

## Brookfield India Real Estate Trust

### Institutionally managed Real Estate Vehicle

The Brookfield 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 approximately US\$575 billion in assets under management, as of September 30, 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.

**Positives:** (1) 75% of Gross Contracted Rentals contracted with multi-national corporations such as Accenture, Barclays, RBS, TCS and Cognizant. (2) REIT has mark-to-market headroom of 36% to achieve further organic growth through contractual lease escalations. (3) Exposure only to commercial office space which is the least impacted segment in real estate due to Covid-19 outbreak.

**Investment concerns:** (1) Increase in Work from home (WFH) can lead to higher vacancy in key market geographies and can create slowdown in demand for commercial space in near term. (2) Highly concentrated on Gurugram market, 42% of overall rent comes from Candor Techspace G2, Gurugram. (3) REIT will take long time to increase its revenue as REIT has under development property of 0.1 msf only along with this 92% of committed property has already been leased out.

**Outlook & Valuation:** Though the REIT has incurred losses in FY20 and has not paid out any dividends, they expect to pay a yield of 7.5% in FY23 which we believe is aggressive and may be difficult to achieve. Post the IPO there will also be a debt reduction of ~ ₹3,575 crore for the company which will bring down the overall debt. However due to the current uncertainties around Covid-19 and proliferation of work from home we expect that demand for commercial real estate to be muted. Given the uncertainties, weak financials and high debt on book we would recommend a "Neutral" rating on the issue.

#### Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
<b>Total Revenue from Operation</b>	<b>866.2</b>	<b>929.8</b>	<b>981.3</b>	<b>467.4</b>
% chg		7.3	5.5	
<b>EBIDTA</b>	<b>259.6</b>	<b>150.0</b>	<b>-95.7</b>	<b>-13.1</b>
EBITDA (%)	30%	16%	-10%	-3%
<b>Profit before tax</b>	<b>173.6</b>	<b>54.3</b>	<b>41.6</b>	<b>-73.7</b>
PBT (%)	20%	6%	4%	-16%
<b>Net Profit</b>	<b>161.1</b>	<b>-15.5</b>	<b>15.3</b>	<b>-73.9</b>

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

## Neutral

Issue Open: February 03, 2021

Issue Close: February 05, 2021

#### Issue Details

Present units in Cr: 16.46

Offer for Sale: Not there

Fresh issue: ₹ 3800 cr

Post units in Cr: 30.28

Issue size (amount): ₹ 3800 cr

Price Band: ₹ 274-275

Lot Size: 200 shares and in multiple

Post-issue implied mkt. cap: ₹ 8,327cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 54.4%

\*Calculated on lower price band

\*\* Calculated on upper price band

#### Book Building

Institutional	75% of issue
Others	25% of issue

#### Post Issue Shareholding Pattern

Promoters	54.4%
Others	45.6%

**Yash Gupta**

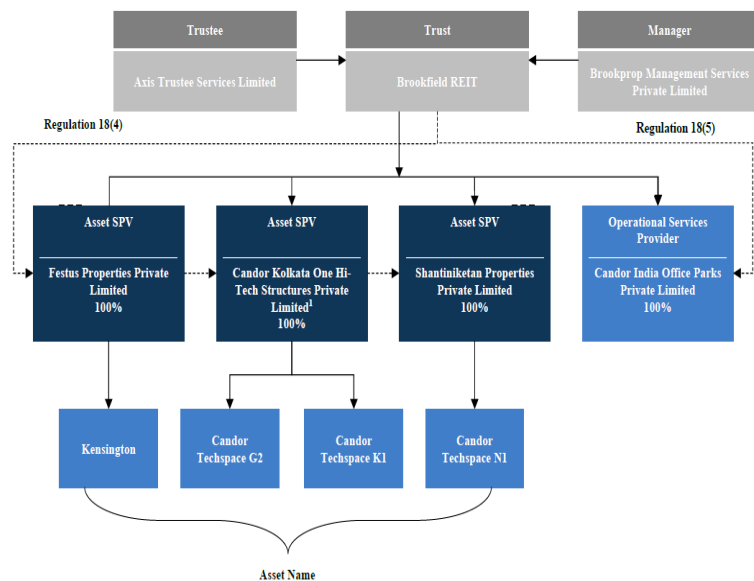
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### About REITs

Real Estate Investment Trusts (REITs) are companies that own or finance income-producing real estate in a range of property sectors. REITs provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income (Rental) and total returns (Capital Appreciation). 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. REITs must pay out at least 90% of their net distributable cash flows. REITs must own more than 80% of the value of its assets in completed and rent generating properties.

**Brookfield**  
India Real Estate Trust



### Business Overview

Over the last two decades, India has emerged as a leading hub for technology and corporate services due to a highly skilled and young workforce and a distinct competitive cost advantage. With approximately 90 million people expected to be added to the workforce by 2030, this structural driver will further increase office absorption, creating compelling opportunities across the commercial real estate market in India. The COVID-19 pandemic has accelerated the structural shift that was already underway prior to the crisis in relation to the usage and deployment

of technology especially cloud, data analytics, e-commerce and digital transformation.

The global spending on software and IT services is expected to grow at a robust rate between FY 2020 and FY 2025 and the technology industry in India is expected to grow at a CAGR of 13% to US\$350 billion by FY 2025 from an estimated US\$191 billion in FY 2020 due to the large STEM talent pool, competitive cost advantage and favorable demographics in the country. (Source: Industry Report). Company's strategy is to address this demand by owning and operating large "fully-integrated", "campus-format" office parks in established locations, and providing a complete ecosystem to their tenants and their employees.

REIT owns an Initial Portfolio of 4 large campus-format office parks, which are business parks located in Mumbai, Gurugram, Noida and Kolkata. Their Initial Portfolio totals 14.0 msf, comprising 10.3 msf of Completed Area, 0.1 msf of Under Construction Area and 3.7 msf of Future Development Potential.

KENSINGTON, MUMBAI



Only private IT/ITES SEZ in the island city of Mumbai

CANDOR TECHSPACE G2, GURUGRAM


 Largest office SEZ in Gurugram<sup>(9)</sup>, located in the central business district

CANDOR TECHSPACE N1, NOIDA


 One of the largest IT parks in an established technology hub in Noida<sup>(9)</sup>

CANDOR TECHSPACE K1, KOLKATA



Largest campus style office development in eastern India

## Issue details

Company issues comprises ₹3800 cr through fresh issue in the price band of ₹274-275.

## Objectives of the Offer

- Repayment/prepayment of the borrowings of the Asset SPVs
- General Corporate Purposes

## Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	164,618,200	100	164,618,200	54.4
Other	0	0%	138,181,818	45.6
<b>Total</b>	<b>164,618,200</b>	<b>100</b>	<b>302,800,018</b>	<b>100</b>

Source: Company, Angel Research & RHP.

Note: Calculated at upper price band.

## Key Management Personnel

**Akila Krishnakumar** is an independent director of Manager. She holds a master's degree in management studies from the Birla Institute of Technology & Science at Pilani, Rajasthan. She was previously the president - global technology and country head – India for SunGard Solutions (India) Private Limited. She is an experienced professional with a long industry standing, including over 18 years of experience in the field of technology.

**Shailesh Vishnubhai Haribhakti** is an independent director of Manager. He is a fellow of the Institute of Chartered Accountants of India, a certified internal auditor with the Institute of Internal Auditors Inc., an associate of the Institute of Cost and Work Accountants of India. He is an experienced professional in the field of finance and accounting.

**Consolidated Profit & Loss Statement**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
<b>Total Revenue from Operation</b>	866.2	929.8	981.3	467.4
% chg		7.3	5.5	
<b>Total Expenditure</b>	606.6	779.8	1,077.0	480.5
Cost of material consumed	5.2	4.9	5.2	0.5
Finance costs	328.7	440.3	714.1	348.4
Other Expenses	245.2	320.5	332.7	116.4
Employee Benefit Expense	27.5	14.1	25.0	15.2
<b>EBITDA</b>	259.6	150.0	(95.7)	(13.1)
(% of Total Revenue)	30.0	16.1	(9.8)	(2.8)
Depreciation & Amortisation	90.3	95.7	112.2	60.6
<b>EBIT</b>	169.3	54.3	(207.9)	(73.7)
(% of Total Revenue)	19.5	5.8	(21.2)	(15.8)
<b>Profit/(Loss) before exceptional items and tax</b>	169.3	54.3	(207.9)	(73.7)
Exceptional Items	4.3	0	249.5	0.00
Profit before tax	173.58	54.26	41.58	(74)
Tax	12.5	69.8	26.3	1.2
<b>PAT (reported)</b>	161.1	(15.5)	15.3	(73.9)
(% of Total Revenue)	18.6	(1.7)	1.6	(15.8)

Source: Company, Angel Research

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
<b>SOURCES OF FUNDS</b>				
Capital	15	55	65	65
Other equity	(2,634)	(2,552)	(2,285)	(2,544)
Total Equity	(2,619)	(2,497)	(2,220)	(2,479)
<b>Total Loans</b>	3,439	6,306	6,810	7,000
Total Non Current Liabilities	58	103	86	91
<b>Total Liabilities</b>	<b>878</b>	<b>3,912</b>	<b>4,676</b>	<b>4,612</b>
<b>APPLICATION OF FUNDS</b>				
Net Block	9	9	11	12
Investment property	3,682	4,203	4,455	4,433
Investment property under construction	436	194	52	60
Capital Work-in-Progress	98	251	254	222
Current Assets	538	234	427	215
Inventories	-	0	-	-
Investments	306	0	-	-
Sundry Debtors	32	56	45	29
Cash & Bank Balance	125	136	327	104
Other Assets	76	41	56	82
Current liabilities	4,015	1,131	701	524
<b>Net Current Assets</b>	<b>(3,477)</b>	<b>(898)</b>	<b>(274)</b>	<b>(309)</b>
Other Non Current Asset	130	152	180	194
<b>Total Assets</b>	<b>878</b>	<b>3,912</b>	<b>4,676</b>	<b>4,612</b>

Source: Company, Angel Research

**Consolidated Cash Flow Statement**

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY21
Profit before tax	173.5	54.1	41.4	(73.8)
Depreciation	90.3	95.7	112.2	60.6
Change in Working Capital	(52.1)	(4.2)	19.9	18.3
Interest Expense	328.7	440.3	714.1	348.4
Direct Tax Paid	(67.9)	(62.2)	(75.7)	(15.8)
Others	(60.7)	(18.5)	(281.8)	(19.0)
<b>Cash Flow from Operations</b>	<b>414.9</b>	<b>507.6</b>	<b>532.3</b>	<b>316.9</b>
(Inc.)/ Dec. in Fixed Assets	(106.6)	(320.4)	(170.7)	(43.2)
Investment in equity instruments	-	(2,040.0)	-	-
Others	44.4	306.8	268.7	24.6
<b>Cash Flow from Investing</b>	<b>(62.2)</b>	<b>(2,053.6)</b>	<b>98.0</b>	<b>(18.6)</b>
Interest paid	(349.0)	(437.6)	(622.3)	(398.2)
Borrowings	(269.1)	216.6	(660.0)	(2,234.7)
Proceeds / (Repayment) Long Term	480.4	1,791.6	462.2	2,308.0
Dividend paid on equity shares	(310.1)	-	-	(185.1)
Issue of Equity shares & Debentures	-	-	385.0	-
Other	(1.4)	(1.1)	(1.1)	-
<b>Cash Flow from Financing</b>	<b>(449.2)</b>	<b>1,569.5</b>	<b>(436.2)</b>	<b>(510.0)</b>
Inc./ (Dec.) in Cash	(96.6)	23.5	194.1	(211.7)
<b>Opening Cash balances</b>	<b>205.8</b>	<b>109.0</b>	<b>132.5</b>	<b>326.4</b>
<b>Closing Cash balances</b>	<b>109.0</b>	<b>132.5</b>	<b>326.4</b>	<b>101.0</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March	FY18	FY19	FY20
<b>Valuation Ratio (x)</b>			
P/E	28.1	-	296.2
P/CEPS	21.6	43.5	37.1
P/BV	-	-	-
EV/Sales	9.1	11.5	11.2
EV/EBITDA	30.2	71.3	-
<b>Per Share Data (Rs)</b>			
EPS	9.8	(0.9)	0.9
Cash EPS	12.7	6.3	7.4
Book Value	(159.1)	(151.7)	(134.9)
DPS	18.84	-	-
<b>Returns (%)</b>			
Angel ROIC (Pre tax)	-	1.6%	-5.6%
ROE	-	0.6%	-0.7%
ROCE	20.6%	1.4%	-4.5%

Source: Company, Angel Research (Valuation at the upper price band)

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