


Issue Details

Listing	BSE & NSE
Open Date	3 rd Feb 2021
Close Date	5 th Feb 2021
Price Band	Rs. 274-275
Market Lot	200 shares
Minimum Lot	1 Lot

The Brookfield India Real Estate Trust (REIT) is India's only institutionally managed public commercial real estate vehicle. Sponsored by an affiliate of Brookfield Asset Management (BAM), one of the world's largest alternative asset managers with ~USD 575 billion in assets under management, as on 30th September 2020, their goal is to be the leading owner of high-quality income producing commercial real estate assets in key gateway Indian markets, which have significant barriers to entry.

Issue Structure

Offer for sale	0%
Fresh Issue	100%
Issue Size	Rs.3,800 Cr
No of units	13,81,81,818
Inst share (%)	≤ 75
Non-Inst share(%)	≥ 25

The REIT's Initial Portfolio comprises 14.0 msf, with rights to acquire a further 8.3 msf and rights of first offer on an additional 6.7 msf, both currently owned by members of the Brookfield Group. In line with its strategy and business plan, the REIT owns an Initial Portfolio of 4 large campus-format office parks, which it believes are "business-critical", located in some of India's key gateway markets - Mumbai, Gurugram, Noida and Kolkata.

The REIT's Initial Portfolio's Completed Area has a Same Store Committed Occupancy of 92% (and a 87% Committed Occupancy, which includes the recently completed 0.5 msf at Candor Techspace N1) and is leased to marquee tenants with 75% of Gross Contracted Rentals contracted with multi-national corporations such as Barclays, Bank of America Continuum, RBS, Accenture, Tata Consultancy Services and Cognizant. While a 7.1 year Weighted Average Lease Expiry (WALE) provides stability to the cash flows from its Initial Portfolio, it is well positioned to achieve further organic growth through a combination of contractual lease escalations.

The REIT has observed a revenue growth of 7.9% CAGR to Rs. 956.7 cr for the period FY18 to FY20. For the same period, EBITDA grew by 4.5% CAGR to Rs. 593.6 cr, whereas EBITDA margins declined from 66.2% in FY18 to 62% in FY20 on account of increased expenditure. Going forward, the company aims to deliver a yield of 7.95% (FY22) and 8.43% (FY23) aided by operating revenue growth of 20% between FY20-FY23, driven by contracted rent escalations, lease-up of vacant area, re-leasing of existing areas and lease-up of Under Construction Area.

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)
FY18	821.8	543.8	161.1	66.2	19.6	105.9	(1,722.5)	(6.2)	51.3	2.6	(0.2)
FY19	895.9	556.3	(15.7)	62.1	(1.8)	(2.9)	(452.2)	0.6	(3.3)	(96.4)	(0.6)
FY20	956.7	593.6	15.1	62.0	1.6	2.3	(340.4)	(0.7)	3.7	118.6	(0.8)

❖ Performance of REIT:

For its Initial Portfolio, the REIT's Manager has:

- **Leased 4.3 msf between April 1, 2015 and September 30, 2020;**
- **Achieved 85% tenant retention rate between April 1, 2015 and September 30, 2020;**
- **Added 3.6 msf of Completed Area through on-campus development between April 1, 2015 and September 30, 2020;**
- **Maintained consistently high occupancy with Same Store Committed Occupancy of 92% (representing Committed Occupancy for areas where the occupancy certificate was received on or before March 31, 2020) and Committed Occupancy of 87%;**
- **Invested Rs. 11.855 cr, Rs. 41.062 cr, Rs. 32.114 cr and Rs. 12.2 cr during FY18, FY19, FY20 and the 6 months ended September 2020, respectively, to renovate its Initial Portfolio including lobby and façade upgrades, elevator modernizations, renovations of public areas, landscaping, addition of cafes, food courts and boardwalks, modernization of building-wide systems, installing substations and enhancement of other tenant amenities; and**
- **Focused on environmental sustainability, and undertook several energy efficiency initiatives such as installing rooftop solar panels and on-campus sub-stations, which resulted in the REIT's properties receiving several accolades.**

❖ **Key investment highlights:**

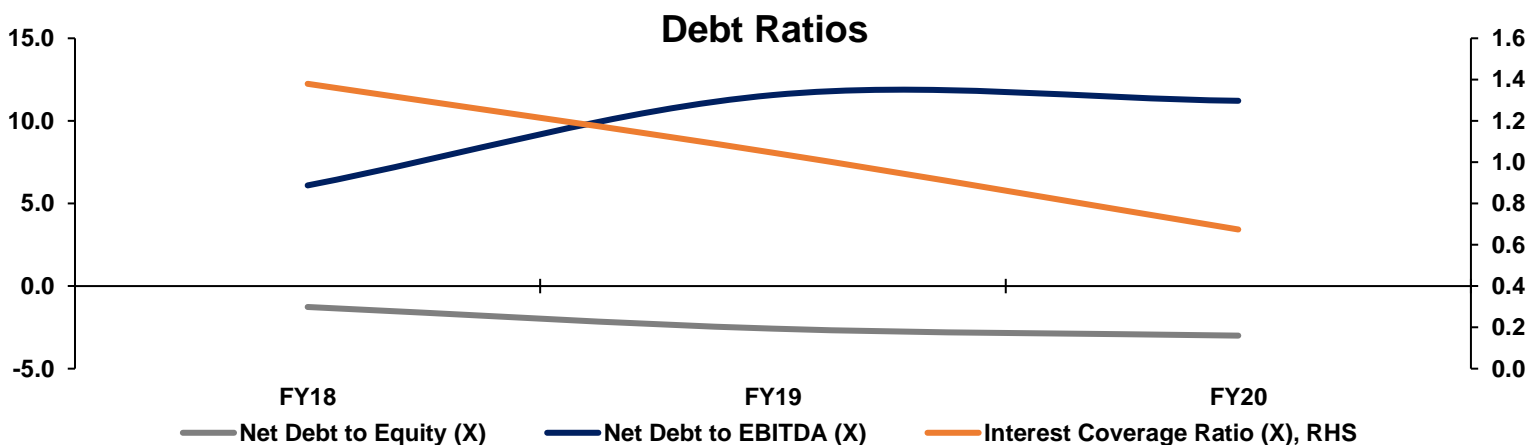
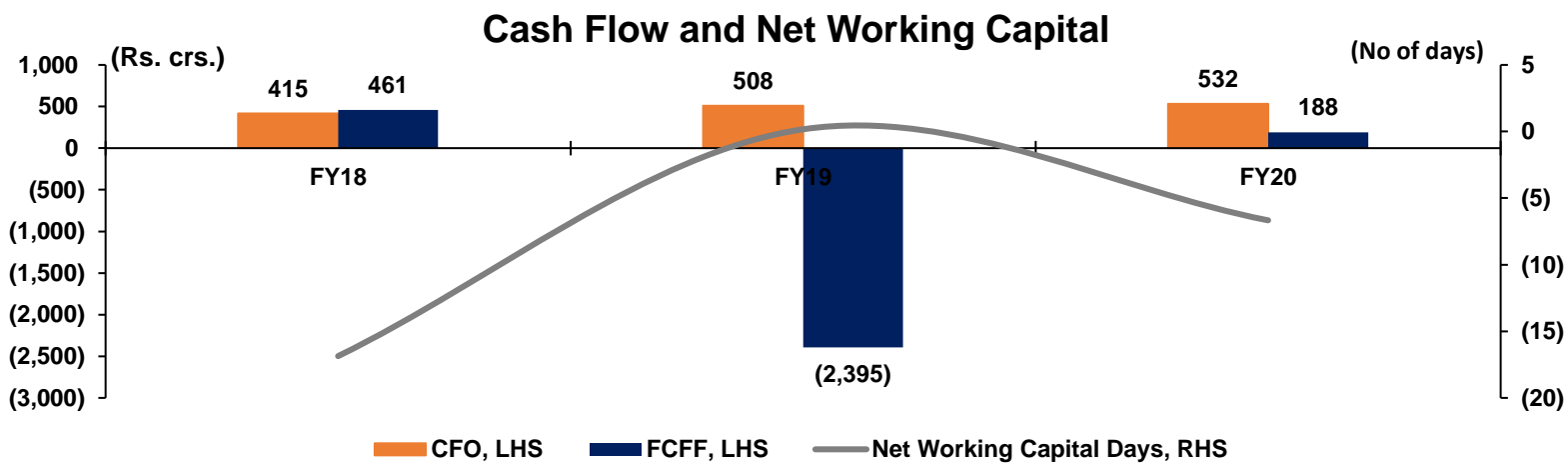
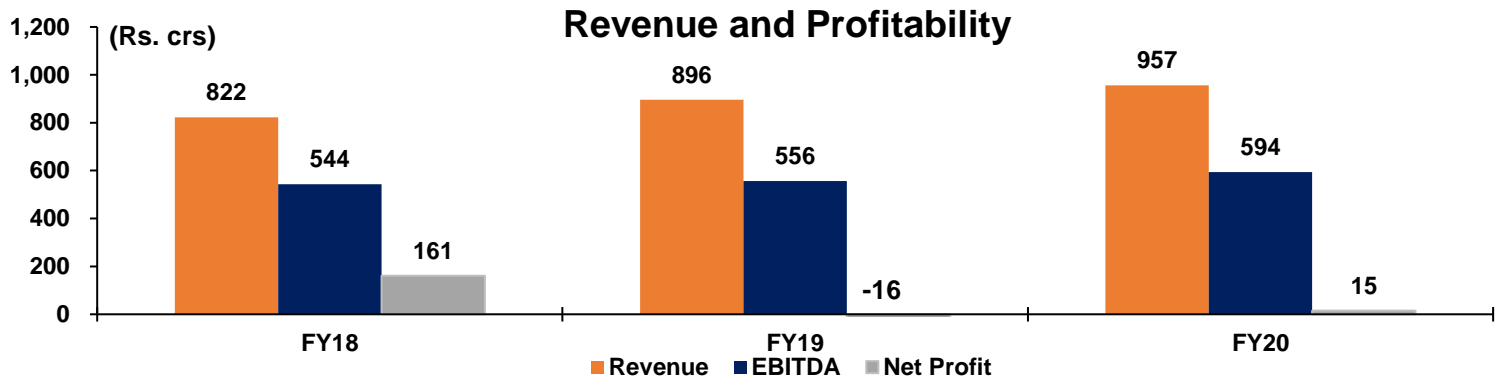
Brookfield India REIT has the following competitive strengths which makes it a good choice to invest in:

- **Global Sponsorship with Local Expertise:** The REIT is sponsored by an affiliate of Brookfield Asset Management, one of the world's largest alternative asset managers and investors, with assets under management of approximately USD 575 bn across real estate, infrastructure, renewable power, private equity and credit, and a global presence of over 150,000 operating employees across more than 30 countries, as of September 30, 2020. Brookfield India REIT is of the belief that its unitholders will benefit from its ability to leverage Brookfield's extensive network of relationships, its deep capital markets experience, operating expertise, a demonstrated track record of managing capital and its commitment of resources to its Manager.
- **Diversified Blue Chip Tenant Roster and Cash Flow Stability:** In addition to its diversified base of marquee tenants, the REIT's Initial Portfolio has a stable, long-term tenancy profile with staggered expirations and a WALE of 7.1 years, providing significant cash flow stability to its business. In its Initial Portfolio, 75% of Gross Contracted Rentals are contracted with multi-national corporations such as Barclays, Bank of America Continuum, RBS, Accenture, Tata Consultancy Services and Cognizant. Its Initial Portfolio's Committed Occupancy has been above 94% at the end of the last 4 financial years, highlighting the stability of the business. During the period between April 2015 and September 2020, in-place rents per sf have grown at a CAGR of 4.8%, demonstrating the healthy rental growth achieved on the Initial Portfolio.
- **Significant Identified Internal and External Growth Opportunities:** Brookfield has extensive local market knowledge and a global network of relationships, and the company's access to Brookfield will provide opportunities for organic growth, as well as growth through acquisitions from third parties. Within Internal growth opportunities, as a result of contractual escalation provisions in almost all of its leases, mark-to-market of in-place rents as long-term leases expire, lease-up of recently completed construction and near term "on-campus" development, the company has a strong foundation for organic cash flow growth. For External growth opportunity, post the utilization of the net proceeds from the issue, the trust's total outstanding indebtedness in principal amount will be less than 18.5% of its initial Market Value. The trust believes that its conservative and prudent capital structure will enable it to drive additional growth through value accretive acquisitions.

Apart from the above-mentioned strengths of the company, there are certain risks associated with the company which need to be kept in mind before investing. Following are the risks:

- **Uncertainty around impact of Coronavirus disease (COVID-19) on business and operations:** Despite the lifting of the lockdown, there is significant uncertainty regarding the duration and long-term impact of the COVID-19 pandemic, as well as possible future responses by the Government, which makes it impossible for the company to predict the impact on its operations and its tenants' business and operations in the future. In addition, the manager has agreed to defer the commencement date of certain new leases and a limited number of lease agreements have been terminated prematurely.
- **A significant portion of revenue being derived from a limited number of tenants and sectors:** The REIT is dependent on a limited number of tenants and sectors for a significant portion of its revenues. Under tenant concentration, the 10 largest tenants accounted for 75%, of the leased area as on 30th September 2020. Of these, 3 tenants, viz. Accenture, Tata Consultancy Services and Cognizant accounted for 17%, 17% and 14%, respectively, of the leased area. Whereas on the sector concentration, the tenants in the technology sector accounted for 50% of the leased area of the Initial Portfolio, as on 30th September 2020. Additionally, in accordance with the terms of the lease deed with NOIDA, SPPL Noida is required to develop Candor Techspace N1 for technology services only. Accordingly, the Initial Portfolio will continue to experience concentration from the tenants in the technology sector. Accordingly, the operations of the company may be adversely affected if one or more of these large tenants seek to prematurely terminate lease or any of the sectors in which the tenants of the Initial Portfolio are concentrated is impacted.
- **Lower demand on account of Work from Home model:** In addition to these impacts, on a long-term basis there will be uncertainties surrounding the demand side whereby many major IT companies and corporates have announced that they will move towards a 'Work from Home' model for their employees and a lesser number of employees will be coming to offices, thereby reducing the requirement of large office spaces.

Brookfield India REIT Ltd. story in charts



❖ Issue Structure and Offer Details

The proposed issue size of Brookfield India REIT's IPO is Rs. 3,800 cr. The price band for the issue is in the range of Rs. 274 - 275 per share, and the bid lot is 200 shares and multiples thereof. Further, the company's managers may allocate up to 60% of the Institutional Investor Portion to Anchor Investors on a discretionary basis.

Issue Structure		
Category	No of Shares Offered*	% of shares Offered
Institutional investors	10,36,36,364	≤ 75
Non Institutional investors	3,45,45,455	≥ 25
Total	13,81,81,818	100

* No of Share based on higher price band of Rs. 275

❖ Objects of Offer:

The Net Proceeds from the Issue will be utilised towards partial or full pre-payment or scheduled repayment of the existing indebtedness of the company's Asset SPVs and other General purposes.

Objects of the Offer	
Purpose	Amount (Rs. In Cr)
Partial or full pre-payment or scheduled repayment of the existing indebtedness of the company's Asset SPVs	3,575
General Corporate Purposes*	[•]
Total Net Proceed	[•]

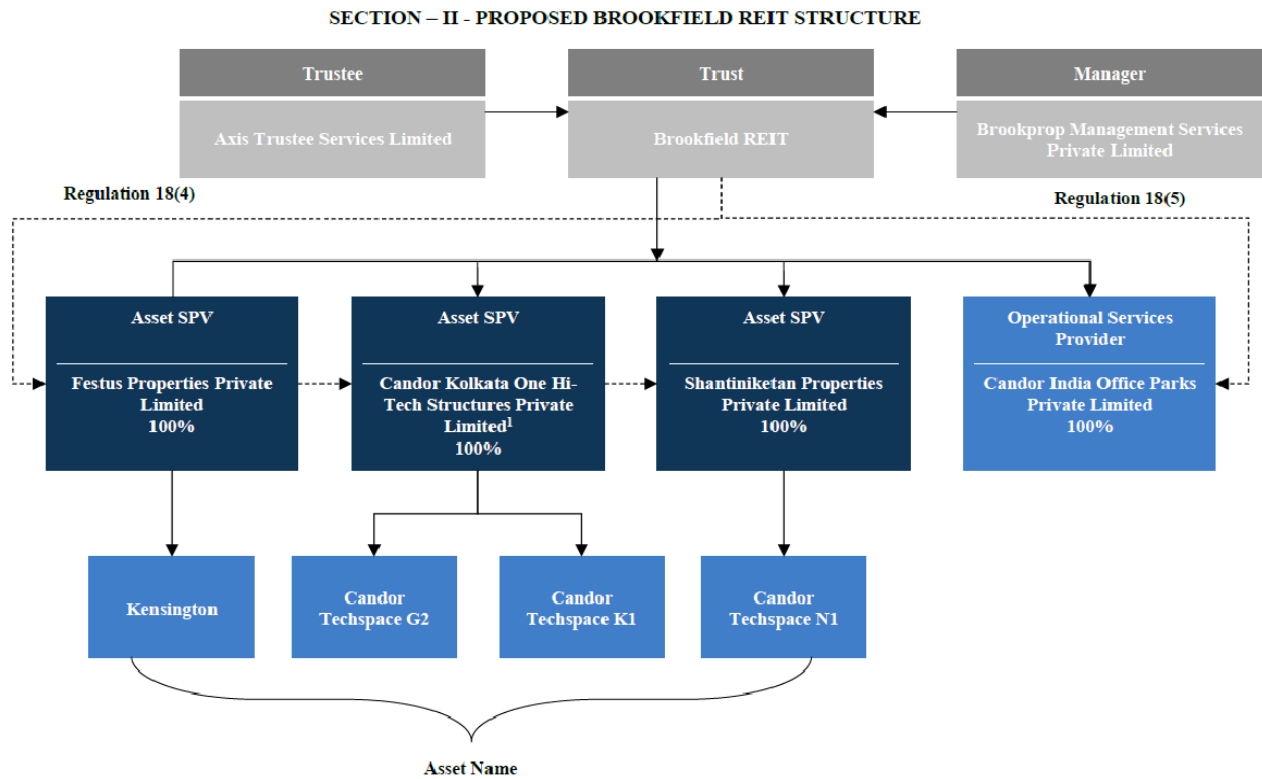
* To be finalised upon determination of the Offer Price.(Not exceeding 25% of Net proceeds)

❖ Valuation

At a higher price band of Rs. 275 per unit, Brookfield India REIT is trading at the FY20 P/E of 118.6x. With the NAV/Share of Rs. 311 as on 30th September 2020, the units are being offered at a discount of 11.58% at a higher price band of Rs. 275 per unit.

Proposed Structure for Brookfield India REIT

India Real Estate Trust



Trustee: Axis Trustee Services Limited.

Trust: Brookfield REIT

Manager: Brookprop Management Services Private Limited (Brookfield Properties)

Sponsor: BSREP India Office Holdings V Pte. Ltd.

Source: Company Reports & RHP

Financial Statements

Figures are in Rs Cr	FY18	FY19	FY20	Figures are in Rs Cr	FY18	FY19	FY20
Income Statement				Per Share Data (Rs)			
Net Revenue	821.8	895.9	956.7	Adjusted EPS*	105.9	-2.9	2.3
<i>YoY Growth (%)</i>		<i>9.0</i>	<i>6.8</i>	Adjusted Book Value per Share	-1,722.5	-452.2	-340.4
Total Expenditure	278.1	339.7	363.1	Debt Burden			
<i>YoY Growth (%)</i>		<i>22.2</i>	<i>6.9</i>	Total Debt to Equity	-1.3	-2.6	-3.1
EBITDA	543.8	556.3	593.6	Net Debt to Equity	-1.3	-2.6	-3.0
<i>Margin (%)</i>	<i>66.2</i>	<i>62.1</i>	<i>62.0</i>	Net Debt to EBITDA	6.1	11.6	11.2
Depreciation	90.3	95.7	112.3	Return Ratios			
EBIT	453.5	460.6	481.4	Return on Equity (%)	-6.2	0.6	-0.7
<i>Margin (%)</i>	<i>55.2</i>	<i>51.4</i>	<i>50.3</i>	Return on Capital Employed (%)	51.3	-3.3	3.7
Exceptional Items	4.3	0.0	249.5	Return on Invested Capital (%)	60.6	-3.4	4.0
Other Income	44.4	33.9	24.7	Working Capital			
Finance Cost	328.7	440.4	714.1	Receivable Days	14	23	17
<i>Interest Coverage</i>	<i>1.4</i>	<i>1.0</i>	<i>0.7</i>	Inventory Days	0	0	0
PBT	173.5	54.1	41.4	Payable Days	31	23	24
<i>Margin (%)</i>	<i>21.1</i>	<i>6.0</i>	<i>4.3</i>	Net Working Capital Days	-17	0	-7
Tax	12.4	69.9	26.3	Valuation Ratios			
<i>Tax Rate (%)</i>	<i>7.2</i>	<i>129.1</i>	<i>63.5</i>	P/E	2.6	-96.4	118.6
PAT	161.1	-15.7	15.1	P/BV	-0.2	-0.6	-0.8
<i>Margin (%)</i>	<i>19.6</i>	<i>-1.8</i>	<i>1.6</i>	Cash Flow Statement			
Net Profit	161.1	-15.7	15.1	Profit Before Tax	173.5	54.1	41.4
<i>Margin (%)</i>	<i>19.6</i>	<i>-1.8</i>	<i>1.6</i>	Adjustments	121.3	387.1	434.9
Balance Sheet				Change in Working Capital	52.1	4.1	-19.9
Share Capital	15.2	55.2	65.2	Less: Tax Paid	67.9	62.3	75.8
Total Reserves	-2,634.1	-2,551.8	-2,284.9	Cash Flow from Operations	414.9	507.6	532.2
Shareholders' Fund	-2,618.9	-2,496.6	-2,219.7	Net Capital Expenditure	-106.7	-2,360.5	-170.8
Long Term Borrowings	3,345.8	6,197.2	6,668.8	Change in Investment Activities	44.5	307.0	268.8
Short Term Borrowings	0.0	262.2	174.1	Cash Flow from Investing	-62.2	-2,053.5	98.0
Trade Payable	69.8	56.1	62.4	Change in Borrowings	-100.4	2,007.1	161.1
Other Current Liabilities	3,945.2	813.0	464.3	Proceeds from Equity Issues	0.0	0.0	25.0
Deferred Tax Liability	29.5	77.0	63.9	Less: Finance Cost	-349.1	-437.6	-622.4
Total Liabilities	4,893.3	5,043.7	5,378.1	Cash Flow from Financing	-449.5	1,569.4	-436.2
Net Block	3,691.6	4,212.4	967.1	Net Cash Flow	-96.8	23.5	194.0
Property under development	435.8	193.9	52.0	Opening Cash Balance	205.8	109.0	132.6
Long Term Loans & Advances	16.6	42.0	48.7	Closing Cash Balance	109.0	132.6	326.5
Cash & cash equivalent	124.9	135.8	326.6				
Short Term Loans and Advances	305.5	0.0	0.0				
Sundry Debtors	31.8	56.5	44.9				
Total Assets	4,893.3	5,043.7	5,378.1				

* The number of units that the Brookfield India REIT will issue to investors in the proposed Initial Public Offer is not presently ascertainable. Hence, the disclosures in respect of Earnings per unit have not been presented. EPS calculated based on no. of shares for SPV

Source: Company Reports & Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608