

NIRLON LIMITED

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August 19, 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 August 13, 2021

We refer to our intimation dated August 4, 2021 informing the stock exchange of an earnings conference call on August 13, 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 and Mr. Manish B. Parikh - Chief Financial 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

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

Encl:a.a.



Nirlon Limited
Q1 FY22 Earnings Conference Call
13th August 2021

Moderator: Ladies and gentlemen, Good Afternoon and welcome to Q1-FY22 Earnings Conference Call of Nirlon Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then ‘0’ on your touch-tone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you. Good Afternoon everyone, and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations of Nirlon Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the first quarter of Financial Year 2022.

Before we begin, 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 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 key 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 give 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 and Mr. Manish Parikh - Chief Financial Officer of Nirlon Limited, and Mr. Ashish Bharadia - DGM of Business Development, Nirlon Management Services Private Limited.

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

Kunal Sagar:

Thank you Anuj. Good Afternoon, everyone and welcome to our earnings conference call for the first quarter of FY22. We hope you are all safe and well. Since 2006, Nirlon 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, Eastern Mumbai. This development is known as Nirlon Knowledge Park or NKP. NKP has been constructed in phases with 4 out of 5 phases of development completed by 2016. The final phase of development is 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 V will have a chargeable area of approximately 1.16 million

square feet. (these numbers, are on the basis of 80% efficiency). GIC of Singapore became the majority shareholder and the co-promoter in 2015, vide an open offer through its affiliate Reco Berry Private Limited (Reco) of Singapore, and currently has a 63.92% holding in the company.

Let us now take you through the financial performance of the company. For this first quarter of FY22, the company reported a total income of approximately Rs. 76 Crores and an EBITDA of approximately Rs. 52 Crores, representing an EBITDA Margin of 68.2%. Profit After Tax stood at approximately Rs. 27 Crores representing a Profit After Tax Margin of 34.95%. License fee collections in the first quarter of FY22 was approximately 99% of billing. The reduction in top and bottom line numbers this quarter is primarily due to two situations - One is the effect of the vacancies during Q1-FY22. This effect was negligible in Q4-FY21, due to the vacancies arising only late in that quarter. And two, increase in Quarter 1 costs due to monsoon related and structural repairs required to be done in this first quarter as planned, and changes in accounting rules requiring the company's CSR liability for the entire year to be recognized at the beginning of the financial year itself.

Moving on to the operational highlights :

COVID vaccinations - The company has vaccinated, (with at least the first dose), almost all its employees, contractors, vendors and personnel, and their eligible family members who work in NKP and Nirlon House. The second dose will also be administered to such employees

as soon as possible once they are eligible as per Government guidelines.

Licensing - As on 30th June 2021, approximately 158,000 square feet area was vacant as against approximately 190,000 square feet on 31st March 2021. The company is currently in advanced discussions to license, or to receive commitments, for another approximately 88,000 square feet in NKP during the July-September quarter. Further license commitments are anticipated in the second half of this financial year as well. As mentioned in our last call, the entire Phase V chargeable area of approximately 1.16 million square feet has been committed by JP Morgan. We estimate JP Morgan will take handover of Phase V in Q3-FY22, subject to any new adverse COVID-19 or monsoon related delays.

Dividend - Once the company has confirmation on the handover date and consequent license fee commencement date for Phase V from its prospective licensee, it will recommend dividend (whether interim or final) to the maximum extent deemed prudent after ensuring it has adequate cash reserves to meet any potential contingencies. In this context more specific guidance on dividend pay-outs will be made available in the coming quarters.

With this, we conclude our presentation and open the floor for questions. Thank you.

Moderator: We will now begin the question and answer session. First question is from the line of Aniket Kulkarni from Premium Brokers. Please go ahead.

Aniket Kulkarni: My first question is, are we still going to hold through in terms of revenue generation from the JP Morgan in Q4? Because I think there is a time lag between giving them possession and the revenue generation. So, has that timeline been pushed a bit or is it still the same as mentioned in the last concall and your current presentation?

Kunal Sagar: For JP Morgan, we are expecting that they will take possession in the October-December quarter. There is a 5-month rent-free period after that as contracted that has remained unchanged. If they take possession in either October or November, that will allow some element of the license fees to be received in the fourth quarter, if one calculates 5 months from either October or November. If however, they take possession in December, then of course the license fee commencement would begin in the first quarter of the next financial year and not this one.

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

Niraj Mansingka: Rahul, can you just share your thoughts on how the leasing of this 125,000 square feet, which is vacant, will be done? And can you also share something about the market environment in leasing right now?

Kunal Sagar: Just for clarification for, did you say 125,000 square feet?

Niraj Mansingka: I heard that actually. 190,000 was in March 2021 end, right?

Kunal Sagar: Correct, and it is 158,000 now at the end of June. As we mentioned, we are in advanced discussions presently to

license approximately 88,000 square feet out of the 158,000 that was vacant at the end of June. We also expect that there will be further enquiries which would fructify into licenses in H2-FY22. So if that pans out as planned, then we would be effectively move from 158,000 on 30th June as vacant space, less 88,000. So, approximately 70,000 by the end of September 2021, and subsequently lower than that.

Niraj Mansingka: And this I am guessing are in the advanced stages, am I right?

Kunal Sagar: Yes.

Niraj Mansingka: The other question is, can you share something about the environment of leasing market right now?

Kunal Sagar: So, we had mentioned in our last call that in general the market was slower in terms of the uptake of space than it was prior to COVID. In the last quarter, I would cautiously like to say it has been a little bit better than it was. Q1-FY22 has been better in terms of enquiries and conversion of enquiries relative to Q4-FY21. I say this cautiously, but I would say it has been a little better. and we are hoping that this trend continues in the July-September quarter and the subsequent quarters as well. It is not yet what it was before COVID, but it does seem a little bit better at this point. However, it is a little early to make a definitive statement to say that it is much better. But we do feel it has slightly improved from the earlier quarter.

Niraj Mansingka: Okay. The other question is on the rentals with JP Morgan. Can you share an estimate of the CAM charges

and how will it flow? Like will it flow to you directly or maybe through the charges to the cost? Can you just share how the review will be done and will you be making some amount of margins in the CAM charges also?

Kunal Sagar: Yes, we can do that. Our CAM charges are on an open book system. We open our books to the licensees, so that they can check what we have billed them for and they can question us and we will give them answers to what we have been billing them for. We essentially break it up into two components, one is CAM itself, and then there are common area utilities as well that we charge separately from CAM. Both are on an actual basis of course. On the CAM portion of it, we have a specific defined and agreed margin, and we don't have any margin on the common area utility part of it. In general, CAM charges in Nirlon are approximately Rs. 17 or Rs. 18 per square foot per month, including the common area maintenance charges. That is approximately what it is.

Niraj Mansingka: What range of EBIDTA Margin would we be making in CAM charges approximately?

Kunal Sagar: Approximately 13% to 15%. Can I just ask our team to confirm whether that is the CAM Margis that we have?

Manish Parikh : Yes, today the margin is approximately 15%.

Niraj Mansingka: And the JP Morgan lease that you have been talking about, the EBITDA that you are talking of, of Rs. 200 Crores, does it include or exclude this CAM Margin?

Kunal Sagar: Is your question, whether the approximately Rs. 200 Crores of top line that will be added from JP Morgan,

include or exclude CAM? Is that your question, just to be sure?

Niraj Mansingka: Rs. 200 Crores of EBITDA.

Kunal Sagar: If I remember our presentation correctly, the Rs. 200 Crores we mentioned is the addition to the top line. We haven't specifically mentioned an EBITDA number. So the Rs. 200 Crores is not referring to the increase in EBITDA. It is referring to the top line increase. Effectively the license fee will increase as a result of JP Morgan licensing the space. So the increase in top line is about Rs. 200 Crores. That Rs. 200 Crores is without considering any CAM, it is purely the license fee revenue without the CAM or the CAM Margin.

Niraj Mansingka: So what would be the cost that you would incur after you have earned that Rs. 200 Crores of revenue, because CAM charges we are taking it separately?

Kunal Sagar: As far as the increase in cost is concerned, post JP Morgan beginning license fees, it is confined to property management charges, which are 3% of the top line, and a specific defined amount of property tax. These are the two main increases in costs. The other increase in costs.... rather there are no other proportionate increase in costs that are likely, once JP Morgan begins to pay their license fees. And hence we have made a statement in our report to say that on the basis of that, we do expect that margins will improve once JP Morgan begins. Because the increase in costs is not in any way commensurate to the increase in the license fees.

Niraj Mansingka: Last quarter also I asked the same question about how do you expect the investors to monetize the value of the earnings and you partially said that you have a dividend plan. So any more discussions you have had and any thoughts on how do you want to monetize for the investors?

Kunal Sagar: Yes. That is what we had tried to put forward in our opening statement. Once we have confirmation on the handover date and consequent licensee commencement date for Phase V from JP Morgan, we will recommend dividend, whether it is interim or a final pay-out, to the maximum extent that we feel is appropriate or prudent after ensuring that we have enough cash to meet any potential contingency. So, the idea or the thought process is that we will not hold onto cash, but we will be distributing that cash after appropriate contingency planning to investors. Does that answer your question?

Niraj Mansingka: It opens up another question. There are two points. One, dividend is a significantly inefficient way right now because of the full taxation in the hand of shareholders. Two, why can't you think of a larger way like a REIT or some other way, where the investor can get a REIT share. Because REITs trade at a valuations which are significantly at 6.5-7% and after JP Morgan we will have almost Rs. 500 Crores of EBITDA for the company, the trading rate is almost 13-14%. I just wanted to ask you those questions.

Kunal Sagar: So if I understood correctly, you are asking whether we can improve the efficiency of the distribution we do, for example by looking at a REIT structure. Am I correct?

Niraj Mansingka: Yes or a delisting. I just wanted to know on that side because dividend is a temporary cash flow, like it is not a longer term capital build for an investor.

Kunal Sagar: What we are doing is essentially looking at the legislation as it exists today, to see that a company with our status as a public limited listed company, how we can take advantage of the existing REIT legislation to improve the efficiency of our distributions through dividends. This is a process that we are evaluating very seriously with our stakeholders and with our advisors. We understand the context of your question, and this is a similar answer to what we had mentioned the last time. We will continue to do this to see if there is a more efficient way of returning cash or returning payments to shareholders.

Moderator: The next question is from the line of Vaibhav Kapoor, an individual investor. Please go ahead.

Vaibhav Kapoor: Sir I was just looking at your earnings presentation and you said that the debt post completion of Phase V would be Rs. 1,200 Crores. So I just wanted to know, once you include the deposit that you would receive for Phase V and some cash flow that would occur if you hand over the possession in October/November/December, what would be your estimate as the March 2022 closing number for the debt?

Kunal Sagar: The March 2022 closing numbers of the debt would be about Rs. 1,200 Crores as we have mentioned. I didn't fully understand what you meant by the deposit aspect of it.

Vaibhav Kapoor: So what I understand is that once Phase V is complete, your debt could be about Rs. 1,200 Crores. Then you would receive a deposit once you hand over Phase V, and there would also be some amount of cash flow accumulation that you will get from the existing Phase I to Phase IV. So, I was just trying to understand what would be the debt number that would be there post-handover of Phase V.

Kunal Sagar: At this point, we are planning to maintain the debt level at about Rs. 1,200 Crores, despite receiving the deposits as you mentioned and surplus cash flows as well. Which is why we mentioned that we don't intend to hold onto any extra surplus cash that we have whether it is from deposit, or whether it is from our cash flows. We intend to distribute that after making sure that we have adequate cash for contingencies on our books.

Vaibhav Kapoor: What could be the number for the deposit? If you could just specify the numbers, that you will be receiving?

Kunal Sagar: You are asking from our earlier Phases or just the JP Morgan number?

Vaibhav Kapoor: Just JP Morgan, because that would be the new one. That would give us an indication.

Kunal Sagar: The JP Morgan deposit will finally equal to about 9 months as per our contract (which is a registered document), is about Rs. 150 Crores, of which we have currently received about a Rs. 100 Crores.

Vaibhav Kapoor: This is for Phase V, right?

Kunal Sagar: Correct, yes.

Vaibhav Kapoor: And you are saying that, even after you include the deposit towards the handover, the debt at the end of the year would be Rs. 1,200 Crores.

Kunal Sagar: That is correct. We are targeting a debt level of Rs. 1,200 Crores at the end of Phase V and even post receiving the deposits from JP Morgan. That is correct.

Moderator: The next question is a follow-up from the line of Aniket Kulkarni from Premium Brokers. Please go ahead.

Aniket Kulkarni: I have 2 questions. First is regarding the vacant stock that we are having regarding the 88,000 square feet. The current rates that we are giving them, are they lower or higher or kind of similar to the earlier lease that was there for those particular spaces?

Kunal Sagar: They are at similar rates.

Aniket Kulkarni: My 2nd question is with regards to the debt, as you have mentioned it will be close to Rs. 1,200 Crores at the end of this year. Do you have anything to say with regards to what it will be in say, FY23 and FY24 going forward, like what is the plan for debt reduction or the debt plan?

Kunal Sagar: We are presently evaluating what we would like our optimum debt number to be, and we are speaking with various people to understand all our options as regards whether we would like to have a loan that is an amortizing loan, or whether we would like to have a loan that is a non-amortizing loan and try and do a balloon payment later. Those are the options that are currently being

evaluated by us. So at this point we have a good understanding of what our debt level will be at the end of March 2022. But we will in the next 3-6 months decide as to what our level of debt would be post that, and what the nature of the loan would be in terms of whether it would be self-amortizing, what the period might be, or whether it might effectively be an interest only loan with the balloon payment at a later stage.

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

Kunal Sagar: Anuj, can I request you to confirm whether there are any further participants or any further questions?

Anuj Sonpal: No, I think there are no further questions. So we can conclude.

Kunal Sagar: All right. Thank you very much. We appreciate your participation and your interest, and we look forward to being in touch again in the coming quarter.

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