



**Nirlon Limited**

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**February 16, 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 Thursday, February 10, 2022

We refer to our intimation dated February 2, 2022 informing the stock exchange of an earnings conference call on Thursday, February 10, 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, Mr. Jasmin K. Bhavsar, Company Secretary 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](http://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**

Sd/-

Jasmin K. Bhavsar

Company Secretary, Vice President (Legal) & Compliance Officer

**FCS 4178**

**Encl:a.a.**

**Nirlon Limited**  
**Q3 FY22 Earnings Conference Call**  
**February 10, 2022**

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**Moderator:** Ladies and Gentlemen. Good day and welcome to the Q3 FY22 conference call of Nirlon Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '\*' then '0' on your touch-tone phone. I would now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Mr. Anuj Sonpal.

**Anuj Sonpal:** Thank you. Good afternoon, everyone. 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 third quarter and nine months ended December for Financial Year 2022.

Before we begin, I would like to mention a short cautionary statement as always. Some of the statements made in today's concall 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 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, Mr. Jasmin Bhavsar - Company Secretary and Vice President Legal and Compliance Officer, Mr. Ashish Bharadia – Deputy General Manager of Business Development, Nirlon Management Services Private Limited. Now without any further delay, I request Mr. Rahul Sagar to give his opening remarks. Thank you and over to you sir.

**Kunal Sagar:** Good afternoon and welcome to our earnings conference call for the third quarter and nine months of Financial Year 2022. We hope you all of you are safe and well. Let me take you through the financial performance of the Company.

For the third quarter of the Financial Year 2022, the company reported a total income of approximately Rs. 93 crores, an increase of 16% from the previous quarter and EBITDA of about Rs. 75 crores, an increase of 23.6% from the previous quarter. This represents an EBITDA margin of 80.19% which increased by 491 basis points sequentially. PAT was about Rs. 13 crores, representing a PAT margin of 14.53%. For the nine months ended December 2021, the company reported a total income of approximately Rs. 249 crores, an increase of 3.15% from the same period of financial year 2021, and an EBITDA of Rs. 187 crores, representing an EBITDA margin of 74.95%. PAT stood at about Rs. 74 crores, representing a PAT margin of 29.63%.

As mentioned in our presentation on slide 14, the company is opting to stay with the old tax regime for the present. This will allow itself the flexibility for any future restructuring that it may want to explore, which may necessitate continuation with the old tax regime. As a result of the same, in Quarter 3 Financial Year 2022, the Company has recognized tax expense on account of measurements of tax balances pertaining to earlier years and preceding quarters. The consequent impact of the same is the reason for the PAT numbers for Q3 and the 9 months for financial year 21-22 not being comparable to the earlier corresponding periods.

The Company has also capitalized Phase V on 15th December 2021. Phase V depreciation and interest are both charged to the P&L from 16th December and revenue from Phase V is also included in the income from 16 December 2021. Hence from Q4 of FY 2021-22 onwards, the benefit of Phase V will be reflected in the P&L.

Coming to the operational highlights, the overall occupancy for NKP has increased to 94.5% in this quarter compared to 91.9% in the previous quarter. In November 2021, Morgan Stanley has licensed and occupied approximately 38,000 square feet. On 25th January 2022, the company also signed a lease & license agreement with JP Morgan Services India Private Limited for approximately 1.16 million square feet of chargeable area comprising its entire Phase V development for a period of 10 years. The license fee commencement date is 15th May 2022, after the contracted license fee free period of five months.

As on 31<sup>st</sup> December 2021, approximately 78,000 square feet of area was vacant, compared to 148,000 square feet as on 30th September 2021. Of this 78,000 square feet of area, the Company has licensed an additional approximately 13,000 square feet in Q4 FY22 to JP Morgan, in early February 2022.

As we come towards the end of the Financial Year 2022, it is encouraging to see that the Omnicron variant of COVID-19 was milder than the previous one. Nirlon expeditiously took many measures and modified our processes, infrastructure and facilities to provide the required related health and safety measures and NKP and Nirlon House since the onset of the pandemic. This included a comprehensive vaccination drive at NKP. These measures remain in place and are regularly updated as required. NKP also has the WELL Health and Safety Rating

for Facility Operations and Management by the International WELL Building Institute, USA. The continuing efforts being made by employees, partners, vendors, etc. and the constant support received from our licensees, lender, board and major stakeholders during this period is heartening to see.

Finally, the Company is glad to be able to declare our first ever interim dividend at the Board Meeting held yesterday. As mentioned on earlier call, this is in keeping with our policy 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 for questions. Thank you.

**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 Kiran Naik from Mody Fincap. Please go ahead.

**Kiran Naik:** Are there any plans of the Company coming out with REIT?

**Kunal Sagar:** So the Company is evaluating all its options for what the future structure may look like and those discussions continue to be ongoing along with our major stakeholder and whenever we have any update on that, we will let you know straight away.

**Kiran Naik:** Okay. Second question, any new construction work is going on?

**Kunal Sagar:** We finished the construction of phase V in December and at this point that is the last phase of construction that we have planned currently at NKP.

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

**Samarth Singh:** Good Afternoon and thank you for the opportunity. I think there is a 14 crore increase in top line between last quarter and this quarter. Can you walk me through the delta between where the increase has come from?

**Rahul Sagar:** Okay. So essentially, what this is Samarth, is basically the increase in income from September 30, 2021, to December 31, 2021, that is your question, correct? The increase from approximately 684 to 827. Is that your question, just so that I have understood?

**Samarth Singh:** 684. I do not know what 684 is?

**Rahul Sagar:** This is the increase in the license fee. So in short, there are basically four new licenses that happened in Q3 FY22, October to December quarter. One was a company called GrowthSource from October 15, the area is approximately 11,000 sq. ft. and then there were two Morgan Stanley transactions in November and December as well of approximately 37,000 sq. ft. and

finally the JP Morgan rent also started on December 15 so, to that extent there will be some straight-lining of that.

**Samarth Singh:** So, there was no rent escalation coming in.

**Rahul Sagar:** So to answer your question, escalations are happening as contracted, but in the accounts in the revenue, you see them straight-lined as per the IndAS.

**Samarth Singh:** Right. Okay and I think, as you mentioned that our current debt stands at Rs. 1,000 crores and will go up to Rs. 1,200 crores by next quarter or next two quarters. I am just trying to understand is there some construction going on?

**Kunal Sagar:** The debt will be in around the number of Rs. 1,200 crores. If that was your question, we can confirm that Samarth.

**Samarth Singh:** I am just wondering, I think it was mentioned that it is at Rs. 1,000 crores as of December 2021, is that right?

**Kunal Sagar:** That's right, and between this quarter and the next it will reach that level of roughly Rs. 1,200 crores.

**Samarth Singh:** And since you have already given possession to JP Morgan and there is no other construction going on, why is that debt going up?

**Kunal Sagar:** Essentially, there is a lot of our internal accruals, our cash accruals that we have used in earlier quarters, because we wanted to postpone drawing down the debt to the last stage so that we had the least interest cost. So on that basis, we get reimbursed for the cash accruals that the Company has internally generated at the last stage. So it is essentially a postponement of the debt so we postpone payment of interest as well, postponing drawing down the debt.

**Samarth Singh:** So, is my understanding correct that you will be using part of that to pay the dividend as well?

**Kunal Sagar:** Dividend is paid from, as I said, from the internal accruals. What we have drawn down in this quarter and what we will draw down later is the re-imburement for Phase V expenses that we have already paid out of our accruals in earlier quarters, so that we did not have to draw the debt at that stage.

**Samarth Singh:** So why would you be drawing down the debt, now that you have already used internal accruals, you know, finished the construction, what would be the addition?

**Kunal Sagar:** We would have drawn down the debt in earlier quarters and paid the Phase V costs from there. We have chosen to use our internal accruals in those quarters and pay Phase V expenses from the internal accruals so that we can postpone as far as possible the drawdown of Phase V debt,

which is a Rs. 1,200 crores limit that we have, which is what we are drawing down in this quarter. Whereas otherwise dividends would have been paid out of the accruals that we would have basically had as cash sitting on the books over the last two or three quarters.

**Samarth Singh:** Right. Okay. Yeah, I get it. And you know, great job we have completed Phase V, and successfully leased it out. So what is in terms of management - What are you guys thinking of now? What are you spending your time on now?

**Rahul Sagar:** Essentially, the stabilization of Phase V and the handover to JP Morgan. The integration of Phase V into the campus is a very long drawn out and complicated process, in a manner of speaking at a micro level of course. So this is of course, a very serious process which is ongoing given the size of the development in phase V and also the fact that it is a single user, so there are additional obligations, etc. additional things, which you need to do for single user building, which we are doing and then of course, the property management, which is ongoing, and which is also a little bit more complicated because of the ongoing COVID related issues with regard to safety and other various measures that the Company has taken.

**Kunal Sagar:** The one other major aspect apart from the operational points which Rahul has described correctly as well, is that we spent a very significant amount of time evaluating what in fact, we should be doing going forward and discussing that with our various stakeholders. So the various options in that context and also in the context of our regulatory environment, the fact that we are a public limited Company, is something that takes up a good amount of time. Since you asked specifically that question, we thought we should mention this as well to you.

**Samarth Singh:** Right. I was asking in terms of, I am sure Phase V took up a lot of your bandwidth, and now that it is sort of coming to a completion, you know, what is the next trigger for this business? I mean, have you started spending enough time for that or is that you know, is that decision or discussions still some time away?

**Kunal Sagar:** Those discussions are very much ongoing Samarth and that is something that does take up a significant amount of our time and we are hopeful that we will have some specific directions on that as we go through this coming financial year going forward. We will keep discussing it with the stakeholders and narrow down which direction we want to go in. That has been ongoing for a while, and they are getting increasingly focused what direction we want to take and we feel that it is in a good direction at the moment.

**Moderator:** Thank you. The next question is from the line of Ashok Jain from Ayush Capital. Please go ahead.

**Ashok Jain:** Thanks for the opportunity and congrats for giving such an excellent dividend. So in your presentation in Slide 14, we have stated that we are shifting to old tax regime of 35% and have provided related tax expense for both for preceding quarters and two earlier years. Sir, I want to know how much is tax expense for earlier years, and you have also stated that the change

to a new tax regime is irreversible. So did we not shift to use tax as in last year? Sir, please explain to us about the new and the old tax regime as applicable to Nirlon in layman's terms. Thank you so much.

**Rahul Sagar:** Yes. What Nirlon is currently under is the old / existing tax regime. Nirlon has not shifted from the old tax regime at all. That's just one thing to be quite clear on. Nirlon had thought that there was a chance that we may shift in the financial year 21-22 based on circumstances. Post that there were regulatory changes. This initial thought we had was in September 2019. Post that, there have been additional regulatory changes, which make it clear that should we opt to change to the new tax regime, the benefit of those changes in the regulatory regime would not be available to us. Once we change to the new regime, we cannot go back to the old regime. So after very careful consideration and discussion, we decided that we should continue with the old tax regime for the 21-22 financial year as well and that is presently what we are doing. Does that answer your question?

**Ashok Jain:** Yes sir and sir how much is the tax provision for earlier years?

**Kunal Sagar:** I will just check with Manish but I think it is about Rs. 13 crores.

**Manish Parikh:** It is Rs. 16 crores during the nine-month period up to December 2021.

**Ashok Jain:** Rs. 16 crores okay, and rest is for last few quarters.

**Manish Parikh:** And in the last quarter, it is Rs. 20 crores (for previous periods).

**Ashok Jain:** Okay, okay and sir one of the benefits, we just talked about it, is it so that if we pay tax as per old regime and in case we convert to REIT, so dividends paid by a REIT will tax-free in the hands of the shareholder? Am I right sir?

**Kunal Sagar:** You are correct. The clarification that was received was that if a company transitions to the new tax regime, the benefit of the dividend or the distribution that the unitholder of a REIT gets, would not get the benefit of tax that it gets. In order to get the benefit of the tax free distribution, the Company has to stay with the old tax regime. So until that issue is decided, we want to ensure that we keep that option open for us and therefore we mentioned the flexibility for any future discussion which will include this particular option that you mentioned.

**Moderator:** Thank you. The next question is from the line of Arun Malhotra from Capgrow Capital. Please go ahead.

**Arun Malhotra:** I think my question on tax was answered, you know, I still wanted to understand in terms of REIT, you know, there would be an inflow of capital in case we decide. We have been evaluating this option for now, a couple of months, What are the pros and cons for the Company? Because they would be getting capital, so what is the possible use of that capital? Is the Company

looking for more assets? Increase asset base? What's the thought process there? And terms of the management bandwidth that was not that clear that which direction are we looking for?

**Kunal Sagar:** Mr. Malhotra as far as your question on REIT, on the specific pros and cons of REITs, we prefer we do not answer that incompletely at present. Because as we indicated, that is something that we are still in the process of looking at in terms of the pros and cons due to a transitioning to REIT from our current status as a public limited Company. So those pros and cons are still something that we are evaluating properly and we would like to give a complete answer on that, if you don't mind.

And in terms of our bandwidth, the point was that a lot of it is essentially taken up or is devoted to getting to the appropriate direction in terms of what we would be doing going forward. Whether it is REIT or whether it's any of the other options that we are evaluating, or a combination thereof, that is something that we are discussing and working and evaluating consistently and what we want to come to a conclusion on going forward.

**Arun Malhotra:** I would still maintain that the answer is unclear because, you know, our assets, all of Phase V is also complete. Now, we see a lot of cash flows in the future, there is no site or land which we need to develop. So what direction we plan to go - is it REIT? I do not know, you know, it is still unclear, but it will be beneficial for all the minority shareholders that we get some clarity on that front from the management.

**Kunal Sagar:** We are completely with you on that and that is exactly what we are working towards. We are not in any way trying to tell you that that direction is clear. We are in fact saying that that is the direction which we are evaluating, and you are quite right to say that you should have a clear direction on that. That is exactly what we want to provide you and that is what we are working on.

**Arun Malhotra:** Any timelines you think you would be able to crystallize your plans?

**Kunal Sagar:** We do not want to mention that right now, if you do not mind, but we take your point that the earlier the better.

**Moderator:** Thank you. The next question is from the line of Laksh Jain, an individual investor. Please go ahead.

**Laksh Jain:** I have one question. How are we looking at the opportunity of data centers in India? Because one of the Singapore players, Ascendas, is already investing very heavily in the Indian Data Center Market.

**Rahul Sagar:** Currently, we have not gone into any serious depth or have done any detailed analysis with regards to the possibility or the potential of the Data Center market in and around Mumbai. If



there is any discussion on this issue, of course, we will keep you informed, but at this point the Company has not looked at any serious growth opportunity with regards to data centers. Thank you.

**Laksh Jain:** And one more question sir. In the previous concall, you have mentioned that being a one property Company, it is difficult to get converted into REIT. So, what is the development on scouting process for more properties to be added under Nirlon Limited sir?

**Kunal Sagar:** So, I'll just repeat the answer that we had given earlier - We appreciate you remembering what we said last time and that is a part of what we are analyzing. A part of what we are evaluating is to address that particular question as well in terms of what the transition would look like for a single asset REIT, for a single location property or a single location Company, largely like ours, and to what extent that can be mitigated. To what extent that can be addressed is part of the evaluation that we are going through just now. There are various ways in which one can address it and that is part of what we are in the process of discussing and deciding with our main stakeholder.

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

**Samarth Singh:** Thanks for the follow up. I understand we are running high occupancy right now, could you just talk about the actual usage? How is that running at the property? I was wondering about the actual usage of the property, I understand the occupancy is high but in terms of usage, how is that running?

**Rahul Sagar:** Well, you mean, the number of people who are actually coming? Excluding JP Morgan, of course, where the fit out is still in the early stages. Of course, it fluctuates depending on the severity of the variant at that particular time, but it has been around 15 to 20% consistently for a few months, in this financial year 21-22. Of course, it came down to approximately 10% in the last month in January because of the severity of and the high volume of the cases. So yeah, it has been on an average, approximately 20% in the last year or two, except for periods where it has gone down to 10%, when the volume of the cases has increased.

**Kunal Sagar:** And now we have again, very recently, seen an uptick once again, in those numbers.

**Samarth Singh:** In general, just talking to your clients, you believe that it will go up back to full usage, or do you think there has been some sort of permanent change that people are talking about, you know, two years ago at the start of the pandemic, you know, where work from home would be a permanent feature?

**Kunal Sagar:** The indications we have got right now, is that the clients are very keen to come back to work as much as possible, as quickly as possible. But it has happened about 3-4 times, and I think this will be a consistent theme across other parks that you have spoken to, is that it goes to a

particular level, they are ready to take the next level, let's say from 25% to 50% and then there has been another outbreak or there will be another concern and then it goes back down again. So that effort is again going to be made and we are hopeful that the next time it is going to go up from these numbers to the next step, which will happen.

**Samarth Singh:** Right that is very helpful and last question from my side, could you just maybe talk a little bit about the demand supply dynamics in our particular micro market?

**Rahul Sagar:** I think, you know, the level of inquiries are much better, the volume of inquiries are better.

**Kunal Sagar:** In Q3 and Q4, the inquiries are better than in the first half.

**Rahul Sagar:** In Q3 and Q4, the volume of inquiries are better and when we mean inquiries, we mean actual inquiries which are fructifying somewhere or the other. A lot of them may not be fructifying at NKP because we have only X amount of space available and some people are looking for contingent space and some people are looking for higher floors, and some people are looking for more specific space. So they may go to other parks, or they may go to buildings, which have a higher level of vacancy than us, but we do see a good inquiry flow. The profile of the licensee is also very important - we see that the profile of the licensees from whom we are getting the inquiries is extremely positive and yeah we hope to come back to the original pre-COVID level as soon as possible. But we do seem to see in Q3 & Q4 FY22 and hopefully in Q1 FY 22-23, a better volume of inquiries of the right profile as well.

**Kunal Sagar:** I fully endorse what Rahul is saying, but just one thing to point out. Once we go beyond about 95 or 96%, (presently we are in that 96 plus range just now), then even though inquiries can tend to be good as Rahul pointed out, often times does not fructify purely because we do not have enough space. There is a fairly limited amount of space that is left. So filling that last 2, 3, 4% sometimes can take longer. But in the context of inquires, it has been much better in the second half of Q3 and so far in Q4 despite the Omicron issue.

**Samarth Singh:** Okay, and given, you know, the robust inquiries, I believe our policy is not the sort of, you know, take up our rates and more or less maintains the steady rates, you know, because they have long term relationships with a client, is that right or you know, or is there possibility of a jump in our realizations per square foot going forward?

**Kunal Sagar:** We will definitely make sure that we maintain our rates, but we will also look to try and see that we will increase rates up to a point which we believe are sustainable. We do not want a situation where someone comes in and leaves in three years. But where we believe that a rate is maintainable over a period of 9 or 10 years - that been our policy, our thought process, our philosophy from day one - we would certainly look to try and push up the rates. We are not saying that there is any big or significant increase that is it going to happen tomorrow, but we are certainly not looking at stagnating and sitting on these rates. We will always try to push

them as high as we can, but within a sustainable context. Not that we get it just so that we show a headliner and somebody disappears in three years. That does not help anyone.

**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. Thank you and over to you sir.

**Kunal Sagar:** Thank you very much for participating in this call. We appreciate your interest as always and look forward to being in touch again in the next quarter or anytime in between if anybody has any questions or clarifications. We are happy to address those as in when you need to. Thank you very much 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.