite positive in our view. Does that better answer your question?

Niraj Mansingka: Yes, there is a color on the direction. The last question, I want to know on the, you have given a discussion on how the monetization will happen for investors. Now can you share, you said about it, can you give more color on what is the point of stumble and where the decision getting stopped and for say, may be converting to REIT or merging into another REIT? So just

wanted to know your thought that where are the decision making getting stumbled or where the points were discussion is still to happen?

Kunal Sagar: Your line is not clear, but what we understand is I think you are once again asking where we are in terms of the decision making towards restructuring or a REIT or something along those lines? Is that what you are asking?

Niraj Mansingka: And more color rather than just we are thinking about it?

Kunal Sagar: I think we did offer more color the last time and I think we did offer more color this time as well. As you would be well aware, the REIT or a restructuring decision like a REIT is going to involve considerably more than just the company and Rahul and me sitting here just now. It would involve the sponsors, shareholders, many other people and many other issues. We did mention earlier, and I think quite clearly, that we have made significant progress in terms of understanding.

One of the discussions we have been having is the way toward the REIT as far as Nirlon goes, as far as the regulatory aspect goes. There, as mentioned, we have made significant progress in understanding, in terms of whether as a listed entity Nirlon can be owned by another listed entity which would be a REIT, or what would be required to put Nirlon in a structure where it could fit into a REIT. I think there it has been significant progress in terms of our understanding.

The decision making post this understanding, would have many other people and many other parties that are involved. and that is something that will play out over the course of the next few quarters. There is nothing that is stuck anyway, so the process is moving forward. And since it is a process that will effectively be happening for the first time in terms of a listed entity trying to transition into to a REIT, it will naturally be looked at very carefully and scrutinized from all sides to see whether that is in fact beneficial to the shareholders or not at the end of the day. So we don't want to make any commitment beforehand and it is not something that, unfortunately, we can answer just for the sake of answering. It is a long, detailed process which is being undertaken for the first time. So I hope that does give you some more color. Again, we are not saying we're thinking about it, we are saying we are doing a lot more than thinking about it.

Niraj Mansingka: Just wanted to give my feedback that what happening is that you are also not moving to the new tax structure because you don't know how it will be required if you convert to REIT. So effectively the decision making is a cash flow loss to the minorities. Also, I know it is cash flow loss even to the majority shareholders, but it is also cash flow loss to the minority shareholders and so just a suggestion that at least the majority shareholders should think slightly to quicken the decision rather than the pace at which this is happening right now. So that is just a feedback I wanted to get to you.

Kunal Sagar: Yes, your feedback is much appreciated. I want to say that is something that we are extremely cognizant of. The only point we would like to make to you is that the migration to the new regime as you know is not a reversible one, and based on the data we have if we are allowed retain our flexibility now for any future restructuring, and if we continue with the old tax regime, we estimate that the potential value of certain events is significant enough to stay with the old tax regime and to keep this option open now. We are not saying that is something we are going to do for the next 5 years or to the next 10 years or the next 3 years. We are saying for the present, for this year at least, saying under old tax regime to allow us the flexibility to do something that could be much more significant. And if it isn't, there will definitely be a small cash flow loss to all shareholders, but we do believe that the potential value is not something that we should just close the door on, so we make sure that we explore every avenue in that regard to try and maximize that value. So we understand your point of view, and we understand that what you are saying is something that we are extremely cognizant of, and we agree with you fully on that.

Moderator: Thank you. Our next question is from the line of Laksh Jain, an Investor. Please go ahead.

Laksh Jain: Very big congratulations to the Nirlon thing for great set of numbers, I have couple of questions: my first question - what are the current rates going on in Goregaon for A grade office spaces like NKP, per square feet cost?

Rahul Sagar: So, essentially we don't want to say what the rates are in the other developments in and around the micro market. As you can see the rates in NKP would be approximately in the mid 140s so to speak. That is what we think the approximate rates are.

Laksh Jain: You are talking about the rental part, 140?

Rahul Sagar: Yes.

Laksh Jain: And about land like in general I am not speaking of rent, I am talking about the land?

Rahul Sagar: Land?

Laksh Jain: Land in the sense for square feet we have 50 lakh square feet, like 5 million? With carpet area of 30 lakhs?

Kunal Sagar: We don't want to look at the land valuation in our context because it's a finished asset.

Laksh Jain: I am just correcting that, we have like 30 lakhs carpet area?

Rahul Sagar: Yes, chargeable area.

Laksh Jain: I am talking like how much will it be like if it is on sale, like 30 lakh is, you are getting my question right, like per 30 lakh how much ?

Rahul Sagar: Yes, you are asking what is the rate for square feet if we want to sell it?

Laksh Jain: Yes.

Rahul Sagar: We don't really want to comment on that because we've not really examined that. We haven't looked at that so it would not be absolutely appropriate for us to answer that question without doing a lot of home work in understanding that.

Kunal Sagar: Our valuation, like any other company and our profile. would be on a Cap Rate and rental basis. The cost per square foot of office space is not something that will be a realistic valuation one way or the another. Ours would be done on the more traditional basis for any rental asset or any yield asset.

Laksh Jain: The reason why I asked this question is you will get an idea if at all REIT materializes, you get the valuation like that?

Kunal Sagar: Again, I think we would want to, if you are looking at valuations, we would be comfortable looking more at the cap rate/rental valuation model rather than anything else, whether it is for REIT or whatever it is for, because we think that is the more realistic and more relevant one in this case.

Laksh Jain: And my last question: given the size of Nirlon, the loan of what we have right now is very small. So do we have the options open for acquisition? When another investor asked about growth, you were focusing on incremental rental and not on acquisition?

Rahul Sagar: At this point in time, as we have answered on the earlier calls as well, there are no plans for any further growth or further construction within the NKP campus or outside in greenfield, brownfield projects or something of that nature. In that context we see no reason at this point why the debt should be increased.

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

Niraj Mansingka: Last question: Rahul, just wanted to know how do you see the cash flows. I think the dividend is good that they have paid out. Just wondering how much cash would be left after paying dividend and if you pay the same dividend next year, how do you see the dividend payout next year as well?

Kunal Sagar: Niraj, we don't want to offer any kind of specific guidance in terms of what will be next year. What we will say that the fourth quarter results should be, on an estimated basis, reasonably

representative of what we should be able to look at in the coming year. Does that help you in terms of answering your question?

Niraj Mansingka: Yes.

Kunal Sagar: Because we do think that the fourth quarter has been quite representative what we estimate should be there going forward.

Niraj Mansingka: So the only reason I asked you was that the amount of dividend rate is commendable, but you it is much higher than the run rate of earnings today. So that is why I have asked to you?

Kunal Sagar: We do think that this is a sustainable level of dividend going forward for the next few years and we confirm that, I think another investor had asked that question earlier. We did confirm that it is something we believe is estimated to be sustainable going forward.

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

Kunal Sagar: Thank you all very much once again for attending the call. We appreciate your time and your questions as always. If there is anything at all that you need further, please be in touch with us and we will try our best to make sure that we answer your queries or any clarifications as soon as possible. Thanks again. All the best.

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