



**Nirlon Limited**

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**November 17, 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 November 11, 2022

We refer to our intimation dated October 28, 2022 informing the stock exchange of an earnings conference call on November 11, 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. Manish B. Parikh -Chief Financial Officer, VP (Finance) of the Company , and Mr. Ashish Bharadia-VP (Business Development & Investor Relations), 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**



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

**Nirlon Limited**  
**Q2 FY23 Earnings Conference Call**  
**November 11, 2022**

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**Moderator:** Good day ladies and gentlemen and welcome to the Q FY 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 '#' on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you Mr. Sonpal.

**Anuj Sonpal:** Thank you. Good evening, 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 second quarter and first half of Financial Year 2022-23.

Before we begin, let me 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 call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now 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, Mr. Jasmin Bhavsar Company Secretary and Vice President of Legal and Compliance Officer, Mr. Shish Bharadia – Vice President - Business Development and Investor Relations of 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:** Good evening everyone and welcome to the earnings call for the second quarter and first half of financial year 2022-23. We hope you are all safe and well. Let us take you through the financial performance of the company. For the second quarter of the Financial Year 2022-23, the company

reported a total income of approximately crores, an increase of from the previous quarter and EBITD is crores, an increase of from the previous quarter. This represents an EBITD margin of . Profit after Tax stood at crores representing a Profit after Tax margin of . In the first half of the Financial Year , the company reported a total income of approximately crores, an increase of when compared to the first half of the Financial Year reflecting the impact of the commencement of NKP Phase operations. EBITD stood at Rs. crores representing an EBITD margin of . Profit after Tax stood at Rs. crores representing a Profit after Tax margin of . On the operational front, the average occupancy rate of NKP stood at . for this quarter, as compared to . for the previous quarter that is Q Financial Year . Citi renewed approximately , of space due for renewal and expiring in Financial Year . Evalueserve renewed approximately , square feet of space also due for renewal in . NIUM, a new licensee, licensed approximately , square feet of previously vacant space during the quarter. s on th September , approximately , square feet area was vacant.

Additionally, the board has approved changing the accounting methodology from the written down value method to the straight line method of depreciation. This change will be considered with effect from st October and the resultant impact will be shown in the financials from quarter financial year onwards.

s on th September, the total secured debt facility sanctioned by HSBC was crores and the debt outstanding from HSBC was crores. With this we conclude our opening remarks and open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment for the question queue to assemble. We have the first question from the line of Lakshya Jain from Flamingo capital. Please go ahead.

**Lakshya Jain:** Very Good evening, everyone. My first question - we are shifting to straight line method, is it to benefit from the REIT conversion if at all possible?

**Management:** We have decided to change from WDV to SLM to better reflect the value of our assets on the books based on their profile and their use, and this change is also in line with the practice followed by other assets with a similar profile in India.

**Lakshya Jain:** Yes yes. If you get converted to REIT, SLM will give us better distribution.

**Management:** We won't really want to speculate on that. It is just that decision in line with the practice that is followed by similar assets. So we think that will better reflect what we are doing and what we would like to do going forward.

**Lakhshya Jain:** We have decided to stay in the tax regime and now we are shifting to SLM. It is all connecting these dots; it is clearly showing that we are trying our level best for the REIT possibility. So what is actually stopping us?

**Management:** We did not fully understand your question, are you speaking of the tax regime, or you are speaking about the depreciation?

**Lakhshya Jain:** I am telling that we have decided to stay in the tax regime right.

**Management:** Yes.

**Lakhshya Jain:** and now we are converting to SLM method. So now while connecting these dots, it is like very clear that we are trying our level best for the regulations to comply with REIT regulations. So what is actually stopping us? What is the major hindrance.

**Management:** As we explained earlier, this is not something that is either stopping us or starting us. It's a decision that needs to be taken at the level of the primary shareholder. It is a fundamentally strategic decision that needs to be taken, and that is something that will play out once circumstances allow that kind of decision to be taken. So as we have always said, we do not want to pre-guess that. We have, of course, put ourselves in a position where we have the maximum and the best possible options for maximizing any kind of restructuring that we would want to do. But I wouldn't at all, describe this as anything that is stopping us or not stopping us. It is a decision that needs to be taken in a logical course by the concerned parties involved, and that is what we are in the process of doing. So, I hope that answers your question.

**Lakhshya Jain:** Yes sir if I have anything I will join the queue. Thank you.

**Moderator:** Thank you. We have the next question from the line of Rakesh Wadhvani from Monarch Network Capital. Please go ahead.

**Rakesh Wadhvani:** Thank you for the opportunity. Sir, I missed the initial remarks so if I ask you a repeat question, extremely sorry for that. So I just wanted to confirm, around , square feet of area is vacant in the park and rest everything has been leased out?

**Management:** Yes, we can say that approximately , square feet is vacant. Just to clarify that out of , square feet, to of that is from Nirlon House, so basically the vacant area in the park is , or , square feet as on th September.

**Rakesh Wadhvani:** So, okay, so you mean to say you have leased out the rest. So , is the actual area that we can lease out? m I correct?

**Management:** s on th September.

**Rakesh Wadhvani:** Okay, sir, one more point. You have given the tenants which have taken a space they are like older tenants and the contacts are coming for expiry or the renewal you have given the schedule. So, just want to understand what kind of escalation you expect, because we know as on today there is no supply for commercial real estate in your area, it is coming but coming after one year or two years, so wanted to know like what kind of expectations or an escalation you are expecting?

**Management:** What kind of expectation we are expecting with regard to our renewals? The renewal number in terms of the percentage actually depends on the base rent on which we are escalating. So, if the contract is finishing up at a relatively low level, then you will see a higher escalation for the renewal that takes place, which could be about 10% to 15%. If we finish up the previous license term at a level that is already close to market, then we have an escalation as low as anywhere between 5% and 10%, typically, depending on how that works. So on an average we say that there is roughly about a 10% increase that we get on a very broad level, depending on the specifics of each situation, because we do recognize that each renewal is a very specific circumstance based on what the initial license was, either 1 or 2 or 3 years ago. I hope that is a reasonably accurate answer, because we do not want to just give you a number of 10% if it has no meaning. The effort is to get the market rate as it is today, to that range whether that is a 5% increase or a 15% increase. The idea is to make sure we get to the rate we believe is the market rate today.

**Rakesh Wadhvani:** Okay, sir last question from my side. How do you expect the demand for commercial real estate in specially Western suburban markets?

**Management:** We expect the demand will be fairly robust, fairly strong, okay. We think it will not be at the level of Q4 calendar year 2022, but we expect a fairly strong, very robust growth for the demand in the coming quarters and hopefully in the coming Fiscal Year 2023 - 2024 as well. We are looking and watching very carefully at a lot of the macro developments that are happening, and yes we expect it to be a steady growth.

**Moderator:** But sorry to interrupt sir you are sounding too distant.

**Management:** So we expect a steady growth in the western suburbs.

**Management:** Just to add to what Rahul was saying, for our renewals for the current year 2022 - 2023, we have largely completed all of those, and we are progressing quite well with the discussion for our renewals for the Financial Year 2023. This is just to backup what Rahul was saying that there is a steady and quite a strong pipeline that we see in terms of renewals or new lease.

**Rakesh Wadhvani:** The reason for asking that question, can we expect that 10% area that is vacant can be occupied in the FY 2023 only. Can we lease out at least by FY 2023, end of FY 2023?

**Management:** We cannot give a commitment saying it will be leased by March . However, we can say that we are in active discussions and good discussions with a good profile of licensees. Most important is that it is a good profile of licensee which is a good fit for the licensee as well as the licensor which is us. We are in detailed discussions with some reputed licensees and we hope that these discussions will further fructify into an LOI and then into an L L. So yes, we cannot give you an exact timeline of commitment of March but we are in good discussions.

**Management:** Just a small addition would be that when we have an occupancy rate of roughly about , there are relatively small spaces that we have left. So we need to find people who actually fit that space, and that sometimes takes a little longer. Because we cannot offer very large areas and we have only very specific very few places left to offer. On the other hand, there can also be people who will give us notice in these months. We would like to, of course have a number of , but I think on a realistic level the regular attrition would be anywhere in the region of to , in terms of the way the spaces get licensed and get vacated. We are trying to keep on the lowest side of that possible and monitor very carefully.

**Rakesh Wadhvani:** Yes sir, that was very helpful. Thank you very much.

**Moderator:** Thank you. We have the next question from the line of Dilip shok Jain from yush Capital. Please go ahead. Mr. Jain I have unmuted your line can you proceed with your question? Mr. Jain we are not able to hear you. s there is no response from the current participant, we move on to the next participant. The question is from the line of Dilip, an individual investor, please go ahead.

**Dilip:** Good evening, sir. Sir in the last concall, you mentioned that the board is very close to taking a final call on the further restructuring of Nirlon into a REIT or a probable delisting of Nirlon Limited. Sir, I just wanted to understand if possible, what kind of timelines are we looking at with respect to how your decision is evolving and as you mentioned, how the circumstances are, is there a rough timeline as to when do we expect to come to a conclusion to this decision? I asked this because we are sticking to the old tax regime and paying higher taxes that's all. nd sir my last question is about the macro trend, as elucidated very clearly, by leading property developers. The macro trend clearly indicates appreciating property prices in the Mumbai residential as well as the commercial segment. So I know you touched upon this with the previous person who asked you. re we planning to increase the escalations that we had in mind; are we planning to go above that, keeping in mind, the very positive appreciating trend in the current market? Thank you sir. That's all from my side. Thanks a lot.

**Management:** We will try and answer your first question about the restructuring. Just so that we are clear, I do not believe that we had spoken last time about the board being very close to taking any decision about restructuring. What we had said is that discussions in the board are occurring in terms of the potential options for restructuring. So I just wanted to clarify that point. To come to your second question on the escalation, there are two aspects to escalation. One is

the regular escalations that are contracted in an existing contract and those are fairly standard depending on each contract; between      and      normally every three years or at the appropriate agreed interval. The other escalation is after the license expires, the renewal of that license. So, as we had explained earlier, that depends on what is the level at which the earlier contract expires and on that basis, we would look at the increases, depending on whether the earlier contract has finished at a low or high level, at anywhere between      to      .The standard escalations remain largely in the region of      . So that is what we would expect going forward.

**Dilip:** Okay, sir there is room for escalation beyond the standard escalation, right, depending on how the market demand and supply is.

**Management:** Yes. But again, just to clarify if there are escalations that happened, which are, let's say,      , to a large extent, that would mean that the earlier license has finished at a rate that is considerably lower than market, which is why we have got something as high as      to take it to market.

**Dilip:** Okay.

**Management:** We are not saying that there is anything exceptional about it, basically we simply bringing it back to market and the market continues to move forward at a reasonably steady and solid way, if I may answer it that way.

**Dilip:** Okay, so it depends on the base at which the earlier lease was signed that. Okay. Thank you, sir.

**Moderator:** Thank you. We have the next question from the line of Harshit Golecha, an individual investor, please go ahead.

**Harshit Gulecha:** Sir my question is, you have made an investment of      crores in properties as per the cash flow. Where have you bought this new property and what is the scope sir, and LinkedIn profile of      shishji Bharadia also states that he is doing his best to find out properties to add under Nirlon. Is this      crores beginning of additional property development? Does REIT regulation permit one property REIT? This is my doubt; does REIT regulation permit one property REITs? One more thing, I'm pushed to this question because we have done two things, we have come to an old tax regime and change in depreciation method. These are the questions pushing us to REIT questions. So I hope you answer my question. So please, thank you.

**Management:** So basically, what we want to clarify that this      crores is a C PEX. It is a C PEX in the existing Phase      , it is not an additional asset or it is not a new asset or any such thing. It is just an additional investment. It is just an additional expenditure; it is just an additional C PEX in the existing phase, so to speak.

**Harshit Gulecha:** What expenditure is like adding it?

**Management:** It is essentially normal expenditure to develop the Phase, to complete the development; normal capital expenditure to finish the phase, it is not a new property. It is not a new property or any such thing. It is just the completion of the existing phase.

**Harshit Gulecha:** Okay.

**Management:** Just to clarify your question on Harshit's LinkedIn profile, that is not really something we can answer on this call, if you do not mind.

**Harshit Gulecha:** Okay.

**Management:** And what was your final question if we may just trouble you?

**Harshit Gulecha:** Yeah, the tax regime and depreciation everything is indicating us to pushing Nirlon into a good REIT and I do not know why I think converting into REIT will be beneficial for everyone, like not only the majority of shareholders, like even the minority, even who hold 10% shares. And is a one property REIT, is it possible sir? It is a question like it is a doubt from me, if you can reply to that question.

**Management:** To answer the questions : So just to clarify your point about this, changing of the depreciation method and continuing the old tax regime. In fact, the change in depreciation method, as we explained, is essentially to better reflect the value of the asset, the more correct value of the asset, and to go to be in line with the practice followed by other assets which have a similar profile in this country. We appreciate that you are correlating that to REIT, but there are many other things and that is not the only point to have a REIT or not have a REIT. We just want to clarify that as these are more in the line with industry practices or practices. Keeping the old tax regime again, as we said, is essentially to ensure that it gives us the maximum flexibility for any future restructuring, including REITs. So the only point we want to mention is that it would not be correct to jump to, to come to a conclusion that this is necessarily going to result in an end situation, which is a REIT, or otherwise. We would just look at them for what they are, and not make any kind of correlations at this point, unless we specifically clarify that to you. Just so that the wrong impression is not created. We would like to see our options and we would like to see all our circumstances to the extent possible in a way that would allow us flexibility, whether it is REIT or not.

**Moderator:** Sorry to interfere we are unable to hear you sir there is a disturbance on your line.

**Management:** We just said we want to make sure we keep all our options open for the most beneficial possible restructuring, whether it is depreciation or whether it is the old tax regime, and that will include a REIT, but it does not necessarily mean that the restructuring will be a REIT or will

not be a REIT. We are again requesting that, that point be looked at not as a conclusion, there are several different options and we shouldn't just finish up at one conclusion just because our depreciation method is one way or because our tax regime is the other way. Those give us an option for more potential restructuring options if we want to. That is why we are keeping it that way.

**Harshit Gulecha:** Okay, so the other question was like that one property can be converted to a REIT? No, yes or no? Can a one property?

**Management:** We understand. So theoretically, what you are saying we believe is correct. However, we are not the absolute legal experts.

**Harshit Gulecha:** You mean to say it can convert into a REIT like one property.

**Management:** Let's not use the word convert. But in theory, there is a possibility that single assets can be converted into a REIT. Once again, we are in no way shape or form implying that that is anything that we are considering; it is just a theoretical answer to the question that you are asking. We are not saying that that is something that we are considering. Please do note that.

**Harshit Gulecha:** Sir my question is very simple sir. I want to understand that the regulation allow single property convert into a REIT.

**Management:** We believe that the regulation in theory would allow that. There are many practical challenges for a single location or a single asset REIT, which need to be considered before that question is answered. By definition REIT is not normally in a single location or single asset. The definition of a REIT, essentially, the purpose of a REIT, is to diversify your risk and to increase your liquidity in many ways. single asset or a single location REIT does not necessarily do that. In fact, it certainly does not do that. So it would have to happen under very specific or special circumstances.

**Harshit Gulecha:** Like converting into SPV something like that, like special purpose vehicle.

**Management:** We would not want to be specific.

**Harshit Gulecha:** No just to understand. Okay, fine and the other question I will ask later like fine. Thank you.

**Moderator:** Thank you. We have the next question from the line of Dilip shok Jain from yush Capital. Please proceed.

**Ashok Jain:** Sir the interest rate for HSBC was fixed for six months, if I recollect you correctly and you had told that we will be paying the new rate of interest from the first of November. So now with the rising interest rate, what interest rate, at what rate we have to pay from first of November sir?

**Management:** Current interest rate on the term loan is . . . . From the first of November, the interest rate for the term loan is . . . .

**Ashok Jain:** The line was disconnected. Can you please repeat?

**Management:** The current interest rate on the term loan is . . . .

**Ashok Jain:** . . . , and what did we pay in till September?

**Management:** . . . .

**Ashok Jain:** Okay, this increase is from . . . to . . . . Okay and secondly, we are changing the depreciation policy from WDV to SLM. We had provided . . . crores of depreciation in Q . . . Had it been SLM, what would the figure look like sir?

**Management:** The change is going to be prospective so we would not want to discuss what it would have been in the previous quarter. The change can only be prospective as per the accounting standard. So as we said, the decision is something that will be implemented from the first of October.

**Ashok Jain:** That's the rate of the WDV and SLM. What's the difference like sir? If you can elaborate it will help?

**Management:** Well, I think we can just confirm a fairly clear point that SLM will be a lower quantum of depreciation than the WDV, at least for the initial years. That is certainly what we expect to happen.

**Ashok Jain:** Okay and sir about taxation sir.

**Management:** Do you mean, does the change in depreciation affect our taxation?

**Ashok Jain:** Yeah, I want to ask you.

**Management:** The change in depreciation essentially is neutral. It's tax neutral as far as a taxation expense is concerned.

**Ashok Jain:** So that is you need to say that for income tax purposes, we can claim a WDV and for accounting purposes will claim SLM. . . m I right.

**Management:** Yes.

**Ashok Jain:**                   nd sir on previous concall, you had mentioned that we have intention of maintaining the dividend of Rs.     . Will rising interest rate allows us to maintain this dividends you just give a view sir.

**Management:**               t the current level of interest rate, we believe that we could maintain the dividend that we have been paying in the last year. To reiterate, our intention is always to make sure that we do have sufficient funds to be able to maintain this dividend distribution at the levels that we have done in the past, unless there is a force majeure or any kind of abnormal macro event. We believe that even in the rising interest rate regime, we should be able to maintain our dividend level.

**Ashok Jain:**                   Very helpful sir. Thank you so much. That is all from my side. Thank you so much.

**Management:**               Thank you. We have the next question. That is a follow up question from the line of Harshit Golecha, an individual investor, please go ahead.

**Harshit Gulecha:**           Thank you. My question has been asked Thank you sir.

**Moderator:**                 Thank you as that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Management:**               Thank you very much again for your interest and for your participation and we look forward to hearing from you either during the quarter or once again on our next earnings call. So thanks very much and we hope to see you again for the Q results and have a nice weekend. Thank you.