



ASCENDAS INDIA TRUST

(Registration Number: 2007004)

(a business trust registered under the Business Trusts Act 2004)

ANNOUNCEMENT

ANNUAL GENERAL MEETING TO BE HELD ON 14 APRIL 2022 RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

Ascendas Property Fund Trustee Pte. Ltd., the Trustee-Manager of Ascendas India Trust (“**a-iTrust**”, and the trustee-manager of a-iTrust, the “**Trustee-Manager**”) would like to thank all unitholders of a-iTrust (“**Unitholders**”) who submitted their questions in advance of a-iTrust’s Annual General Meeting (“**AGM**”) to be held virtually via live audio-visual webcast and live audio-only stream at 2:30 p.m. on Thursday, 14 April 2022.

We have grouped common questions, as well as questions relevant to the AGM agenda and aspects of our business into three key topics. Where substantially similar questions are received, we have consolidated such questions and consequently not all questions may be individually addressed. Questions received from the Securities Investors Association (Singapore) (“**SIAS**”) have also been included. Please refer to our responses to these substantial and relevant questions in Appendix 1.

Key topics include:

- A. Macroeconomy and Business Strategy/Investment Pipeline
- B. Portfolio Management and Occupancy
- C. Capital Management/Financials

Mr Sanjeev Dasgupta, Chief Executive Officer, will deliver a presentation to Unitholders during the AGM.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on SGXNet and made available on a-iTrust’s website. The minutes of the AGM will be published on a-iTrust’s website on or before 14 May 2022.

BY ORDER OF THE BOARD

ASCENDAS PROPERTY FUND TRUSTEE PTE. LTD.

(Company Registration No. 200412730D)

(as Trustee-Manager of Ascendas India Trust)

Hon Wei Seng
Company Secretary
12 April 2022

| A. Macroeconomy and Business Strategy/Investment Pipeline | |
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| 1. | Can you explain your investment strategy moving forward, now that it seems like your portfolio of selectable assets have greatly expanded? What would you be focusing on? |
| | <p>a-iTrust continues to focus on growing its core business parks assets in established and high growth micro-markets. In addition, we are proactively diversifying into the new economy asset classes to increase diversification of revenue streams and enhance portfolio performance and resilience.</p> <p>In March 2021, a-iTrust announced its proposed forward investment in an IT park in Hebbal in Bangalore (a new micro-market). Further in November 2021, a-iTrust completed the acquisition of Building Q1 in Aurum Q Parc, Navi Mumbai. Both Hebbal and Navi Mumbai are established IT office micro-markets and enjoy excellent connectivity to key transport nodes. The Trust looks to tap the demand in these micro-markets as it further boosts portfolio resilience.</p> <p>a-iTrust is pleased to share that in March 2022, it completed the acquisition of the Arshiya Panvel 7th warehouse. The logistics property is leased back to the Vendor for a six-year term. In 2021, a-iTrust also announced a proposed forward investment in its maiden industrial facility in Chennai (new asset class). The industrial facility is fully pre-leased to a leading contract electronics manufacturer, and acquisition of the facility is expected to complete by 1H 2022. In addition, a-iTrust completed the acquisition of a site in Navi Mumbai for Data Centre development in late 2021.</p> <p>a-iTrust continuously evaluates prospective deals and aims to enhance the portfolio with DPU and net asset value accretive acquisitions in ensuring long-term stable returns for Unitholders.</p> |
| 2. | Can the Trustee-Manager elaborate further on how it identifies attractive micro-markets? Will this lead to significant concentration risks for the Trust in the micro-markets? |
| | <p>The Trust is currently focused on four different asset classes across India. For each asset class, suitable micro-markets are determined based on the following factors:</p> <ul style="list-style-type: none"> • <i>Business parks</i> – micro-markets that continue to witness strong and growing demand from tenants, have quality transport infrastructure, availability of talent and face limited competitive supply; • <i>Data centres</i> – micro-markets with available power supply, telecom connectivity, proximity to sea cable landing stations and favourable environmental factors; • <i>Logistics</i> – micro-markets with access to transport infrastructure and located near consumption hubs; and • <i>Industrial</i> – micro-markets located within manufacturing clusters with established infrastructure. <p>Prior to committing to new acquisitions, the Trustee-Manager reviews the impact of the potential investment to the portfolio concentration from a strategic perspective to mitigate the concentration risk.</p> |
| 3. | i) What is the Board's long-term capital allocation target for logistics, industrial and data centre asset classes? ii) The portfolio is predominantly IT parks. What is the Board's/Management's vision of the composition of the portfolio in next 3-5 years? |
| | <p>The Board does not maintain a fixed capital allocation target for logistics, industrial and data centre asset classes. Instead, the Trust aims to acquire quality assets at attractive valuations across asset classes, while ensuring DPU and net asset value accretion in order to provide Unitholders with long-term stable returns. Returns on potential investments are evaluated carefully by the Trustee-Manager after taking into consideration factors such as the properties' WALE, effective rent in comparison to market rent, tenancy profile and tenants' credit risk, the market's property and capital conditions, as well as market outlook.</p> <p>The long-term target of the Trust is to have a robust and diversified portfolio with significant revenue streams from multiple sectors.</p> |

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| 4. | Would the projected returns from the logistics, industrial and data centre assets be similar to the returns from IT parks? |
| | Projected returns from the logistics, industrial and data centre assets are comparable to returns from IT Parks. The Trust follows an investment process where all investments, regardless of sector, have to meet a minimum hurdle rate. |
| 5. | What is the experience and track-record of the Trustee-Manager in managing and creating value from logistics, industrial and data centre assets? |
| | <p>Since February 2018, a-iTrust owns 6 operating warehouses at Arshiya FTWZ at Panvel, near Mumbai. In March 2022, the Trust acquired a 7th warehouse within the FTWZ. Currently, the warehouses are leased back to the Vendor for a six-year term, ensuring long-term stable income for a-iTrust.</p> <p>For logistics, industrial and data centres, we leverage on our sponsor, CapitaLand Investment Limited (“CLI”), allowing us to tap into their expertise. We will also leverage the on-ground experience of the property manager and the CLI India Data Centre team in managing and creating value across industrial, logistics and data centre asset classes. For data centres, the Trust seeks to leverage the sponsor for:</p> <ul style="list-style-type: none"> • Development management expertise in terms of design, approvals and construction management for Core and Shell; • Technical expertise for data centre development including design, structural and engineering capabilities; and • Marketing and leasing efforts for reaching out to prospective customers. |
| 6. | <p>i) The retail inflation rate in India – measured by the Consumer Price Index (CPI), came in at 6.07% in February 2022, as per data released by the National Statistical Office (NSO) on Friday. AIT's CAGR for the NPI and DPU in S\$ terms is 6% and 7% respectively. The growth rate in NPI and DPU is not able to exceed the growth in inflation rate. How is the company managing the inflation costs, such as rise in price of electricity, utilities, fees etc.? Is it able to reprice its rental to cope and adjust with the rampant inflation?</p> <p>ii) Does the company have pricing power to reprice its rents to ensure that unitholders are still able to enjoy decent returns from our investment in AIT? Will these payouts that AIT unitholders get be able to exceed inflation growth rates?</p> |
| | <p>The inflation rate in INR terms is implicitly factored in the INR:S\$ exchange rate and our S\$ NPI and DPU growth is therefore higher than the inflation rate. In addition to rent, tenants are typically charged separately for common area maintenance and utilities. These charges are escalated on a regular basis to cover inflationary pressures on input costs. Aside from regular adjustments in common area maintenance charges and utilities, we undertake various initiatives to reduce operating costs.</p> <p>The leases signed by a-iTrust typically include escalation clauses. Further, we are able to renew leases at market rentals.</p> |
| B. Portfolio Management and Occupancy | |
| 1. | <p>i) Does the Trustee-Manager see evidence of firms shrinking their footprint of their offices as a result of the pandemic (i.e. work-from-home arrangement)?</p> <p>ii) Please elaborate on India's reopening status. Are India's borders fully opened? Or are they only opened selectively? Is work from home still the norm in India or is it back to work from the office?</p> |
| | We witnessed a dip in occupancy in 2020 and 2021 as some firms reduced their office footprint. However, majority of tenants within our portfolio did not reduce their space requirements. As COVID-19 restrictions are eased and park physical population is improving, we see a trend of companies looking for more office space to meet the demand for strong growth in the IT sector in India. Hence, we do not see any trend of firms shrinking their footprint because of work-from-home considerations. |

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| | We are seeing a healthy increase in tenant employee attendance in our parks as detailed in Question 3 of Section B below. Starting from end March 2022, India has re-opened its borders and resumed all international flights. |
| 2. | Is the Trust seeing an increase in demand for flexible office space? If so, how is the Trust adapting to this new trend? |
| | There is increasing demand for flexible desks, serviced office units, and also large format managed office spaces in India. To meet the evolving demand from some tenants, we are offering flexible spaces and managed office spaces to our tenants. |
| 3. | i) Would the Trustee-Manager help Unitholders understand the current sentiment on the ground given the latest Omicron outbreak? Does the low park population (of just 11%) impair the Trust's ability to negotiate during lease renewal? ii) What is the current park population and leasing outlook for business parks? |
| | During the Omicron outbreak, we saw a slowdown in leasing activities and park population. However, daily new cases have dropped to below 5,000 as at end March from its peak of more than 300,000 cases in end January 2022. With more than 80% of adult population being fully vaccinated, daily life in India has returned to a pre-COVID state. Currently, overall physical park population has increased significantly, ranging from 15-30%, as compared to less than 5% during most of 2021. We expect this to continue growing in the coming months. With increasing physical park population and leasing activities, we expect lease renewals and new lease negotiations to be more active in the coming months. |
| 4. | i) What is the strategy of the Trustee-Manager to stabilise the portfolio/income in view of the strong headwinds? ii) How challenging is it to restore the occupancy rate back to pre-COVID levels? |
| | As park population improves and leasing momentum picks up pace, we see the market sentiment for business parks is improving. Colliers India reported that in 1Q 2022, office vacancy in India has stabilised, after experiencing a consistent increase in the past 2 years. Knight Frank India has also reported that office space absorption in the seven top cities in India has increased by 25% as compared to the same quarter last year, with Bangalore leading the way. The office market is recovering since 2H 2021, and we expect this trend to continue into 2022. We are working constructively with brokers and tenants to improve the portfolio occupancy. We are also working to upgrade our assets through various asset enhancement initiatives as we expect higher quality assets to recover faster than the broader market. |
| 5. | In particular, can the Trustee-Manager update unitholders on its plans for ITPC and Building Q1 in Aurum Q Parc? The committed occupancy rates as at 31 December 2021 were 65% and 54% respectively. |
| | ITPC is a well-located and well-established park. Its occupancy suffered partly due to pre-COVID decisions made by our tenants. While marketing efforts for ITPC during COVID-19 were met with some headwinds, efforts to improve the occupancy of the park are ongoing and we have seen an improvement recently. Currently, the committed occupancy has increased from 65% in December 2021 to 71% in March 2022. Building Q1 in Aurum Q Parc was acquired at 54% occupancy which enabled a-iTrust to purchase a high quality building at an attractive valuation which factors vacancy discount. Leasing efforts for the property are underway and we are of the view that leasing momentum for the micro-market in which Building Q1 is located will pick up in 2022 and we expect Building Q1's occupancy to stabilise by 2023. |

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| 6. | Can the Board, especially the Audit & Risk Committee (“ARC”), help Unitholders understand how the capitalisation rate was determined? What are the reasons that the capitalisation rate decreased across the board? |
| | <p>Capitalisation rates used in the valuation of our assets were determined by the external independent valuers based on recent transactions and market dynamics. The decrease in capitalisation rate¹ for the portfolio can be attributed to alignment of our portfolio capitalisation rate with market comparable transactions and valuations of other India-listed REIT portfolios in the market.</p> <p>We would like to highlight that the independent auditor considers, as part of their audit of a-iTrust’s financial statements (including the valuation of investment properties), comparable market capitalisation rates as well as independent market valuations as part of their assessment.</p> |
| 7. | Are there any changes in the valuation methodology used by the independent valuers, namely Savills Property Services (India) Pvt. Ltd. in 2020 and CBRE South Asia Pvt. Ltd in 2021? |
| | The underlying methodology used by the two valuers is the same – a combination of income capitalisation method, discounted cash flow method, and direct comparison method. |
| 8. | Is there a divergence between the operational performance and valuation? Despite the strong headwinds and lower occupancy rates, the Trust has revalued up all but one of the properties from FY 2020. Is the Trust valuing its assets less conservatively? |
| | The independent valuer assessed the valuation of the portfolio based on expected future demand for space. This included appropriate lease-up period assumptions for vacant spaces in the portfolio as well. For some assets, the valuation increase is also attributed to addition of new buildings, development gains, or contracted increases for long terms rentals. Since ITPC is experiencing a larger vacancy compared to other assets in the portfolio, the impact of lease-up of vacant space is relatively higher, leading to lower fair value than FY 2020. As such, we believe the assets are valued fairly. |
| C. Capital Management/Financials | |
| 1. | i) What strategy is the Trustee-Manager using to protect Rupees depreciating against S\$? ii) Does the Board/Management have any concern on the rising FX risk on INR? iii) For the last five years, the Indian Rupee has depreciated against the S\$ by more than 20%. That is a depreciation rate of around 4% a year. How does the company manage its forex risks and the risk of the fast depreciating INR, especially in the face of the rising interest rate, and strengthening of USD and rising energy costs? |
| | Investing in a-iTrust entails foreign currency risks given that the assets are located in India. Nonetheless, a-iTrust partially mitigates the impact of foreign currency risk by entering into forward contracts monthly to hedge income that is to be repatriated to Singapore, to be set aside for distribution on a semi-annual basis. In addition, the Trust’s hedging policy is to maintain at least 50% of debt to be effectively denominated in INR. The Trustee-Manager aims to strike an optimal balance between leveraging the lower cost of borrowings in S\$, as well as mitigating the foreign exchange risk of borrowings by hedging a portion of them into INR. As at 31 December 2021, 64% of the Trust’s debt is denominated in INR. The Trust maintains a portion of its borrowings, including its short-term revolving credit facilities, in S\$ to provide greater flexibility in capital management. |
| 2. | i) What is the reason for the 11% decrease in DPU year-on-year despite an increase in net property income? ii) The DPU for CY 2021 has shown its first decline in many years. Will this be the start of the decline phase for DPU in AIT? Or is CY2021 a temporary blip and will DPU resume its uptrend next year? Is the company concerned? What is the company doing to reverse this DPU decline? |

¹ A decrease in capitalisation rate leads to a higher property valuation, all other things being equal.

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| | <p>The main contributor of the decrease in FY 2021 DPU is the absence of the reversal of Dividend Distribution Tax (“DDT”) provision that was present in FY 2020 but not in FY 2021. Excluding the effects of the reversal of DDT in FY 2020, FY 2021 DPU was up by 1.7% year-on-year.</p> <p>Other contributors to the decrease in DPU are higher finance costs due to additional investments and construction funding, and lower occupancy.</p> <p>The increase in net property income was largely due to new acquisitions of our forward purchases during the year (aVance 6, aVance Hyderabad and Q1 Building, Aurum Q Parc), partially offset by a lower occupancy in the existing properties.</p> <p>While the Trust acknowledges headwinds in the short term, we are confident of the long-term resilience of our portfolio and encouraged by the signs of recovery in the leasing momentum. As discussed in Questions 4 and 5 of Section B above, efforts to lease existing vacancies are underway.</p> |
| 3. | <p>i) In addition, can the Trustee-Manager elaborate further on its view of the interest rate trends and its approach to managing interest rate risks? As at 31 December 2021, 75% of the Trust’s borrowings carry fixed-rate interest.</p> <p>ii) Given the CAGR is only 6% and the depreciation rate of the rupee is around 4% and also rising interest rates given recent Fed actions, is the company able to manage and plan ahead to adjust for the strong headwinds we are facing? How is it coping with these three "triple threats" - inflation, depreciation and interest rate rise?</p> |
| | <p>As part of a-iTrust’s internal policy, the Trust enters into interest rate swaps to hedge some of its floating-rate borrowings into fixed-rate obligations. As at 31 December 2021, 75% of the Trust’s borrowings are effectively on fixed-rate to reduce volatility.</p> <p>In line with market sentiment and the rate hike announcement made by the United States Federal Reserve (the “Fed”), the Trustee-Manager expects interest rates to trend upwards in 2022. In response, the Trustee-Manager seeks to incrementally convert more of its floating-rate borrowings to fixed-rate. Nonetheless, a portion of the Trust’s borrowings will remain as floating-rate interest. These floating-rate borrowings are due to the Trust’s use of short-term revolving credit facilities which provides flexibility to access capital quickly.</p> <p>Actions taken to manage the foreign currency risk are addressed above in Question 1 of Section C.</p> |
| 4. | <p>The Trust’s current gearing level is 35%. What is the level of gearing that the Trust is comfortable with?</p> |
| | <p>Although a-iTrust is structured as a business trust, we have voluntarily adopted similar gearing limit under the Appendix 6 of the Code on Collective Investment Schemes, and thus gearing limit may be up to a maximum of 50%. The Board and Management remains prudent and will maintain sufficient buffer on the gearing limit for flexibility in case of the INR weakening against S\$ or any downward property valuation.</p> |
| 5. | <p>The Trust has committed third party forward purchases of close to 8.4 million sq ft. How does the Trust expect to finance these purchases? Would future financing sought involve preferential offerings to existing Unitholders?</p> |
| | <p>There are no existing plans to tap the equity market in the short term based on current operations and committed pipeline since we have available funds and a comfortable debt headroom. a-iTrust may look to tap the equity market should the need arise from additional new investment opportunities not in the current committed pipeline. Management will consider participation of Unitholders in future equity fund raising depending on factors such as time constraints for acquisitions and cost considerations.</p> |

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| 6. | Any provision on the long list contingent liabilities? How long would it take to resolve the disputes? |
| | In relation to the contingent liabilities disclosed in Note 34 of the FY 2021 Audited Financial Statements, the assessment was that no provision was needed. a-iTrust's auditors, Ernst & Young LLP, have also assessed the appropriateness of the contingent liabilities. These contingent liabilities are largely related to taxes in India, and we are making various efforts to resolve them. |