Mindspace REIT

Issue Snapshot:
Issue Open: July 27 – July 29, 2020

Price Band: Rs. 274 – 275

Bid size: 200 units and in multiples thereof

Total Issue Size: Rs 4,500cr
Fresh Issue: Rs 1,000cr
Offer for sale: Rs 3,500cr
(above includes allotment to strategic investors of Rs.1125 cr. Hence net offer is Rs.3375 cr)

Institutional Investors- upto 75% of the net offer
Non-Institutional (including HNI and Retail) atleast 25% of the net offer

Face Value: Nil

100% Book built Issue

Book Running Lead Manager: Morgan Stanley India Company, Axis Capital, DSP Merrill Lynch, Citigroup Capital Markets India, JM Financial, Kotak Mahindra Capital Company, CLSA India, Nomura Financial Advisory and Securities India, UBS Securities India, HDFC Bank, Ambit Capital, IDFC Securities and ICICI Securities

Registrar to the issue: KFin Technologies Private Limited

Sponsor: Cape Trading LLP (CTL) and Anbee Constructions LLP (ACL)

Trustee: Axis Trustee Services Limited

Source for this note is the Offer Document

Background & Operations:

Mindspace REIT is the owner of a high quality office portfolio in India that serves as essential corporate infrastructure to multinational tenants and has significant embedded growth prospects. It would be the second public issue of REIT after Embassy Office Parks REIT. Over the last two decades, India has emerged as a leading hub for technology and corporate services due to its favourable demographics, large talent pool and competitive cost advantage in providing high value -added services. This has led to an increased demand for quality office space from multinational as well as large domestic corporations.

Mindspace portfolio consists of five integrated business parks with superior infrastructure and amenities and five quality independent offices aggregating to 29.5 msf of total leasable area. It is one of the largest Grade-A office portfolios in India located in four key office markets of India at Mumbai Region, Hyderabad, Pune and Chennai. These markets have exhibited strong market dynamics with world leading absorption and constrained forecast supply resulting in high rent growth and low vacancy on average.

Portfolio Assets are well diversified across 172 tenants with no single tenant contributing more than 7.7% of the Gross Contracted Rentals. Approximately 84.9% of the Gross Contracted Rentals were derived from leading multinational corporations and approximately 39.4% from Fortune 500 companies (as on March 31, 2020). The tenant base comprises a mix of multinational and Indian corporates, including affiliates of Accenture, Qualcomm, BA Continuum, JP Morgan, Amazon, Capgemini, Facebook, Barclays. It has a high quality tenant base with 92.0% Committed Occupancy along with long-term contracted rentals (WALE of 5.8 years, as of March 31, 2020) which provides long-term visibility of its revenue. It is well positioned to achieve further organic growth through a combination of contractual rent escalations, re-leasing at market rents, lease-up of vacant space and new construction to accommodate tenant expansion.

Between period April 2017 to March 2020, through its disciplined operating and investment expertise, Mindspace has:

- Leased 7.6 msf of office space and achieved average re-leasing spreads of 28.9% on 3.0 msf of re-leased space, leased 4.6 msf of new area (including Pre-Leased Area and Committed Area, as of March 31, 2020) to 60 tenants; achieved re-leasing spread of 23.1% for 1.1 msf of area re-leased during fiscal year 2020;
- Grown its Portfolio by 4.9 msf primarily through strategic on-campus development of its business parks;
- Maintained consistently high Occupancy and achieved Committed Occupancy of 92.0%;
- Grown In-place rent of its Portfolio at a CAGR of 6.7%;
- Undertaken strategic renovations, such as lobby and facade upgrades and addition of cafes, food courts and boardwalks, at certain assets, to improve tenant experience - cumulatively invested Rs 737.0 million to renovate its Portfolio.

Objects of the Issue:

The object of the issue (amount raised from fresh issue) is

- Partial or full repayment or pre-payment of certain debt facilities of the Asset SPVs availed from banks/financial institutions;
- Payment of consideration for acquisition of Non-Cumulative Redeemable Preference Shares (NCRPS) of Mindspace Business Parks Private Limited (MBPPL); and
- for General purposes.

Utilisation of Net Proceeds

Sr No	Particulars	Estimated Amount (Rs in mn)
1	Partial or full pre-payment or scheduled repayment of certain debt facilities of the Asset SPVs availed from banks/financial institutions	9,000
2	Purchase of Non-Cumulative Redeemable Preference Shares (NCRPS) of MBPPL	334
3	General purposes	*

*depends on final offer price

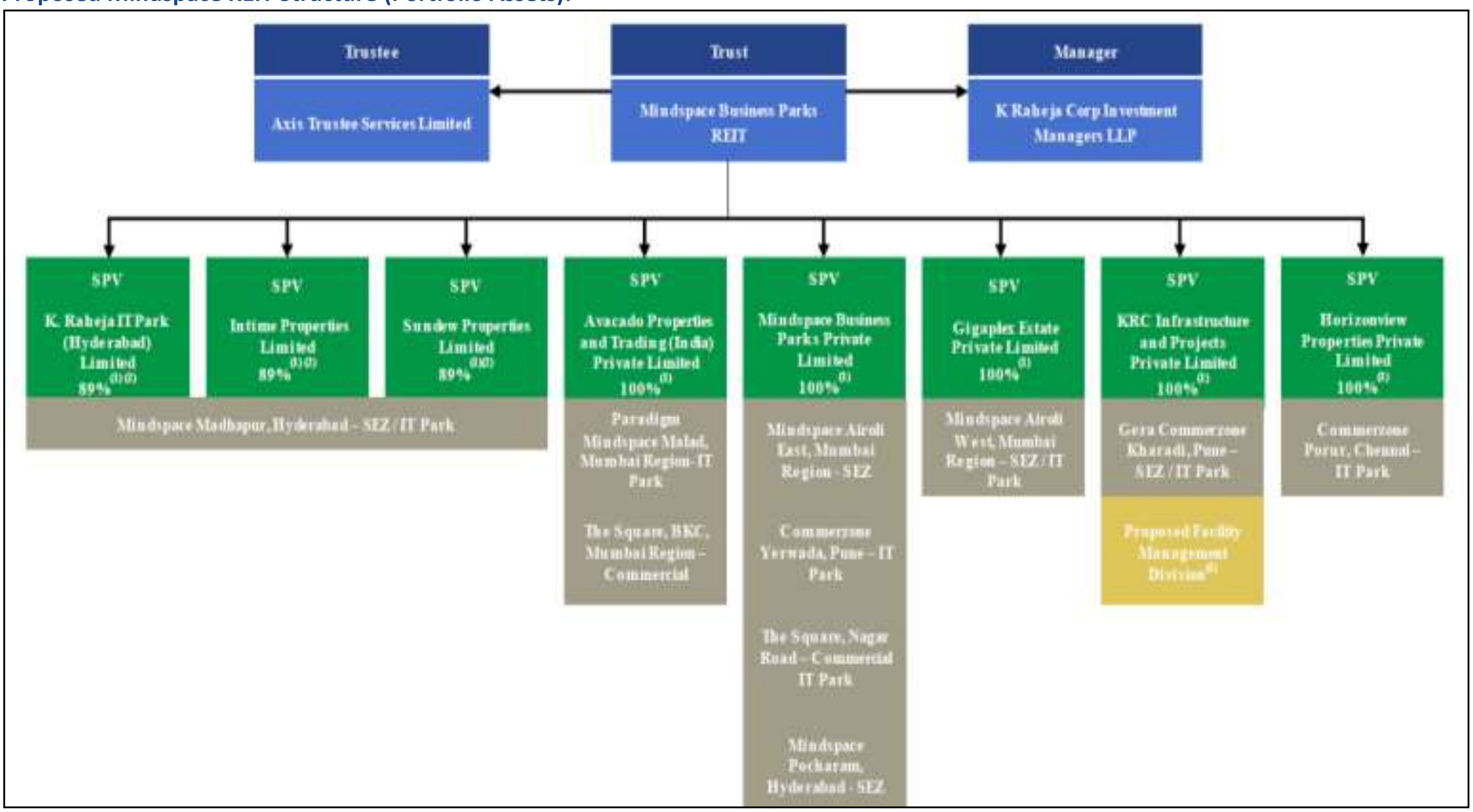
Post the utilisation of the IPO proceeds, its total indebtedness is expected to be ~15.3% of its Market Value.

Background about Mindspace REIT:

Mindspace REIT was registered with SEBI on December 10, 2019, at Mumbai as a REIT pursuant to the REIT Regulations having registration number IN/REIT/19-20/0003.

- Cape Trading LLP (CTL) and Anbee Constructions LLP (ACL) are the sponsors of Mindspace REIT;
- K Raheja Corp Investment Managers LLP (held by Mr. Ravi C. Raheja and Mr. Neel C. Raheja, as the partners) has been appointed as the Manager to Mindspace REIT;
- Axis Trustee Services Limited has been appointed as the Trustee to Mindspace REIT

Proposed Mindspace REIT Structure (Portfolio Assets):



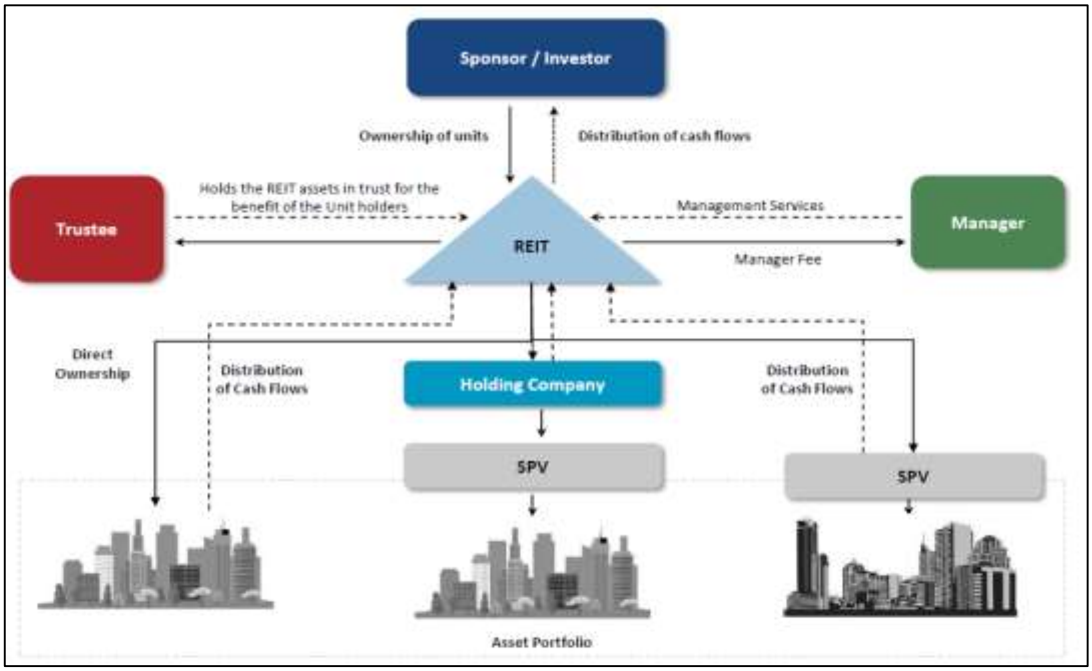
1. % indicates Mindspace REIT's proposed shareholding in respective Asset SPVs. (Source: Offer Document)
2. 11% shareholding in these Asset SPVs is held by APIIC (Andhra Pradesh Industrial Infrastructure Corporation)
3. KRC Infra will commence facility management division with effect from the first day of the quarter following listing of Units on the Stock Exchanges under the brand name "CAMPLUS".

What is a Real Estate Investment Trust:

REITs, or real estate investment trusts, are companies that own or finance income-producing real estate in a range of property sectors. Modelled like mutual funds, REITs provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive and revitalize. The stockholders of a REIT earn a share of the income produced through real estate investment – without actually having to go out and buy, manage or finance property.

Most REITs operate along a straightforward and easily understandable business model: By leasing space and collecting rent on its real estate, the company generates income which is then paid out to shareholders in the form of dividends. REITs must pay out at least 90% of their net distributable cash flows.

Structure of a REIT:



Developments in relation to the COVID-19 Pandemic:

The COVID-19 pandemic and preventative or protective actions that governmental authorities around the world have taken to counter the effects of COVID-19, including lockdown of business and commercial operations, social distancing, office closures, travel restrictions and the imposition of quarantines, have resulted in a period of economic downturn and business disruption, including restrictions on business activities and the movement of people comprising a significant portion of the world's population, including India. On March 14, 2020, India declared COVID-19 as a "notified disaster" and imposed a nationwide lockdown from March 25, 2020 onwards. The lockdown remains in force in few cities, with limited relaxations being granted for movement of goods and people in other places.

As all of its business and operations are located in India, the COVID-19 pandemic affected its operations due to majority of tenants limiting their operating staff and hours while others opting to work from home, interruption in construction activities at its under-construction sites due to the government directives to contain the spread of COVID-19, negative impact on the business and financial condition of some of its tenants and their ability to pay rent.

Mindspace REIT did not face significant disruptions in its operations from COVID-19 during the financial year ended March 31, 2020 and **collected 99.4% of its Gross Contracted Rentals for the month of March 2020**. Though the properties were not fully occupied by the tenants for the months of April and May 2020, it maintained and managed the properties throughout the lockdown to ensure business continuity and safety of tenants. There was no significant decline in the rent receipts during these two months **(collected 97.8% and 95.2% of the Gross Contracted Rentals for the months of April and May 2020, respectively)**. Committed Occupancy of the Portfolio was 92.4% and In-place Rent across Portfolio was Rs 52.5 psf as of May 31, 2020.

While the COVID-19 pandemic has affected majority of the industries, the industries that are being severely impacted by this pandemic include aviation, education, entertainment and events, food and beverage, co-working and hospitality (Source: C&W Report). During the months of March, April and May 2020, **1.0% of its Gross Contracted Rentals were attributable to severely impacted industries**.

Mindspace REIT continue to enter into commitments with potential tenants for securing pre-leasing as well as lease-up of vacant space in assets. Since April 1, 2020, they have **leased 0.7 msf of area (of which 40.5% was leased to their existing tenants and 59.5% was leased to new tenants)** including pre-committed 42,567 sf of area in its under-construction asset, Commerzone Porur. It has not availed any deferments or moratoriums with respect to any of their financial commitments (borrowings).

The complete extent of pandemic's impact on its business and operations for the quarter ending June 30, 2020 and fiscal year 2021 is currently uncertain and its effect on the business and operations in the medium to long term will depend on future developments, including the scope, severity and duration of the pandemic, the actions to contain COVID-19, and the direct and indirect economics of the pandemic and containment measures, among others. (read the risk factors below)

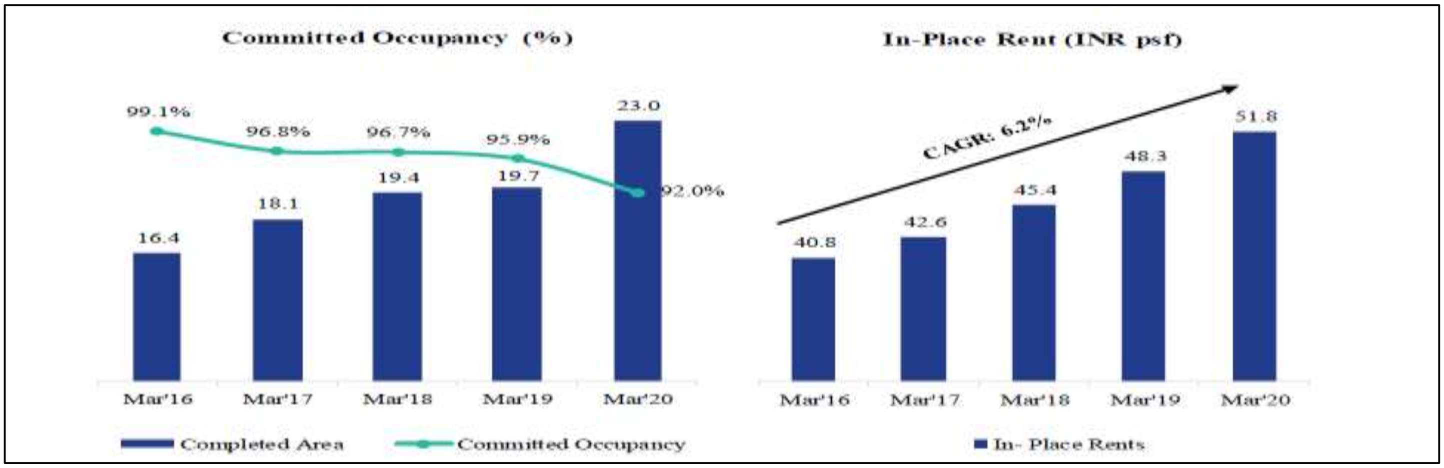
Portfolio:

Portfolio	Total Leasable Area (msf)	Committed Occupancy (%)	WALE (yrs)	In-Place Rentals (CAGR%) in last 4 years	In-Place Rentals (psf)	Estimated Market Rent (psf)	MTM Opportunity (%)	Revenue from Operations for FY 2020 (Rs in million)	Market Value (Rs in million)	% of Total Market value
Mumbai Region	**12.1**	**86.50%**	**5.7**					**6,600**	**92,022**	**38.90%**
Mindspace Airoli East (Business Park)	6.8	98.00%	4.8	4.80%	49.0	57.1	16.60%	3,569	43,107	18.20%
Mindspace Airoli West (Business Park)	4.5	72.30%	8.1	5.90%				2,269	35,205	14.90%
Paradigm Mindspace Malad (Independent Office)	0.7	93.80%	3.3	4.10%	86.1	88.8	3.10%	762	9,409	4.00%
The Square, BKC (Independent Office)	0.1								4,302	1.80%
Hyderabad	**11.6**	**97.40%**	**5.5**					**6,237**	**90,570**	**38.30%**
Mindspace Madhapur (Business Park)	10.6	97.60%	5.6	6.30%	48.3	64.9	34.40%	6,107	87,585	37.00%
Mindspace Pocharam (Independent Office)	1	92.40%	2.9		20.5	25.8	25.80%	130	2,984	1.30%
Pune	**5**	**90.00%**	**7**					**4,823**	**42,681**	**18.00%**
Commerzone Yerwada (Business Park)	1.7	99.90%	5.6	6.50%	55.3	77.2	39.70%	1,611	19,100	8.10%
Gera Commerzone Kharadi (Business Park)	2.6	71.30%	10.9		68.8	72.4	5.10%	2,296	15,486	6.50%
The Square, Nagar Road (Independent Office)	0.7	100.00%	5.5	5.00%	61.3	79.6	29.90%	916	8,094	3.40%
Chennai	**0.8**								**5,946**	**2.50%**
Commerzone Porur (Independent Office)	0.8								5,946	2.50%
Facility Management Division									5,532	2.30%
Total	**29.5**	**92.00%**	**5.8**	**6.20%**	**51.8**	**63.5**	**22.6%**	**17,660**	**2,36,751**	**100%**

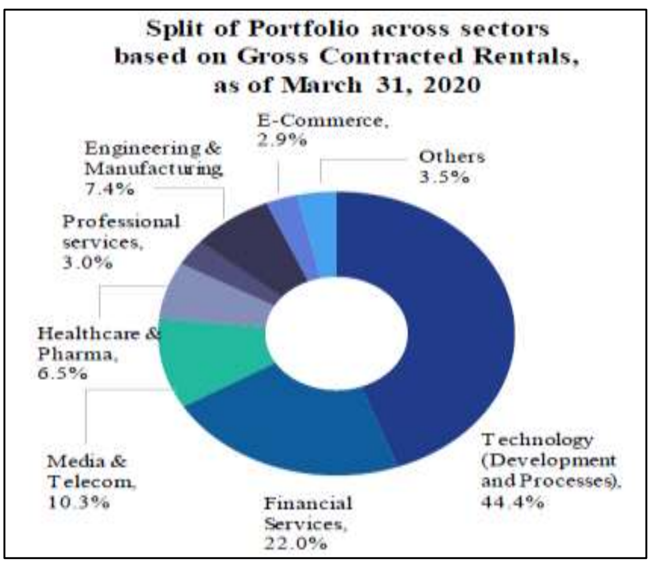
Note:
1. The Market Value of Mindspace Madhapur is with respect to 89.0% ownership of the respective Asset SPVs that own Mindspace Madhapur.
2. The Square, BKC was acquired in August 2019 and is currently not leased.
3. The facility management division with approximately 140 employees will be housed in one of the Asset SPVs, KRC Infra
4. Includes 23.0 msf of Completed Area, 2.8 msf of Under Construction Area and 3.6 msf of Future Development Area.
5. The Total Market Value of the Portfolio, which comprises Market Value of the Portfolio and the facility management division, are as of March 31, 2020, as per the Valuer, is Rs 236,751 million
6. WALE: Weighted Average Lease Expiry, msf: million square feet.

Competitive Strengths and Business Strategy:

Portfolio with Significant Scale: Portfolio comprises five integrated business parks and five quality independent offices, totalling 29.5 msf of Total Leasable Area, comprising 23.0 msf of Completed Area (of which 3.3 msf was achieved in fiscal year 2020), 2.8 msf of Under Construction Area and 3.6 msf of Future Development Area, as of March 31, 2020. Assets have been developed and are operated to meet the evolving standards and demands of "new age businesses" making them among the preferred options for both multinational and domestic corporations. It provides core office-building infrastructure that includes dual source power supply with 24x7 power back up, building management systems, fire-fighting and security mechanisms and landscaped surroundings. The building amenities are designed to cater to the needs of the tenants and their employees and include food plazas, restaurants, crèches and several health and recreation facilities such as cafes, clubhouses, amphitheaters, gyms, outdoor sports arenas, recreational gardens and ambulance service. the scale of assets attracts large, quality tenants and position themselves as the "landlord of choice" for large multinational clients who have pan-India presence.



Diversified and Quality Tenant Base with Long-Standing Relationships: Mindspace REIT has 172 tenants, with a WALE of 5.8 years, which provide stability to its Portfolio. The Tenant base is well-diversified with no single tenant contributing more than 7.7% of its Gross Contracted Rentals, as of March 31, 2020. Approximately 84.9% is attributable to multinational corporations and approximately 39.4% is attributable to Fortune 500 companies (in terms of Gross Rentals) as on March 31, 2020. Their quality tenant base comprises a mix of multinational and Indian corporates such as Accenture, Qualcomm, BA Continuum, JP Morgan, Amazon, Schlumberger, UBS, Capgemini, Facebook, Barclays and BNY Mellon, as on March 31, 2020. While tenants from the technology sector have traditionally comprised and continue to comprise the largest tenant base, it has diversified sectoral mix of tenants with increasing share of non -technology sector tenants by 1,020 bps over the last three fiscal years. Mindspace REIT has been able to retain tenants across multiple sectors is attributable to its Portfolio's superior infrastructure and regular tenant engagement. Out of 7.6 msf of area leased in the last three fiscal years, 58.8% was leased to existing tenants and 41.2% to new tenants.

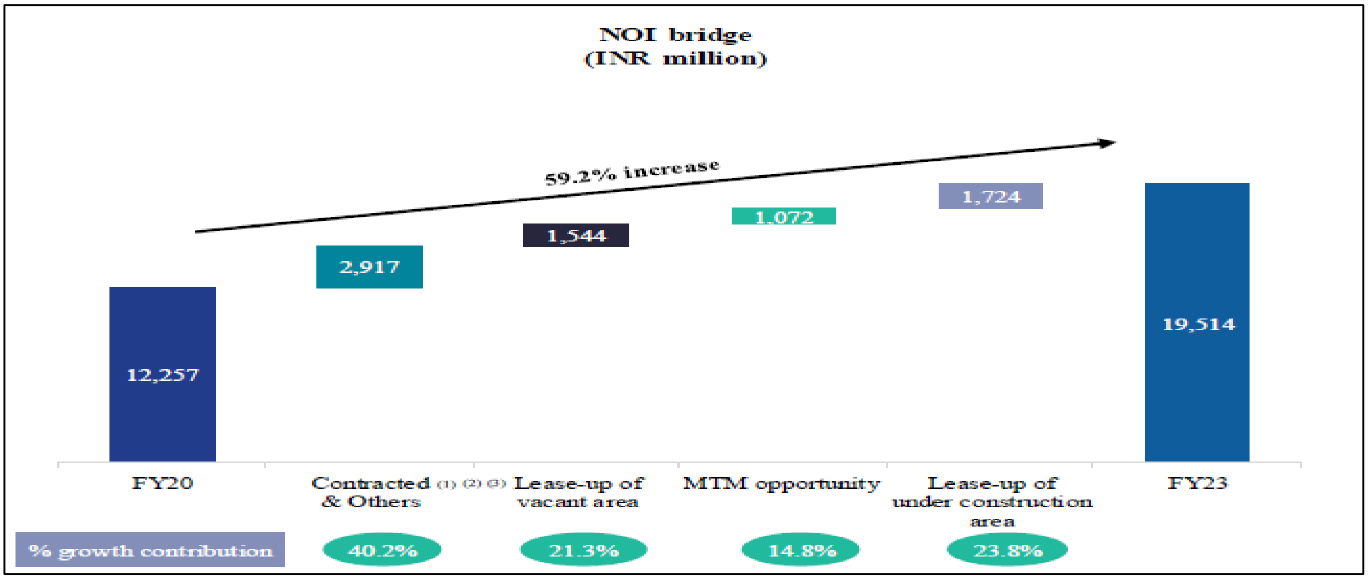


Top 10 Tenants	Occupied Area (msf)	% of Gross Contracted Rentals	WALE (years)
Accenture	1.9	7.7	7.7
Qualcomm	1.0	5.3	5.3
Business and technology services company	1.2	5.1	5.1
Barclays	0.7	5.0	5.0
IT solutions and services company	0.9	4.5	4.5
BA Continuum	0.6	3.0	3.0
Schlumberger	0.3	2.9	2.9
JP Morgan	0.5	2.9	2.9
Amazon	0.5	2.9	2.9
UBS	0.4	2.4	2.4
Total	**8.2**	**41.6**	

Tenants in India typically incur tenant improvement capex between Rs 2,000 to Rs 6,000 psf for fitting out the premises according to the nature of business activity and office location unlike other developed markets where landlords spend a significant amount of tenant improvement capex to attract and retain tenants. As tenants typically undertake significant tenant improvement capex at their own expense, they have higher "stickiness" due to high relocation costs.

Presence in Four Key Office Markets of India: The Portfolio Assets are located in Mumbai Region, Hyderabad, Pune and Chennai (Portfolio Markets), which are amongst the key office markets of India and accounted for approximately 58.0% of total Grade-A net absorption in the top six markets in India, namely, Chennai, Mumbai Region, Pune, Hyderabad, Bengaluru and the National Capital Region during the fiscal year 2020 (Source: C&W Report). Portfolio Markets experienced strong growth in demand between 2014 and 1Q 2020, with net absorption (100.3 msf) exceeding supply (96.4 msf). Portfolio Markets have witnessed a decline in vacancy from 17.2% in 2014 to 10.4% in Q1 2020. Portfolio Markets has experienced strong growth in demand between 2014 and 1Q 2020, with net absorption (100.3 msf) exceeding supply (96.4 msf). Portfolio Markets have witnessed a decline in vacancy from 17.2% in 2014 to 10.4% in Q1 2020.

Portfolio with Stable Cash Flows and Strong Growth Potential: Mindspace REIT's portfolio is stabilized with 92.0% Committed Occupancy (240 bps higher than the Portfolio Markets) (Source: C&W Report)), 96.5% Same Store Committed Occupancy and a WALE of 5.8 years, as of March 31, 2020. Over the last three fiscal years, it was able to (re)/lease7.6 msf – of which 4.6 msf of new area leased and 3.0 msf of existing area re-leased at a re-leasing spread of 28.9%. In addition, over the same period, it has grown the Portfolio by approximately 4.8 msf primarily through on-campus development of the business parks.



1. "Contracted & Others" include contractual escalations, full year impact of contractual leases; others primarily include revenue from power supply, impact of Ind AS adjustments, downtime and vacancy allowance.
2. Includes NOI from leases which are contracted, as of March 31, 2020, and has not generated rental income for the full year during fiscal year 2020.
3. 1.8% of growth contribution is on account of Ind AS adjustments.

<u>Stable cash flows with contracted occupancy and escalations</u>: The tenure of the leases is typically 5-10 years, with an initial commitment of generally 3-5 and renewal options post initial commitment period. While majority of the leases have rental escalations of 12.0% to 15.0% every three years, they have recently started leasing with rental escalations between 4.0% to 5.0% every year. Contracted & Others are expected to contribute approximately Rs 2,917 million, or 40.2%, of the total increase in net operating income (NOI). Rent commencement from leased out space which is contracted, as of March 31, 2020, and has not generated rental income for the full year during fiscal year 2020, to contribute to the growth of the Portfolio.

<u>Mark-to-market potential across the Portfolio</u>: Mindspace REIT have re-leased approximately 3.0 msf at rents, which were on average 28.9% higher than In-place Rents. The estimated Market Rent of the Portfolio is Rs 63.5 psf, which is 22.6% above the average In-place Rent, as of March 31, 2020. With 24.6% of the Gross Contracted Rentals expiring over fiscal year 2021 to fiscal year 2023, they believe this presents a strong mark-to-market re-leasing opportunity to drive their rental growth. Over the Projections Period, mark-to-market revisions are expected to contribute approximately Rs 1,072 million, or 14.8%, of the total increase in NOI.

<u>On-Campus development of existing business parks</u>: Over the last five fiscal years, Mindspace REIT have constructed 6.1 msf (of which 1.9 msf was completed in fiscal year 2020) in the business parks, while maintaining Committed Occupancy of more than 92.0% at the end of each of those years. About 6% of the total market value of the portfolio is under construction/ future development.

<u>Lease-up of existing vacant space</u>: The vacancy of 8.0% is concentrated in three assets, Mindspace Airoli West, Gera Commerzone Kharadi and Mindspace Madhapur, which respectively comprises 51.9%, 19.9% and 12.8% of the total vacancy, as of March 31, 2020. Vacant space is primarily concentrated in large blocks of contiguous space on individual or multiple floors, which could be attractive to larger tenants. Over the Projections Period, lease up of existing vacancy is expected to contribute Rs 1,544 million, or 21.3%, of the total increase in NOI.

Flexible capital structure for inorganic growth: Post listing of Units, indebtedness at the Asset SPV level is projected to continue to be in the form of interest bearing loans and in future, when debt markets are favorable, refinancing all or part of the debt at Asset SPVs by raising debt financing at Mindspace REIT level, to help bring efficiencies in cost of financing and improve the net distributable cash flows. Total indebtedness as of March 31, 2020 was Rs 73,823 million, repayment of a portion of debt from the Net Proceeds from the Fresh Issue, could bring down the indebtedness to Rs 36,140 million (15.3% of Market Value). Reduced leverage will enable the company to drive growth by undertaking value-accretive future acquisitions, both through new transactions as well as acquisition of ROFO assets from the KRC group, if they seek to sell them.

Strong Industry Fundamentals: Located in India, a leading services hub for global corporates. India is the fifth-largest and the fastest growing major economy in the world and has become a leading services hub for global corporates over the last 20 years. India has emerged as a leading hub for technology and corporate services due to its favourable demographics, large talent pool and competitive cost advantage in providing high value -added services. This has led to an increased demand for quality office space from multinational as well as large domestic corporations. India has the second largest English-speaking population in the world and a large talent pool of highly skilled graduates (4.8 million graduates in fiscal year 2019). Strong demographics in the form of growing young population, increasing urbanization, leading workforce in science, technology streams continue to attract big corporates to setup their bases in India. The cost of sourcing services from India is approximately 81.0% lower than Tier II cities in the United States. Rents in Portfolio Markets in Q1 2020 were 50% to 90% lower in comparison to major global cities such as Shanghai, New York, London, Hong Kong and Singapore.

Experienced Management Team Backed by the KRC group: Mindspace REIT will be managed by the Manager led by Mr. Vinod Rohira, chief executive officer, and Ms. Preeti Chheda, chief financial officer. Mr. Vinod Rohira has been instrumental in leading the development of approximately 25.0 msf of commercial real estate for the KRC group, across India. Ms. Preeti Chheda has approximately 20 years of experience, including 12 years with the KRC group, in equity and debt fund raising, acquisitions, overseeing the management of commercial real estate assets, raising private equity for real estate projects, investor relations and financial reporting.

Sponsors - Anbee Constructions LLP and Cape Trading LLP, which form part of the KRC group are one of the leading and reputed real estate developers in India with significant experience and knowledge of undertaking large-scale real estate developments across India. As of March 31, 2020, the KRC group has acquired and/or developed properties across various businesses (approximately 28.5 msf area of commercial projects, six operational malls, 2,554 operational hotel keys and residential projects across five cities in India). In addition, KRC group operates 278 retail outlets across India, as of March 31, 2020. The KRC group has approximately 40 years of real estate experience, and has a dedicated multi-skilled workforce of approximately 9,300 employees across its various real estate and retail businesses, as of March 31, 2020.

Growth in Indian Services Sector:

The services sector continues to be the key driver of the Indian economy and represented approximately 54.3% of India's gross value added ("GVA") in FY 2019. GVA of services sector increased to US$ 1.0 trillion in FY 2019 recording a growth rate of 7.5% from the last financial year

1. Technology Sector:

The structural shift of the Indian economy from agriculture to manufacturing and services is largely credited to the emergence of Indian technology industry. The technology industry in India is expected to grow to US$ 350 billion in FY 2025 from US$ 191 billion in FY 2020. The technology industry has outperformed the GDP growth rate and has witnessed consistent growth with CAGR of 11.3% (FY 2014 – FY 2019), 381 bps higher than GDP. The number of direct employees in the technology sector has grown 11 times between FY 2001 to FY 2020. (Source: NASSCOM). The quality of India's workforce and office infrastructure as well as its significant cost advantage has also resulted in several multinational companies from diverse sectors (such as Google and JP Morgan) setting up their GCCs in India.

Cost Competitive Advantage: India's unique selling proposition is its cost competitiveness in providing technology services, which are relatively more cost-effective than the USA. The cost of sourcing services from India is approximately 81% lower as compared to Tier II cities in the USA. (Source: NASSCOM, Strategic Review 2019).

Availability of Talent Pool and Affordable High-Quality Office Infrastructure: India today has one of the largest pools of highly -qualified technical graduates in the world (2.6 million students graduated in science, technology, engineering and medicine (STEM) disciplines in 2016) and the second largest English-speaking population in the world. According to NASSCOM, Techade Strategic Review 2020, India has more than 880,000 digitally skilled employees, one of the largest globally.

Supportive Government Policies - The Government has outlined multiple initiatives to boost the technology ecosystem in India including (i) Digital India; (ii) Start-up India; (iii) formalising the National Policy on Software Products – 2019; and (iv) National Program on Artificial Intelligence.

2. Financial Services Industry:

Financial services industry has been one of the emerging sectors in India, and includes banking, capital markets, insurance sector, pension funds and mutual funds. The share of adults with a bank account has more than doubled since 2011 to 80% (Source: World Bank – Global Findex Database 2017). The industry is expected to witness increased activity over the next decade led by the Government's push on digital financial services.

3. E-Commerce

With availability of affordable internet, rising internet penetration and push from the Government towards digitisation, e-commerce sector is expected to grow from US$ 43 billion in 2019 to US$ 54 billion by 2020 (Source: NASSCOM, Techade Strategic Review 2020) and US$ 106 billion by 2022 (Source: NASSCOM, Strategic Review 2019).

4. Fintech sector

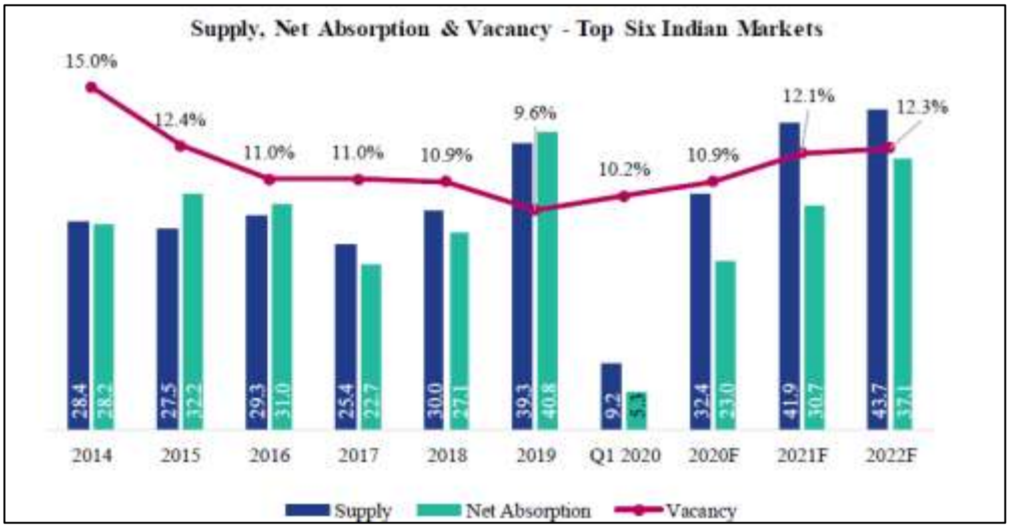
Fintech sector in India has driven the growth of the payments and lending industry. The sector is expected to grow significantly and hence is expected to be a leading employment generator. The transaction value of the sector has grown at a CAGR of 22% from USD 33 billion in 2016 to USD 73 billion in 2020E (Source: NASSCOM, Fintech Lending - August 2019).

Overview of India Office Market

India's office real estate landscape has changed significantly from standalone buildings with no amenities to large corporate parks with focused amenities. Developers' focus on Grade-A commercial developments, backed by institutional investors and increasing demand from MNCs led to the onset of campus developments. Due to better amenities for occupiers and scalability options, the larger campuses tend to command a premium over standalone buildings, enjoy a higher and more stable occupancy, attract superior tenants and are also preferred by the Millennials.

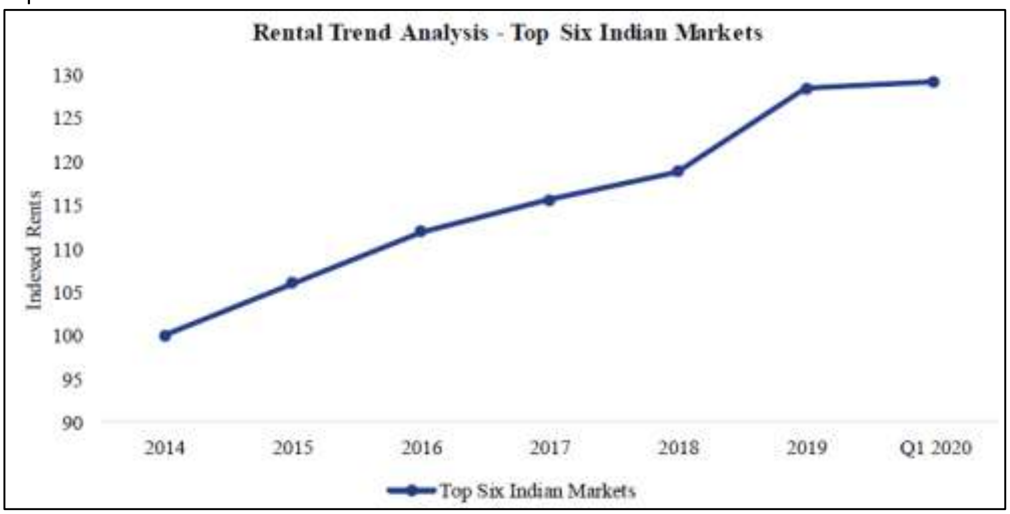
Grade-A office stock in Chennai, Mumbai Region, Pune, Hyderabad, Bengaluru and the National Capital Region ("NCR") (Top Six Indian Markets), as of March 31, 2020, was approximately 477.5 msf. Technology sector comprises the largest share at Grade-A office absorption in the Top Six Indian Markets – approximately 38.3% followed by Financial Services which was at 12.6% (during period 2014 to Q12020).

Difficulty in obtaining funding for land acquisitions coupled with scarcity of aggregated land in established markets is expected to constrain the supply of large-scale integrated parks in the future. Increasing demand and stable supply have resulted in lower vacancy levels of 10.2% in Q1 2020. Delay in delivery of under-construction buildings due to COVID-19 has resulted in an increased supply in 2021F and 2022F. However, with increasing demand from occupiers and high supply in long term, the vacancy levels are expected to be at 12.3% in 2022F.



Source: C&W Report

Rentals in the Top Six Indian Markets have grown at a CAGR of 5.0% between 2014 and Q1 2020. Due to the COVID-19 pandemic, C&W expects the rentals to remain stable in the near term.



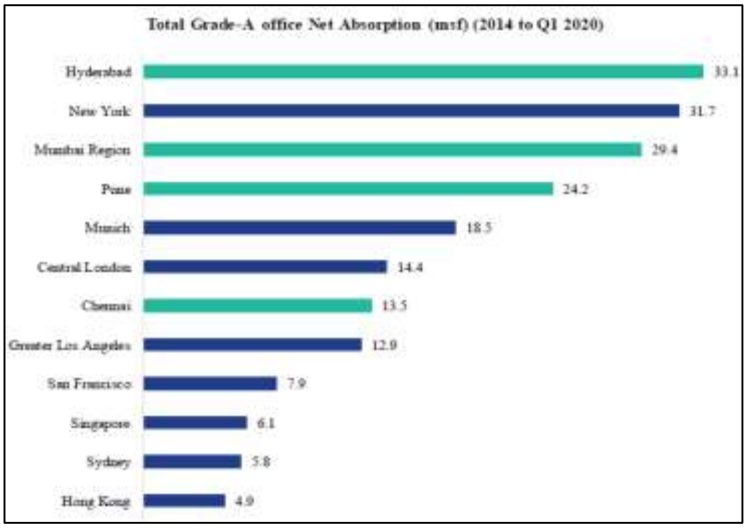
Source: C&W Report

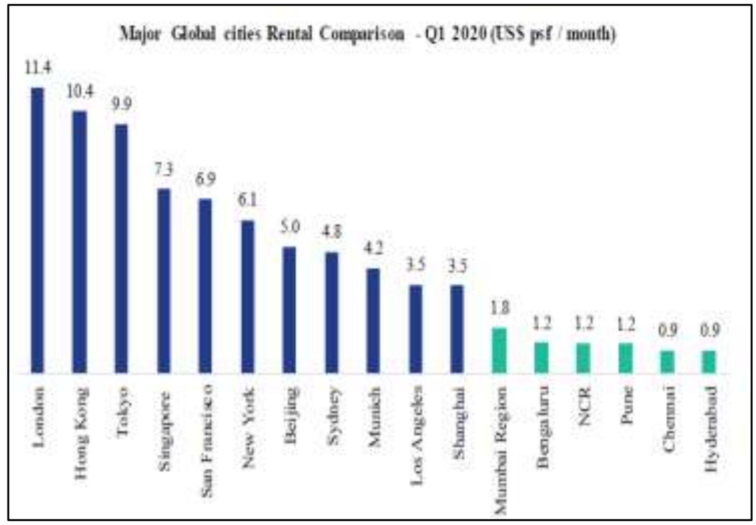
Comparison between Key Indian and Select Global Cities:

Grade-A Office Net Absorption (2014 – Q1 2020): Growth of services sector in India along with increasing traction from MNC tenants has led to a higher net absorption in major Indian cities.

Rentals across Global Locations (Q1 2020): The Top Six Indian Markets offer affordable commercial office spaces at 50% to 90% lower rents in comparison to the global cities, thereby gaining more traction not only from domestic companies but international as well.

Capital Value Comparison: Capital values in the Top Six Indian Markets are significantly below other global peers. The average capital values of commercial assets in the Top Six Indian Markets are 74% to 92% lower than in New York, Singapore and Hong Kong





Prominent Trends in India Office Market:

Changing profile of tenants - Indian technology sector has consistently moved up the value chain from back end support services such as call centres to value added services such as analytics and artificial intelligence. These tenants tend to focus on quality of office space, amenities and facility management and are relatively less sensitive to costs.

Increasing demand for quality office space - Youth driven businesses, changing lifestyles and the need for flexible workday drives the tenants to look for superior quality Grade-A office spaces. Tenants have increasingly preferred integrated parks over standalone buildings due to options for future expansion and superior ecosystem offering amenities such as retail facilities, crèches, food and beverage facilities. Additionally, large-scale infrastructure is expected to be the key differentiator when leading tenants select markets going forward.

Consolidation and expansion strategies - Companies in India, especially GCCs, have started consolidating and concentrating their offices into les ser number of locations for improving operational efficiency and lowering costs through economies of scale. These tenants also prefer consolidation in parks, which are established by organized developers due to the large scale of assets and future development potential in the existing park.

Organized office developers - Demand for quality offices and corresponding increase in capital requirement favor large organized office players with well-funded balance sheet. Further, a more cautious approach taken by banks recently for lending to companies engaged in real estate activities has restricted the ability of unorganized players to access financing.

Tenant relationship strategies - Tenant relationships in India have improved as organized real estate developers offer integrated quality parks/campuses with developed ecosystem offering amenities such as retail facilities, crèches and food and beverage facilities including food courts, which are in line with the current and potential demand of these tenants. Tenant Improvement capex as a % of rental revenues (2%-5%) as compared to US real estate landlords (10%-20%). Considering the high capex being incurred by the tenants, the duration of occupancy is typically beyond the initial lock-in period of 3 to 5 years. Minimal rent-free periods (one-time, ranging from 45 days to 90 days upfront), lower free parking (one car park for 1,000 sf to 1,500 sf) and higher security deposits (6 to 12 months) further limits initial capex by property owners.

Overview of Portfolio Markets:

Supply, absorption, vacancy and rentals are dynamic in nature and the performance may vary from projections as they are dependent upon various factors such as economic and other market conditions, demographic trends, employment levels, availability of financing, prevailing interest rates, competition, bargaining power of tenants, availability and cost of land, construction and operating costs, government regulations and policies and market sentiment. Constrained supply due to limited land availability in core locations and funding constraints faced by real estate developers together with strong demand led by technology tenants has led to falling vacancies and robust rent growth.

Supply, Absorption and Vacancy Trends

Mindspace REIT has one of the largest portfolios of Grade-A commercial assets in India, which are located in its Portfolio Markets, which are also among the key office markets of India, namely, Mumbai Region, Hyderabad, Pune and Chennai. Portfolio Markets represent approximately 58% of total Grade-A net absorption in the Top Six Indian Markets in FY 2020.

Portfolio Markets showed long term favorable demand supply dynamics between 2014 and Q1 2020 with net absorption (100.3 msf) exceeding supply (96.4 msf) and overall Grade-A office stock growing 1.5 times. Preleased area has increased by 50.1% between 2014 and Q1 2020. Vacancy levels declined steadily from 17.2% in 2014 to 10.4% in Q1 2020 (683 bps lower). Supply and Absorption in the portfolio REIT markets have been the highest in a decade in 2019.

Further, due to COVID-19, C&W expects the commercial real estate sector to face some challenges in the near term. With constrained absorption in near term, the vacancy level is expected to increase to 11.5% in 2020F as the contraction in supply may partially offset any significant impact on the demand. In the long term, the vacancy levels are expected to be 13.0% in 2021F and 2022F.

Rental Trends

The rentals in the Portfolio Markets have grown at a CAGR of 8.1% in Hyderabad, 7.5% in Chennai, 7.1% in Pune and 1.7% in the Mumbai Region between 2014 and Q1 2020. During the same period, the combined rentals in the Portfolio Markets have grown from INR 79.3 psf per month to INR 96.8 psf per month. However, due to the current COVID-19 pandemic, C&W expects the rentals to remain stable in the near term

Outlook of Portfolio Markets:

Hyderabad:

Strong demand and limited supply have led to a reduction in vacancy from 15.3% in 2014 to 5.9% in Q1 2020. Pre-commitment levels continue to be strong with 34.1% of future supply pre-committed. Due to COVID-19 and the challenges faced by the commercial real estate sector, C&W expects delay in completion of the under-construction projects and suppression of demand for the next 6 to 12 months. With relatively lower demand as compared to the upcoming supply, C&W expects an increase in vacancy to 8.9% in 2020 and 13.3% in 2022. Rentals in Hyderabad have grown at a CAGR of 8.1% since 2014. Due to robust fundamentals, Madhapur rentals have outperformed the other micro-markets and grown at an 8.3% CAGR between 2014 to Q1 2020. With the suppression of demand due to Covid-19 it expects pressure on the rentals and expect the rentals to remain stable for next 12 months.

Mumbai Region:

Vacancy in Mumbai Region stood at 17.2% in Q1 2020. The overall vacancies are higher due to high vacancy in certain micro-markets, which traditionally have strata buildings with smaller floor plates and sub -optimal infrastructure. Due to COVID-19 and the challenges faced by the commercial real estate sector, C&W expects the vacancy to remain stable at 17.3% in 2020. However, robust demand and traction from occupiers in the long term is expected to further reduce the vacancy to 15.6% by 2022.

Pune:

Strong demand has led to a reduction in vacancy from 13.2% in 2014 to 4.5% in Q1 2020. Due to COVID-19 and the challenges faced by the commercial real estate sector, C&W expects vacancy to maintain level of 4.5% in 2020. With delayed completion of under-construction projects and staggered revival of growth in demand, the vacancy is expected to increase to 11.3% by 2022. With increased demand from technology and financial services companies and favorable demand -supply dynamics, Pune rentals have grown at a CAGR of 7.1% since 2014. Due to attractive fundamentals, the rentals of the SBD East micro-market have outperformed the overall Pune market and have grown at a CAGR of 8.1% since 2014. C&W expects the rentals to be stagnant and a slightly longer time frame for leasing of available spaces in the near future as a result of temporarily suppressed demand for the next 12 months.

Chennai:

Demand from technology and financial services sectors have led to vacancy reducing from 13.3% in 2014 to 9.4% in Q1 2020. Due to COVID-19 and the challenges faced by the commercial real estate sector, the vacancy is expected to increase to 11.6% in 2020, however, with continuous demand and traction from occupiers coupled with upcoming supply in future, C&W expects it to stabilize at 9.6% by 2022.

Fee Structure:

	Mindspace	Embassy REIT[1]	CapitaLand Commercial[2]	Maple Tree[2]	Suntec REIT[2]	Keppel REIT[2]	Ascendas India Trust[3]
Base Fees	Nil	Nil	0.1% of Gross Asset Value	0.25% of Gross Asset Value	0.3% of Gross Asset Value	0.5% of Gross Asset Value	0.5% of Gross Asset Value
REIT Management Fees	0.5% of NDCF	1% of Distributions	5.25% of Net Property Income	4% of Net Property Income	4.5% of Net Property Income	3% of Net Property Income	4% of Net Property Income
Property Management & Support Services Fees	3.5% of Total Rent	3% of Rental Revenue	3% of Net Property Income	2% of gross revenue 2% of Net Property Income[4]	3% of Gross Revenue	3% of Net Property Income	2% of Gross Revenue
Acquisition Fees	Nil	Nil	1% of Acquisition Price	1% of Acquisition Price	1% of Acquisition Price	1% of Acquisition Price	1% of Acquisition Price
Divestment Fees	Nil	Nil	0.5% of sale price	0.5% of sale price	0.5% of sale price	0.5% of sale price	0.5% of sale price

Note:
1. Embassy Office Parks REIT listed in India.
2. Top four office REITs, by market capitalization, as of March 31, 2020, which are listed in Singapore.
3. REIT listed in Singapore with assets in India.
4. Additional fee of 0.5% per annum of the Net Property Income for the relevant property in lieu of leasing commissions otherwise payable to the property manager and/or third-party agents.

Risk Factors:

Risks Related to Organization and Structure:

The Formation Transactions will only be given effect to after the Bid/Issue Closing Date:

Any inability to consummate transactions in relation to management of the Portfolio, ROFO arrangement (which grants a right of first offer to the Trustee (acting on behalf of Mindspace REIT) in the event of any sale by the relevant members of the KRC group) and the Formation Transactions will impact the Offer and the ability to complete the Offer within the anticipated time frame or at all. Further, the Manager, in consultation with the Selling Unitholders and the Book Running Lead Managers, and subject to any conditions imposed by the SEBI or any other regulators, may decide not to proceed with the Offer or to withdraw or reduce the size of the Offer. Its ability to complete the Offer is also dependent on the repayment of the Group Loans (including interest incurred for such loans from July 16, 2020 till the date of repayment) aggregating to Rs 13,795 million, as of July 15, 2020, from proceeds of the relevant KRC Selling Unitholders' portion of the Offer for Sale or any other permitted means, including a loan from a bank or a financing institution.

Assume liabilities in relation to the Portfolio and these liabilities, if realised, may adversely affect the results of operations, cash flows, the trading price of the Units and its profitability and ability to make distributions: As part of the Formation Transaction Agreements, Mindspace REIT will assume liabilities of the Portfolio and of the Asset SPVs. Due diligence on the Portfolio has been conducted with the objective of identifying any material liabilities, however it may not be able to identify all such liabilities prior to the consummation of the Formation Transactions. They have relied on independent third parties to conduct a significant portion of such due diligence (including legal reports on title and valuations of the Portfolio, including facility management division) and to the extent that such third parties underestimate or fail to identify risks and liabilities associated with the Portfolio in question, the company may be affected by defects in title, or be exposed to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits or permissions. The indemnities under the Formation Transaction Agreements also include limitations on account of monetary or time limits, which may adversely affect the ability to recover monetary compensation.

Risk with respect to the distributions to the Unitholders: Distributions to Unitholders will be based on the net distributable cash flows ("NDCF") available for distribution. The assessment of NDCF is based on pre-determined framework as per applicable regulations and as more specifically prescribed in the distribution policy, in consultation with financial and tax advisors, the results of which will be reviewed by the auditors. Ability to make distributions to the Unitholders may be affected by several factors.

- Cash flows received from the Asset SPVs;
- Utilization of surplus cash by the Asset SPVs;
- Debt servicing requirements and other liabilities of the Asset SPVs and Mindspace REIT;
- Fluctuations in the working capital needs of the Asset SPVs, as well as the ability of Asset SPVs to borrow funds and access financing markets at commercially reasonable interest rates or at all;
- Restrictions contained in any agreements entered into by its Asset SPVs and any amounts payable to regulatory authorities from whom land is leased;
- Completing the development of Under-Construction Area and Future Development Area within the anticipated timeline and the forecasted budget;
- Business and financial position of Asset SPVs, including any operating losses incurred by the Portfolio in any financial year;
- Applicable laws and regulations, which may restrict the payment of dividends by the Asset SPVs or other distributions;
- Judicial pronouncements as well as position taken by tax authorities having an impact (directly or indirectly);
- Payments of tax and other legal liabilities including costs arising on account of litigation; and
- Discharging indemnity or other contractual obligations of the Asset SPVs under their respective underlying contracts or similar obligations, or any fines, penalties levied by regulatory authorities.

The REIT Regulations requires to adhere to certain investment conditions, which may limit its ability to acquire and/or dispose of assets: The REIT Regulations impose certain restrictions on its operations, including maintaining a specific threshold of investment in rent generating properties and conditions on availing debt financing. These conditions may restrict their ability to raise additional funds as well as limit their ability to make investments, including acquisition of assets pursuant to the terms of the ROFO Agreement. Failure to comply with these and other applicable requirements may also have additional adverse consequences, including divestment of certain assets, delisting and other penalties, that could prevent them from acquiring further assets including pursuant to the terms of the ROFO Agreement.

Risks Related to Business and Industry:

The COVID-19 pandemic adversely affects its business, financial condition, results of operations, cash flows, liquidity and performance, and it may reduce the demand for commercial real estate in future: Mindspace REIT operates in the industry that may be negatively affected by the disruption to business caused by this global outbreak or maybe required to significantly overhaul their business model, which may affect their ability to pay rent and decrease the demand for properties. The COVID-19 pandemic has had, and may continue to have, repercussions across local, national and global economies and financial markets. In particular, a number of governments and organizations have revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19. Factors related to the COVID-19 pandemic, or a future pandemic, that could have an adverse impact on the financial condition, results of operations and cash flows, include:

- A complete or partial closure of, or other operational issues at, one or more of the properties resulting from government or tenant action or otherwise;
- Tenants' inability to pay rent on their leases, in part or full, or inability to re-lease space that is or becomes vacant, which inability, if extreme, could result - inability to pay to pay distributions at expected rates, inability to meet its obligations to lenders, which could result in losing the title to the properties securing such financing, trigger cross-default provisions, or inability to meet covenants in financing agreements, which could result in selling properties or refinance debt on unattractive terms;
- Requests from tenants to seek modifications of their obligations under the lease agreements, including rent concessions, deferrals or abatements;
- Claims by tenants, including in relation to interpretation of lease terms such as the force majeure clause, may result in disputes with the tenants;
- Slowdown in getting lease commitments for new spaces at the assets due to economic slowdown and cost pressure faced by corporations globally, could affect the financial returns of its assets;
- Any impairment in value of the properties that could be recorded as a result of weaker economic conditions;
- Inability to restructure or amend leases with certain tenants on terms favorable to the company;
- Adaptions made by businesses in response to "stay-at-home" orders and future limitations on in-person work environments or recalibration of space requirement could lead to a sustained shift away from collective in-person work environments with a growing focus on the average monthly per-desk rentals for an office space and adversely affect the overall demand for office space across its portfolio over the long term;
- Increase in operational costs as a result of additional measures that will need to be taken for ensuring the health and safety of tenants;
- COVID-19 has caused a material decline in general business activity and demand for real estate transactions, and if this persists, it would adversely affect the ability to execute their growth strategies, including identifying and completing acquisitions and expanding into new markets;

- The extent of construction delays on the under-construction properties due to work-stoppage orders, disruptions in the supply of materials, shortage of labour, delays in inspections, or other factors could result in failure to meet the development milestones set forth in any applicable lease agreement, which could provide the tenant the right to terminate its lease or entitle the tenant to monetary damages, delay the commencement or completion of construction and the anticipated lease-up plans for a development or redevelopment project or the overall development pipeline, including recognizing revenue for new leases, that may cause returns on investment to be less than projected, and/or increase the costs of construction of new or existing projects, any of which could adversely affect investment returns, profitability and/or future growth;
- Inability to access debt and equity capital on acceptable terms, or at all, and a further disruption and instability in the global financial markets or deteriorations in credit and financing conditions or downgrade of the credit rating or India's credit rating may affect the tenants' and access to capital and other sources of funding necessary to fund respective operations or address maturing liabilities on a timely basis;
- The effects of the COVID-19 pandemic on future results of operations, cash flows and financial condition could adversely impact the compliance with the covenants in credit facilities and other financing agreements and could result in events of default and the acceleration of indebtedness, which could negatively impact the financial condition, results of operations and the ability to obtain additional borrowings;
- Increased vulnerability to cyber-security threats and potential breaches, including phishing attacks, malware and impersonation tactics, resulting from the increase in numbers of individuals working from home
- Inability to seek protection under existing insurance coverage for liabilities and expenses that may arise due to impact of COVID-19 on the business and operations;
- Uncertainty as to what conditions must be satisfied before government authorities completely lift "stay-at-home" orders and whether government authorities will impose or suggest requirements on landlords (the company), to protect the health and safety of tenants and visitors to the buildings which could result in increased operating costs and demands on the property management teams;
- The efforts by local, state, central and industry groups to enact laws and regulations may restrict the ability of landlords, to collect rent, enforce remedies for the failure to pay rent, or otherwise enforce the terms of the lease agreements, such as a rent freeze for tenants or a suspension of a landlord's ability to enforce evictions; and
- The potential negative impact on the health of its personnel, particularly if a significant number of them are, or if any key managerial employee is, afflicted by COVID-19, could result in a deterioration in the ability to ensure business continuity during this disruption.

Business is dependent on the performance of the commercial real estate market in India: The success of projects depends on the general economic growth of and demographic conditions in India. In addition, the condition of the real estate sector in India, particularly market prices for developable land and the leasing of finished offices, has and will continue to have a significant impact on the revenues and results of operations. Real estate markets are cyclical in nature, and a recession, slowdown or downturn in the real estate market as well as in specific sectors such as technology, where tenants are concentrated, increase in property taxes, changes in development regulations and zoning laws, availability of financing, rising interest rates, increasing competition, adverse changes in the financial condition of the tenants, increased operating costs, disruptions in amenities and public infrastructure and outbreaks of infectious disease such as COVID-19, among others, may lead to a decline in demand for the Portfolio, which may adversely affect its business, results of operations and financial condition.

Competition in these markets is based primarily on the availability of Grade-A office premises and the prevailing lease rentals for these properties. Competition from other developers in India may adversely affect its ability to lease the buildings and continued development by other market participants could result in saturation of the real estate market, which could impact the ability of the Manager to execute the growth strategy. Further, increasing competition could result in price and supply volatility, which could adversely affect the business and results of operations.

A significant portion of revenues are derived from a limited number of large tenants*:* Mindspace REIT's revenues from operations are concentrated in a few large tenants and the technology sector. Largest tenants accounted for 41.6%, 40.5% and 43.6% of the Gross Contracted Rentals and 40.5%, 40.2% and 43.2% of the Occupied Area, as of March 31, 2020, 2019 and 2018, respectively. Tenants in the technology industry accounted for approximately 44.4%, 49.3% and 51.3% of the Gross Contracted Rentals and 49.5%, 53.4% and 54.9% of the Occupied Area, as of March 31, 2020, 2019 and 2018, respectively. Unitholders may be adversely affected by the downturn in the businesses of one or more of these tenants, non-renewal or early termination of leases or leave and license agreements for any reason, economic and other factors that lead to a downturn in the technology sector or the micro-markets in which these assets are located.

Limited operating history and may not be able to operate its business successfully: Mindspace REIT was settled as a contributory, irrevocable and determinate trust, under the provisions of the Indian Trusts Act, 1882, on November 18, 2019 and registered with SEBI as a REIT on December 10, 2019. Mindspace REIT will acquire the Portfolio pursuant to the Formation Transactions, and while most of the Asset SPVs have been in operation for several years, the issuer does not have an operating history by which its performance may be judged.

Condensed Combined Financial Statements included in the Offer Document may not accurately reflect its future financial position, results of operation and cash flows: Condensed Combined Financial Statements included in the Offer Document are prepared by combining the historical financial data of the Asset SPVs, as required under the REIT Regulations and have been prepared on the assumption that the Portfolio will be acquired pursuant to the Formation Transactions.

The title and development rights or other interests over land where the Portfolio is located may be subject to legal uncertainties and defects, which may interfere with its ownership of the assets and result in incurring costs to remedy and cure such defects: There are various legal defects and irregularities in the title to the lands or development rights, right to use or other interests relating to the Portfolio, including non-compliance with the process of conversion of land parcels during the process of devolution of title to land. If such defects are not cured, it may adversely affect the Portfolio including the rentals, which may also impact returns for the Unitholders. In addition, there are certain title related proceedings/irregularities, which Asset SPVs or their underlying assets are involved. The Asset SPVs' rights or title in respect of these lands may be adversely affected by improperly executed, unregistered or insufficiently stamped conveyance instruments in the property's chain of title, unregistered encumbrances in favour of third parties, irregularities in the process followed by the land development authorities and other third parties who acquired the land or conveyed the land in favour of Asset SPV's or irregularities in the process of mutation of the land records in favour of the Asset SPVs, rights of adverse possessors, ownership claims of successors of prior owners, and irregularities or mismatches in record-keeping, non-issuance of public notice prior to acquisition or when the title report is issued or updated, the absence of conveyance by all right holders, ownership claims of family members or co-owners or prior owners or other defects that they might not be aware of. Also, there are outstanding litigations, title irregularities and regulatory actions involving the Asset SPVs, which may adversely affect the business, results of operations and cash flows.

The actual rents it will receive for the properties in Portfolio may be less than estimated market rents for future leasing, Actual results may be materially different from the projections included in the Offer Document: Certain comparisons between its In-Place Rents and management's estimates of market rents for the office area in the Portfolio are made. Due to a variety of factors, including competitive pricing pressure in the markets, changing market dynamics including demand supply, a general economic downturn and the desirability of the properties compared to other properties in the markets, they may be unable to realize the estimated market rents across the properties in its Portfolio at the time of future leasing. If they are unable to obtain competitive rental rates across the Portfolio, it could adversely affect the business, results of operations and cash flow. The offer Document contains forward-looking statements regarding, among other things, the Projections of income and cash flows for the Projections Period. The revenue from operations, EBITDA, NOI and cash flow projections are only estimates, based on certain assumptions of possible future results of operations and are not guarantees of future performance.

Valuation report obtained for the Portfolio (including facility management division) is based on various assumptions: The valuation of real estate is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation method adopted. The Valuer has issued a Valuation Report setting out his opinion as to the value of the Portfolio (including facility management division) as of March 31, 2020. Cushman & Wakefield (C&W) has provided an Independent Property Consultant Report on the assumptions and the methodologies used for the valuation, which is included in the Offer Document. Valuation is an estimate and not a guarantee, and it is dependent upon the accuracy of the assumptions as to income, expense and market conditions. Further, the valuation methodologies used to value the Portfolio will involve subjective judgments and projections, which may not be accurate.

Business and results of operations are subject to compliances with various laws, and any non-compliances may adversely affect the business and results of operations: Mindspace REIT operates in the industry which is various laws and regulations, including Transfer of Property Act, 1882, Special Economic Zones Act, 2005 and Special Economic Zone Rules, 2006, Maharashtra Industrial Development Act, 1961, Mumbai Metropolitan Region Development Authority Act, 1974, Maharashtra Information Technology and Information Technology Enabled Services Policy, 2015, rent control legislations of various states, municipal laws of various states and environment related regulations. Business could be adversely affected by any change in laws, municipal plans or stricter interpretation of existing laws, or promulgation of new laws, rules and regulations applicable to the company.

Compliance with, and changes in, environmental laws and regulations could adversely affect the development of properties and financial condition: Mindspace REIT is subject to environmental, health and safety regulations in the ordinary course of its business. If it faces any environmental concerns during the development of a property or if the government introduces more stringent regulations, it may incur delays in its estimated timelines and may need to incur additional expenses. Further, environmental approvals are typically subject to ongoing compliance in the form of monitoring, audit and reporting norms, under, inter alia, central and state-specific environmental regulations and the Electricity Act and rules. It cannot be assured that all ongoing compliance or periodic filings which are required to be made in relation to its Portfolio have been made in a timely manner, or at all. Compliance with new or more stringent environmental laws or regulations or stricter interpretation of existing laws may require material expenditure by the company. In addition, it may be required to comply with various local, state and federal fire, health, life-safety and similar regulations. Failure to comply with applicable laws and regulations could result in fines and/ or damages, suspension of personnel, civil liability or other sanctions.

It may be unable to successfully grow business in new markets in India: Mindspace REIT seeks to diversify its geographical footprint, to reduce its exposure to local and cyclical fluctuations and to access a more diversified tenant and guest base across geographies. Inability to access infrastructure, certain logistical challenges in these regions and relative inexperience with newer markets, may prevent the company from expanding their presence in these markets. Further, Mindspace REIT may be unable to compete effectively with the services of their competitors who are already established in these markets. If the company is unable to grow its business effectively, it could adversely affect its business, results of operations and cash flows.

Entered into material related party transactions, the terms of which may be unfavorable: Mindspace REIT has entered and may enter into transactions with several related parties, including the Manager, the Sponsors, the Sponsor Group and certain KRC group entities. Such transactions include the Investment Management Agreement, the ROFO Agreement, the management framework agreements, the Formation Transaction Agreements as well as such other historical and future related party agreements. These transactions relate to, among others, the management of the Asset SPVs, maintenance of the Portfolio, and related party loans and/or advances. The transactions it has entered into and any future transactions with related parties has involved or could potentially involve conflicts of interest, and it may be deemed that it could have achieved more favorable terms had such transactions not been entered into with related parties. The REIT Regulations specify the procedure to be followed for related party transactions.

Some or all of Under-Construction Area and Future Development Area may not be completed by their expected completion dates: Portfolio has 2.8 msf of Under Construction Area and 3.6 msf of Future Development Area, as of March 31, 2020, which may be subject to significant changes and modifications from its currently estimated plans and timelines as a result of factors outside the control, including, among others, shortages of, or price increases with respect to, construction materials (which may prove defective), equipment, technical skills and labour, timely acquisition of land, defects or challenges to the land titles, expiration of agreements to develop land or leases, and their inability to renew them in time or at all, construction delays, unanticipated cost increases, availability of financing, changes in the regulatory environment, adverse weather conditions, third party performance risks, environmental risks, changes in market conditions, delays in obtaining the requisite approvals and permits from the relevant authorities, outbreaks of infectious disease such as the COVID-19 pandemic and other unforeseeable problems and circumstances.

Inability to service its existing indebtedness and secure additional debt financing on attractive terms and the values of the investment: The capital and credit markets have been experiencing extreme volatility and disruption. Liquidity in the credit market has been constrained due to market disruptions, including due to the COVID-19 pandemic, which may make it costly to obtain new lines of credit or refinance existing debt. As a result of the ongoing credit market turmoil, Mindspace REIT may not be able to refinance its existing indebtedness or to obtain additional financing on attractive terms.

Portfolio may be subject to increases in direct expenses and other operating expenses: Renovation work, repair and maintenance or physical damage to its assets may disrupt its operations and collection of rental income or otherwise result in an adverse effect on the business and results of operation. In addition, physical damage to any of the assets in the Portfolio resulting from an earthquake, fire, floods or other natural causes may lead to a significant disruption to its business and operation and may impose additional costs which could have an adverse effect on its financial condition and results of operations and its ability to make distributions to the Unitholders.

It may not able to maintain adequate insurance to cover all losses it may incur in business operations*:* Mindspace REIT maintains insurance on property and equipment in amounts believed to be consistent with industry practices and its insurance policies cover physical loss or damage to its property and equipment arising from a number of specified risks including burglary, fire, landslides, earthquakes and other perils. Despite the insurance coverage that it carries, the company may not be fully insured against some business risks and the occurrence of accidents that cause losses in excess of limits specified under its policies, or losses arising from events not covered by insurance policies, which could materially and adversely affect the financial condition and results of operations. In addition, it is also not covered for typical excluded events such as pollution and any consequential loss, defective design or workmanship or use of defective materials, and terrorism under current insurance policies. For some of its insurances, it may not have added a third-party as beneficiary / co-insured to its insurance or taken the approval of such third parties for availing such insurance as required by regulations or contractual obligations, which may have an impact on the amount of insurance claim to be paid out.

Business may be adversely affected by the illiquidity of real estate investments: Real estate investments are relatively illiquid and such illiquidity may affect its ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. Under the REIT Regulations, a REIT is required to hold assets acquired by it for a period of three years from the date of purchase and in case of under-construction properties or under-construction portions of existing properties acquired by it, three years from the date of their completion. The company may also face difficulties in securing timely and commercially favorable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets. These factors could have an adverse effect on its financial condition and results of operations, with a consequential adverse effect on its ability to deliver expected distributions to Unit-holders.

Security and IT risks may disrupt the business, result in losses or limit the growth: Mindspace REIT's business is highly dependent on the financial, accounting, communications and other data processing systems of its Manager and Sponsors. Such systems may fail to operate properly or become disabled as a result of tampering or a breach of the network security systems or otherwise. In addition, such systems are from time to time subject to cyber-attacks, which may continue to increase in frequency in the future. In addition, it is highly dependent on information systems and technology. Its information systems and technology may not continue to be able to accommodate its growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on the company.

Inability to successfully litigate over lease deeds, leave and license agreements and service agreements which are not adequately stamped or registered: Certain lease deeds, leave and license agreements and service agreements aggregating to 1.5 msf of the Leasable Area, are not adequately stamped or registered. In respect of certain other lease deeds aggregating to 0.3 msf, which have expired in the ordinary course, the process of renewing, stamping and registering them is ongoing. Failure to stamp a document may not affect the validity of the underlying transaction, however, it may render the document inadmissible as evidence in courts in India (unless stamped prior to enforcement with payment of requisite penalties. In case any dispute arises in relation to the use of properties for which lease deeds are either not adequately stamped or registered, Mindspace REIT may be unable to, or may incur additional expenses to, enforce its rights in relation to such properties.

Risks Related to Relationships with the Sponsors and the Manager

Sponsors will be able to exercise significant influence over certain of its activities and the interests of the Sponsors may conflict with the interests of other Unitholders: After the completion of the Offer, the Sponsors and the Sponsor Group will own a majority of the issued and outstanding Units and each of them will be entitled to vote severally as Unitholders on all matters other than matters where there are related party restrictions (in respect of which such parties are not permitted to vote under the REIT Regulations). Mindspace REIT will also rely on the Sponsors and the Sponsor Group to comply with their obligations under various agreements with it, including the Formation Transaction Agreements. In addition, it is expected to rely on the Sponsor Group's expertise in developing and constructing real estate projects in case of any additional work which needs be required to carry out for any of the Asset SPVs or other assets. Any litigation or regulatory action involving the Sponsors or Sponsor Group may have a negative impact on Mindspace REIT. The interests of the Sponsors and the Sponsor Group may conflict with the interests of other Unitholders and there can be no assurance that the Sponsors and the Sponsor Group shall conduct themselves, for business considerations or otherwise, in a manner that best serves interests or that of the other Unitholders.

Depend on the Manager to manage business and assets, and results of operations: The Manager is required to make investment decisions in respect of Mindspace REIT's underlying assets including any further investment or divestment of assets. There is no assurance that the Manager will be able to implement its investment decisions successfully or that it will be able to expand its portfolio at any specified rate or to any specified size or to maintain distributions at projected levels. The Manager may not be able to make acquisitions or investments on favorable terms or within a desired time frame, and it may not be able to manage the operations of its underlying assets in a profitable manner. The Manager may delegate certain of its functions to third parties. Should the Manager, or any third party to whom the Manager has delegated its functions, fail to perform its services, the value of the assets might be adversely affected and this may result in a loss of tenants, which could adversely affect the business, financial condition and results of operations. If the Investment Management Agreement is terminated or if the Manager defaults in the performance of its obligations thereunder, they might be unable to contract with a substitute service provider on similar terms or at all, and the costs of substituting service providers may be substantial.

Risks Related to the Ownership of the Units

Trusts such as Mindspace REIT may be dissolved, and the proceeds from the dissolution thereof may be less than the amount invested by the Unitholders: Mindspace REIT are set up as an irrevocable trust registered under the Registration Act and it may only be extinguished (i) upon the liquidation of the REIT assets; (ii) in the event SEBI refuses to grant a certificate of registration to the REIT; or (iii) in the event the REIT becomes illegal. In the event of dissolution, the net assets remaining after settlement of all liabilities, and the retention of any reserves which the Trustee deems to be necessary to discharge contingent or unforeseen liabilities, shall be paid to the Unitholders. If the REIT is dissolved and depending on the circumstances and the terms upon which its assets are disposed of, there is no assurance that a Unitholder will recover all or any part of his investment.

The Units have never been publicly traded and the listing of the Units on the Stock Exchanges may not result in an active or liquid market for the Units. The Units may also experience price and volume fluctuations: There is no public market for the Units prior to the Issue and an active public market for the Units may not develop or be sustained after the Issue. Listing and quotation does not guarantee that a trading market for the Units will develop or, if a market does develop, that there will be liquidity of that market for the Units. If an active trading market does not develop, it may have difficulty selling Units, and the value of the Units may be materially impaired.

Combined Financials of Mindspace Office Parks REIT:

Rs in million

Particulars	FY2020	FY2019	FY2018
Facility rentals	11,995	11,061	9,630
Maintenance services income	2,838	2,624	2,410
Revenue from works contract services	2,159	-	-
Revenue from power supply	527	506	461
Other operating income	141	125	130
Revenue from operations	**17,660**	**14,316**	**12,631**
Property tax	(371)	508	365
Insurance	(44)	42	30
Maintenance service expenses	(2,089)	1,918	1,704
Cost of work contract services	(2,140)	-	-
Cost of materials sold	(3)	4	8
Cost of power purchased	(683)	617	550
Power – O&M expenses	(73)	65	51
NOI	**12,257**	**11,162**	**9,923**
Other expenses	1,141)	1,029	2,065
Other income (including interest income)	2,602	2,481	2,391
EBTIDA	**13,718**	**12,614**	**10,249**

Rs in million

Particulars	As at 31.03.2020	As at 31.03.2019	As at 31.03.2018
Fixed Assets	75,910	60,544	54,724
Other non-current assets	5,298	4,631	5,285
Current assets	31,016	26,262	24,729
Total Assets	**1,12,224**	**91,437**	**84,738**
Equity	22,915	18,470	13,573
Borrowings	65,566	57,700	54,141
Other non-current liabilities	3,398	1,799	4,138
Current Liabilities	20,345	13,468	12,886
Total Liabilities	**1,12,224**	**91,437**	**84,738**

Drivers of Revenue Growth:

Rs in million

Particulars	FY2021	FY2022	FY2023	Total (FY21-23)	% of Growth Contribution
Revenue from operations for the previous year	**15,501***	**17,141**	**21,080**	**15,501***	
Total growth for the year	**1,640**	**3,939**	**2,943**	**8,522**	**55%**
Contracted and others	1,448	1,725	493	3,666	24%
Lease up of vacant area	59	926	559	1,544	10%
Mark to market opportunity	104	534	457	1,095	7%
Lease-up of under construction area	29	754	1,434	2,217	14%
Revenue from operations for the current year	**17,141**	**21,080**	**24,023**	**24,023**	

***** KRC Infra has entered into a construction service contract for buildings which are not part of Mindspace REIT. This being a one off transaction, the revenue from operations for the same has not been considered for FY2020

Projected Net Distributable Cash Flows (NDCF)

(Rs in million)

Particulars	2HFY2021	FY2022	FY2023
Mindspace Madhapur (Intime)*	752	2,307	2,347
Mindspace Madhapur (Sundew)*	954	2,203	2,387
Mindspace Madhapur (KRIT)*	1,347	3,039	3,397
MBPPL	2,209	3,661	3,845
Gigaplex	-	-	-
Avacado	317	653	645
KRC Infra	175	389	468
Horizonview	38	75	75
Subtotal	**5,792**	**12,327**	**13,164**
Trustee and other miscellaneous expenses at REIT level	-21	-23	-25
Manager Fees	-32	-73	-78
Total - NDCF	**5,739**	**12,231**	**13,061**

* After considering 11% dividend distribution to APIIC

(Source: Offer Document)

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