NIRLON LIMITED
Western Express Highway,
Goregaon (E), Mumbai - 400 063.
T +91-22-4028 1919 / 2685 2256 - 59.
F +91-22-4028 1940.
www.nirlonltd.com, Email: info@nirlonltd.com
CIN: L17120 MH1958PLC011045

NIRLON

November 16, 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 Wednesday, November 10, 2021

We refer to our intimation dated October 26, 2021 informing the stock exchange of an earnings conference call on Wednesday, November 10, 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, Mr. Jasmin K. Bhavsar , Company Secretary 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

Nirlon Limited
Earnings Conference Call
November 10, 2021

Moderator: Ladies and gentlemen, Good Day and welcome to the Q2 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 an operator by pressing "*"then "0"on your touchtone phone. I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

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 call for the second 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 call maybe forward looking in nature. Such statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. The statements are based on management belief as well as assumptions made by an 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 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, Mr. Manish Parikh – Chief Financial Officer, Mr. Jasmin Bhavsar – Company Secretary Vice President of Legal and Compliance Officer and Mr. Ashish Bharadia – Deputy General Manager of Business Development, Nirlon Management Services Private Limited. Now, I request Mr. Kunal Sagar to give the 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 second quarter and the first half of the Financial Year 2022. We wish everyone a very happy Diwali and hope everyone is safe and well. Let us start and take you through the financial performance of the company.

For the **second quarter** of the Financial Year 2022, the company reported a total income of approximately Rs. 80 Cr, an increase of 5.3% from the previous quarter. EBITDA was about Rs. 60 Cr, an increase of approximately 16.4% from the previous quarter. This represents an EBITDA margin a 75.28%. Profit After Tax stood at about Rs. 34 Cr, up by about 27.6% from the previous quarter. This represents the PAT margin of 42.2%.

In the **first half** of the Financial Year 2022, the company reported a total income of approximately Rs. 156 Cr with an EBITDA of about Rs. 112 Cr, representing an EBITDA margin of 71.88%. Profit After Tax stood at about Rs. 60 Cr, representing a Profit After Tax margin of 38.63%. Now when compared to the first half of the financial year 2021, the PAT was lower in the financial year 21-22 for two reasons, i.e. Total Income was less due to higher vacancy in the first half of the financial year 21-22. Expenses were also higher in this quarter because provision for CSR expenses now need to be made in the first quarter of the financial year, water proofing expenses made in the first quarter before the onset of the monsoon and the higher amortization of marketing fees as per accounting norms.

Coming to the **operational highlights**, the company continues to improve and perform steadily post the second wave of COVID-19. Operations are supported by the extraordinary efforts made by our employees, partners, vendors, etc. and the excellent support received from our licensees, lender, board and major shareholder. With an increasing number of the population continuing to be vaccinated, we remain optimistic that the effects of the pandemic will continue to recede during the second half of this financial year, despite temporary spikes which are anticipated, as people return to a more normal life and come back to work.

Covid-19 : We have taken and continue to keep in place stringent and ongoing measures to provide the required pandemic related health and safety measures in NKP and Nirlon House. The Company has completed its vaccination drive for its eligible employees, vendors, contractors and their dependents. All our eligible personnel have taken both doses of the vaccine.

Licensing: As on 30th September 2021, approximately 148,000 square feet of areas was vacant as against 158,000 on 30th June, 2021. Of this 148,000 square feet vacant area, Morgan Stanley has licensed and occupied approximately 38,000 square feet in October 2021. The company is in advanced discussions to license an additional approximately 51,000 square feet in Q3-FY22. On this basis, and factoring in another approximately 5,000 square feet being vacated in November 2021, we estimate vacancy to be down to approximately 64,000 square feet at the end of Q3-FY22. In other words, we estimate occupancy to be in excess of approximately 95% as on 31st December 2021. IBM has recently given notice to vacate approximately 37,000 square feet in April 2022, the license for which in any case was scheduled to expire in July 2022. Preliminary discussions have commenced to relicense the space.

Phase V Handover: With the completion of Phase V estimated in Q3-FY22, we are looking forward to an improved performance by the company estimated to begin in Q4-FY22 and Q1-FY23. The entire Phase V chargeable area of approximately 1.16 Mn square feet has been committed by JP Morgan. We are glad to say that based on our most recent, constructive and positive discussions earlier this week, the handover to JP Morgan is estimated to take place in December 2021 and license fees are estimated to begin 5 months thereafter as per the contracted license fee-free period. It is worth mentioning that the handover process to JP Morgan is already underway and is proceeding based on agreed norms.

Dividend: As discussed in our earlier calls, the Company will recommend dividend, whether interim or final, to the maximum extent deemed prudent after ensuring it has adequate cash reserves to meet any potential contingency. Thank you.

With this, we conclude our opening remarks we will open the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Laksh Jain Individual Investor. Please go ahead.

Laksh Jain: My first question, IBM will vacate 37,000 square feet in April 2022. Is that included in the 325,000 square feet which is to be renewed in FY23?

Kunal Sagar: The audio is not entirely clear, but from what we understand you are asking about IBM vacating, and whether it is part of the 325,000 square feet that was due for renewal in the Financial Year 22-23? If the answer is yes, that is correct.

Laksh Jain: If clients expires before the renewals then will we give them the existing rates only or we will be charging a higher to them because the 148,000 square feet is vacating before expiry?

Kunal Sagar: I did not understand the question, apologies.

Laksh Jain: So I was asking that like 148,000 square feet are vacating before the expiry, so will we be charging them on the existing rate or will be like a bit higher?

Kunal Sagar: Are you referring to the existing vacancy as on 30th September 2021?

Laksh Jain: Yes.

Kunal Sagar: We estimate that the approximate rate that we will be getting for this vacancy when we are able to license this space will be approximately the rate that is currently what we are licensing at.

Laksh Jain: One more question, in the annual report we have mentioned that repayment period is for 7 years starting from June 2022 and in the investor presentation it is saying that the repayment period is like for 9 years to 10 years. So have we like got an extension for the repayment period?

Kunal Sagar: The final repayment period is something that we will be discussing and finalizing with the lender going forward. The current lender, HDFC, has already given us a moratorium of roughly 5 years during our construction period and we estimate that it will be 7 years during which the amortization will take place going forward. We will be discussing with them to understand whether there is a possibility of longer amortization or not.

Laksh Jain: So, given the longer amortization, will be like going till the end or there will be a bulk payment in between?

Kunal Sagar: What was the last part of the question?

Laksh Jain: Will we be paying in between itself like if we try to cover the debt earlier before the expiry of the repayment period itself?

Kunal Sagar: You are asking if you will prepay the debt, am I right?

Laksh Jain: Yes.

Kunal Sagar: That is not a decision that we have taken at this point. We want to understand what the final amortization period will be, what the final terms will be and what our final cash flows will look like and then at that point we will have the decision whether to prepay, whether to ask for further moratorium, whether to use the cash to accelerate payment to the bank, whether to return more money as dividend - those are issues that will be addressed and finalized as we go forward once the capitalization of Phase V will be complete and as we receive the cash flows from Phase V.

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

Samarth Singh: My first question was on our debt structure - any thoughts on trying to get at least a part of the debt fixed given the favorable interest rate that we currently have?

Kunal Sagar: This is very much a part of the discussion we are having and whether or not we decide on a fixed rate will of course depend on what is the kind of premium that the fixed rate will attract as compared to variable rate, but it is of course very much a part of any discussion we will be having as regard to the structure of the debt going forward post capitalization.

Rahul Sagar: And it is something that we are aware of based on the current situation with interest rates right now. So, it is something that is factoring in our discussions, once we transition from construction to LRD, etc. So, it is a fair question and it is definitely something which we are taking very seriously.

Samarth Singh: So you may have already addressed this in your remarks, but any further update on the REIT structure?

Kunal Sagar: Actually, we did not address that in our remarks. The REIT structure is a similar answer to what we had the last time, in that we continue to look at the legal and the regulatory possibilities of doing that in our context of being a limited company and we have increasing and very useful information in that regard. Whether or not that is a decision that we would finally take and whether or not that something that would happen is not something that we currently have decided. It is at the stage where we are collecting and collating data to see what would be the most beneficial outcome from a shareholder and a Company point of view.

Samarth Singh: What will be the final cost of construction for Phase V?

Rahul Sagar: What will be the final cost of construction, you mean in absolute numbers or in per square feet?

Samarth Singh: Absolute number or per square feet, either one.

Rahul Sagar: Just approximately in terms of the hard cost, that is the construction cost, it will be approximately, somewhere in the region of maybe Rs. 6,000 per square foot on the chargeable area. That is the hard cost, the actual construction cost without any other cost of interest, cost of premiums, statutory costs, etc., without the soft cost. So this is only the construction cost. And that is on chargeable area at 80% efficiency because if you change the efficiency then of course it can go up and down. That is at 80%, it is about a little bit over 6,000.

Samarth Singh: I am wondering if you guys have done any sort of study on if you were to build the same square feet today with the increase in cement and steel prices what that amount would work out to?

Kunal Sagar: We have not done that analysis.

Rahul Sagar: We can just say that it would definitely probably be a little higher than what it was, but having said that there have been so many different types of fluctuations even during our peak construction in 2017-18-19 whenever it was. So, it is not the easiest question to answer specifically. Of course something is always going up and something may come down and we did have increases in 2017-2018-2019 as well. To some extent, this last increase that happened in the last 12 to 18 months was after the majority of our construction was completed, but having said that we did have significant increases especially during our construction period as well. So, yeah it is a fair question but it is a little bit hard for us to give a specific answer in terms of percentages.

Samarth Singh: So just sort of taking that a little bit further the reason I asked the question was you assume that if your construction cost go up then over a slightly mid-to-long term the rental yield should also go up to match that increased cost of construction. So the demand scenario might not be very strong right now, but do you think that because of this increased cost of construction, future construction will obviously be at our higher cost per square feet and therefore we would require higher rent per square foot?

Kunal Sagar: As far as the thought process on the rental rate goes, the idea is always that we want to make sure that we rent at a level where the license fee is an incentive for the Licensee to stay for the full period of 9 years or 10 years or as long as possible, so we have the most stable possible cash flow. That has always been our thought process and that is what it will continue to be. Of course, we factor in our standard escalation of 15% every three years, as I am sure you are aware. On that basis, we want to ensure that the levels of rent that we continue to rent at, are on the basis that two or three escalations over a period of 9 or 10 years which is the length of the license, will be affordable and workable from the licensees' point of view as well as from our point of view. So, that is what the guiding thought process will be.

Moderator: Thank you. The next question is from the line of Deepak Jain, Individual Investor. Please go ahead.

Deepak Jain: Today in the opening remarks you have mentioned about this distribution of dividend and even in our previous concall also we were deliberating to distribute Rs. 150 Cr to be received from the JP Morgan and other cash balances. I just want to know how much is the cash balance as of 30th of September which can be distributed as dividend?

Kunal Sagar: The first thing we want to clarify is that this Rs. 150 Cr of deposit that is coming from JP Morgan is not earmarked for payment of dividend. That question had come last time and we had clarified that the last time as well. This is a deposit that is part of the JP Morgan contract and that will be used to pay all expenses i.e. the Phase V related expenses as well as other expenses as well as dividend. It is not something that is specifically earmarked only for dividend or only for any particular expense. It is just the amount of deposit just to be clear on that.

Deepak Jain: Can you tell us the cash balance as of 30th September 2021?

Kunal Sagar: The cash balance on 30th September was Rs. 88 crores and out of that Rs. 72 crores was paid out in the first week of October for the payment of the Rs. 8 dividend. At the end of October, it was approximately Rs. 20 or 22 Cr.

Deepak Jain: So, we are planning to distribute Rs. 20 Cr as interim dividend?

Kunal Sagar: There is no specific plan and we have not said specifically that we are going to distribute this 20 Cr as dividend. What we have consistently said in the last two meetings is that we are not intending to hold on to surplus cash and that we intend to distribute that level of dividend whether interim or final that we deemed is prudent based on the cash flows that we have, and after taking into account any contingencies that we think will be forthcoming at that point in time. But once again the thought process that we have outlined in the last two calls as well as what we will do again this time is that the idea is not to hold on to cash, but to distribute as much as we believe is the prudent amount to distribute.

Deepak Jain: Sir my second question is when we are going to charge depreciation and interest cost for Phase 5 to P&L account that is at the time of Handover in December or when we receive rent in May 2022?

Rahul Sagar: Essentially we of course have to discuss with the auditors of the company and take their view as well as to how these things are done and when they are done Essentially, once we have a clear date for the handover to JPMC, the capitalization will happen in and around that date as it happens in normal course in all companies and in all businesses of this nature.

Kunal Sagar: At this point, as we mentioned in our opening remarks we estimate that the Handover will happen in December, we estimate roughly about middle of December. In our preliminary discussions with the auditors, they have indicated that the capitalization of Phase V will therefore happen simultaneously, subject to confirmation, as Rahul said and from that point onwards depreciation and interest would come in the P&L of the company. At the same time, this is the first phase in which we are under the IndAS accounting system as against the earlier IGAAP so the straight lining of license fees will also occur from the same date. So there will be an inflow in the P&L as well as the expense on the P&L beginning from the date we capitalize estimated roughly right now in December or equal to the handover date.

Deepak Jain: But you have told that we will be receiving rent only after 5 months of handover?

Kunal Sagar: So again Mr. Jain just to clarify, the cash flow from the rent will begin 5 months from Handover, which is let us say approximately May 2022. The P&L effect of the license fees will be taken from the date of capitalization which would be approximately in December 2021. So that is two different parts. One is the P&L effect the other is the cash flow effect so we can make it clear.

Deepak Jain: Sir and my last question regarding this is a media report that there is a data center boom in India and GIC for any reason has paused making more data centers in Singapore, so do we have a chance to enter this business and see that we are a multi-location company? Any thoughts on this?

Kunal Sagar: We have no information on this particular media report. So we would not comment on that if you do not mind.

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

Bhupendra Tiwary: Sir my question is that we have been asking about what is the future of the business in terms of further expansion. Of course we do not have a space there at NKP**.** Have we kind of thought of reinvestments of the cash flows that would be accruing over the next 5 years, 10 whatever years that we are coming or is it a steady state only existing rental kind of a business that we see it as of now right now as we speak?

Kunal Sagar: At this point, we are evaluating possibility of any further expansions amongst the other options that we have. What we clear on at this stage that we will continue to distribute our excess cash and where we have any potential investment opportunity we feel we would be able to take advantage of that given our capital structure at the moment.

Bhupendra Tiwary: Now the second part of that. Have we had any discussion with the co-promoters that is GIC in terms of their involvement in terms of further involvement of further partnership of further kind of expansion part of it? Of course you said that you were evaluating in terms of the growth part, but because they already have that huge portfolio in India in terms of the other assets, do we firm to the purview of that kind of investments? I mean that portfolio or it is a separate investment standalone investment for GIC which stays as is?

Kunal Sagar: All our discussions as far as Nirlon goes happens of course with and in very close consultation with GIC. So, all the answers that we are giving you are something that we have discussed with them numerous times and also that we discuss with them regularly and constantly.

Rahul Sagar: Our discussions are restricted to the Nirlon related issues and we are not able to comment on any discussions with GIC which are non-Nirlon related.

Kunal Sagar: We do not discuss their broader portfolio with them. We discuss only in the Nirlon context.

Moderator: Thank you. The next question is from the line of Dilip Jain, Individual Investor. Please go ahead.

Dilip Jain: Recently there have been media reports about interest rates falling sub 4% for A plus clients. Do we stand a chance to reduce our borrowing cost further down from the 7.25% that we have presently and how soon will we able to reduce this?

Rahul Sagar: The company is evaluating in detail extensively the existing debt and the debt structure including the interest rate and we are of course doing that to be as efficient as possible with regards to our debt which includes interest rate as well as the debt structure., We are going to continue to evaluate extensively the best possible options for the Company as we transition from construction into LRD.

Kunal Sagar: To specifically answer your question, we do expect that there will be a further reduction in the interest rate that we currently have which is 7.25%. We have not heard any indications that it is anywhere close to the 4% that you mentioned, but we do believe there will be some level of reduction from the current level which is possible.

Dilip Jain: How soon can we expect that sir?

Kunal Sagar: It is an ongoing discussion, it would not be too far away. But we would not like to put a time frame on it specifically. But it is something that is a short-term discussion it is not a long term discussion. We are working to do it as quickly as is possible to do.

Dilip Jain: So you are currently deliberating on it so we can expect something positive we do not know the timeframe.

Kunal Sagar: We are not speculating on how much that would be and exactly when it will be, but we do believe that there will be a reduction and you can get some reduction.

Dilip Jain: I have another question, Post the COVID second wave there are many media reports about huge growth and upswing in enquiries, for example by DLF, Embassy etc., Do we stand a chance to fill our vacancies soon in Q3 itself? Is that possible?

Kunal Sagar: As we mentioned in our remarks and as we will clarify now we specifically expect that the vacancy will drop from the level of 148,000 square feet to about 64,000 square by the end of December based on concrete discussions that we are having. Apart from that there are certainly discussions which we hope to fructify in the fourth quarter of this financial year. But since those are not at a stage which are final, we are not giving any kind of guidance on that part because those are still discussions that are relatively at early stage.

Dilip Jain: But are you seeing an increase in the number of inquiries made like very recently?

Kunal Sagar: There has not been any particular jump that we see, and there has not been any particular fall off in enquiries. They have been quite steady.

Dilip Jain: Sir my last question is we were in deliberations that our major shareholders GIC to find a more tax efficient way of distributing profits for example the REIT structure. What is the progress on this discussion as of now sir?

Kunal Sagar: That remains a discussion between GIC and us that is obviously a pretty high priority. As we have mentioned a little earlier in the call as well, being a listed entity there are lot of issues that we need to factor in from a regulatory point of view and from a taxation point of view. We continue to receive very useful and good information, which we continue to discuss with GIC. GIC has a lot of good information that they continue to discuss with us too. We have no conclusion on that at this point, but we are working towards what might be the best possible potential outcome as far as that aspect is concerned. There is no definitive conclusion as to whether it can be A, B or C, but the idea is to try and see what best is possible to do of course.

Moderator: Thank you. The next question is from the line of Mukesh Kothari, Individual Investor. Please go ahead.

Mukesh Kothari: In terms of REIT, I just want to understand I believe there is a restriction in terms of multiple portfolio reach it has. So is it possible that GIC might look at other properties and the property of NKP as well and then come up with REIT?

Kunal Sagar: It is a question at a GIC level which we would not really comment on because it is something that it is to do with their overall strategy in terms of what they will do in India. We would like to confine our answers with what is related to Nirlon here.

Mukesh Kothari: So, if there is an option given to you would you take that option in terms of unlocking?

Kunal Sagar: I am sorry. That is not something that is a yes or no answer. We do not want to answer that at all.

Mukesh Kothari: Second question is basically on the interest cost. So next year we can safely assume that on a Rs. 1,000 Cr debt you have, interest would not be capitalized going forward, there will be additional hit of around Rs. 70 Cr to the P&L in terms of interest?

Kunal Sagar: Could you clarify the question are you asking what the EMI might be?

Mukesh Kothari: Hit to the P&L in terms of interest cost will be additional Rs. 70 Cr, right? Basically, Rs. 1,000 Cr is the debt?

Rahul Sagar: Assuming the debt is right now Rs. 1,030 Cr, at approximately 7% it will be approximately Rs. 70 Cr as you said. So yes, that will be approximately Rs. 6 Cr per month, I mean it just depends on the final number of the debt.

Mukesh Kothari: Next question, in your presentation you have said that around Rs. 200 Cr would add to your top line without much addition to your operating expenses. So can you assume, I mean we will maintain the same kind of EBITDA around 75% going forward for the new Phase V property as well?

Kunal Sagar: Well in general, we believe that with the increase in top line we are not going to have a proportionate increase in the expenses. So, we certainly expect and believe that EBITDA will increase beyond what it currently is because the only variable cost like property management, fees, CAM expenses will increase in line with the revenue. The administrative and other cost will not increase in the same proportion and therefore margins will certainly improve on an

EBITDA basis post Phase V. That is one of the biggest advantages that we are going to get post Phase V and that is exactly what we are trying to say in that particular portion of the report.

Mukesh Kothari: One final thing, so basically we get additional cash flow of around say Rs. 200 Cr pre-tax and your loan is around Rs. 1,000 Cr, so if say nothing happens we can easily look at say 5 years period so to close the loan?

Kunal Sagar: You are, I think, making an assumption that we would use all the money or a substantial part of this excess cash flow to pay down debt. That is not a decision that we have taken. Whether we choose to pay down debt immediately, whether we choose to extend the amortization period beyond what it might otherwise contractually be or might normally be, that is a decision that we are going to be taking going forward. It is not something that we have definitely decided, that because we have excess cash we are definitely only going to pay down debt with it. Our options are very clear before us - obviously debt is one of them. There is payment of dividend as well as other potential areas that we want to look at. We are keeping options open and we would decide based on what we feel is the most relevant for us at that point in time.

Mukesh Kothari: One final question on LRD. So I believe LRD is cheaper than the 7.25% term loan that we are looking at. So is there any discussion on what sort of arbitrage is there in terms of interest differential?

Rahul Sagar: You know we just answered that question a few minutes ago. So, basically what we are saying is now we are looking in a lot of detail extensively, as to the best possible option for us to make our debt structure efficient in terms of structure and in terms of interest rate as well. Once we get the Handover and make final transition from construction into LRD we do expect the interest rate will be less than this number of 7.25% as we indicated earlier. We are working very extensively to make sure that the debt structure is as efficient possible in terms of the interest rate as well as the structure.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Kunal Sagar from Nirlon Limited for closing comments.

Kunal Sagar: Thank you very much for the questions and for your participation. We appreciate it very much. Anuj is there any other point that we need to be discussing.

Anuj Sonpal: No, I think we are good, we can close.

Rahul Sagar: So thank you very much to everyone for making the time. It is much appreciated. All the best.

Moderator: Thank you. On behalf of Nirlon Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.