

# Brookfield India Real Estate Trust



# Brookfield India Real Estate Trust

**Issue Opens On**  
Feb 03, 2021

**Issue Closes On**  
Feb 05, 2021

**Price Band (INR)**  
274-275

**Issue Size (INR Cr.)**  
3,800

**Rating**  
SUBSCRIBE

**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. The goal of the entity 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. Initial Portfolio comprises 14.0 msf (10.3 msf completed area, 0.1 msf of under construction area and 3.7msf of future development potential. It has 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.

## OFFER STRUCTURE

Particulars		IPO Details	Indicative Timetable	
No. of shares under IPO (#)	138,181,818 – 138,686,131		Offer Closing Date	Feb 05, 2021
Net offer (# shares)	138,181,818 – 138,686,131		Finalization of Basis of Allotment	On or about 11 <sup>th</sup> Feb-21
Price band (INR)	274-275		Initiation of Refunds	On or about 12 <sup>th</sup> Feb-21
Issue Size (INR Cr.)	3,800		Designated Date	On or about 12 <sup>th</sup> Feb-21
			Listing	On or about 17 <sup>th</sup> Feb-21

Source: IPO Prospectus

Source: IPO Prospectus

Issue break-up	No. of shares (#)
Institutional	Up to 75% of the Net Offer
Non-Institutional	Up to 25% of the Net Offer

Source: IPO Prospectus

Particulars (In INR Cr)*	INR Cr.
Partial or full pre-payment or scheduled repayment of the existing indebtedness of the Asset SPVs	3,575
General Corporate Purposes	NA
<b>Total</b>	<b>NA</b>

Source: IPO Prospectus

Particulars (In INR Cr)*	FY18	FY19	FY20	Sep-20
Revenue	8,218	8,959	9,567	4,551
EBITDA	5,438	5,563	5,936	3,230
EBITDA Margin	66.2%	62.1%	62.0%	71.0%
PAT	1,611	-157	151	-738
PAT Margin	19.6%	-1.8%	1.6%	-16.2%
Return on Capital	62.4%	11.6%	10.4%	6.0%
Return on Equity	-6.2%	0.6%	-0.7%	3.0%

Source: IPO Presentation, \* Restated Consolidated, # Proforma Ind AS

# Brookfield India Real Estate Trust

## INVESTMENT RATIONALE

### Stable Cash Flow Visibility backed with diversified tenant base:

Of the Brookfield Initial Portfolio, 75% of gross contracted rentals are contracted with MNC, such as Barclays, Bank of America Continuum, RBS, Accenture, TCS and Cognizant, with tenant base operating in a diverse range of industries like technology, financial services, consulting etc. Initial Portfolio has a same store commitment occupancy of 92% with a long 7.1-year (Weighted Average Lease Expiry) WALE. Committed occupancy and a long 7.1-year WALE provides visibility of stable cash flow generation in coming years. Initial Portfolio's Committed Occupancy has been above 94% at the end of the last four financial years, highlighting the stability of the business. During the period between 1<sup>st</sup> April 2015 and 30<sup>th</sup> September 2020, in-place rents per square feet have grown at a 4.8% CAGR, demonstrating the healthy rental growth achieved on the Initial Portfolio. Further Brookfield also provide services including property management, facilities management and support services to the Initial Portfolio, either internally or through CIOP (wholly owned subsidiary).

### Internal and External growth opportunity:

Brookfield real estate assets have two source of growth 1) through opportunities to increase NOI from Initial Portfolio 2) Acquisition of additional properties.

- 1) Increase in NOI: Combination of contractual lease escalations, 36% mark-to-market headroom to in-place rents, lease-up of vacant space and near-term completion of Under Construction Area to meet tenants' expansion needs. As of date of the Offer Document, the Initial Portfolio is significantly de-risked with only 0.1 msf of Under Construction Area, which is expected to be completed by September 2021. These factors create a strong foundation for organic cash flow growth, such that the Initial Portfolio's NOI is projected to grow by 25% (net of one-time adjustment) to INR 8,186 mn (including CIOP), over the Projections Period ending in FY 2023.
- 2) Acquisition: Brookfield has exclusive right, at its discretion, to acquire the Identified Assets, one office park in each of Gurugram and Noida, that are near-stabilization and currently owned by members of the Brookfield Group. The Identified assets encompass 8.3 msf of office space. In addition, it has rights of first offer on the ROFO Properties - the Brookfield Group's 100% owned commercial real estate assets in India's financial capital, Mumbai, comprising 6.7 msf in office space. The Initial Portfolio, Identified Assets and ROFO Properties combined, creates the potential for us to almost double our Initial Portfolio's Leasable Area to 28.9 msf, while growing consistent with our strategy of owning high quality real estate in premier locations.

### Difficult to Replicate, Dominant and Strategically Located Properties:

Brookfield office park are among the highest quality office park in India distinguished by their size and scale and located in key market of Mumbai, Gurugram, Noida and Kolkata. Initial Portfolio office parks are modern and recently built, with a median age of seven years and require limited ongoing maintenance capital expenditures. They are strategically located in established micro-markets with easy access to mass transportation, high barriers to entry for new supply, limited vacancy and robust historical rental growth rates of which many of office parks command premium rents and have higher occupancies than the average rents and occupancies of the broader markets they are located within. Size and scale in key markets of India provide Brookfield with extensive market information and enhances ability to respond to market opportunities. On cost competitive basis, it is very difficult to replace these office parks as all the four office parks are among the largest in their micro-market and are distinguished by their scale and infrastructure.

### Global Sponsorship backed with local expertise:

Brookfield India Real Estate Trust is sponsored by an affiliate of Brookfield Asset Management (BAM), 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. As of September 30, 2020, BAM has over USD 200 bn of real estate assets under management, and over 500 msf across multiple real estate asset classes, with strong real estate capabilities in leasing, financing, development, design, construction and property management. Brookfield has an extensive local market and knowledge in India. Brookfield has had a decade-long presence in India and manages a portfolio of approximately USD 17 bn across real estate (USD 4.6 bn), infrastructure (USD 9.7 bn), renewable power (USD 0.6 bn) and private equity (USD 2.1 bn), as of 30<sup>th</sup> September 2020. This portfolio in India provides valuable real-time, proprietary market data that will enable REIT to identify and act on market conditions and trends more rapidly than its competitors.

### Experienced Senior Management Team:

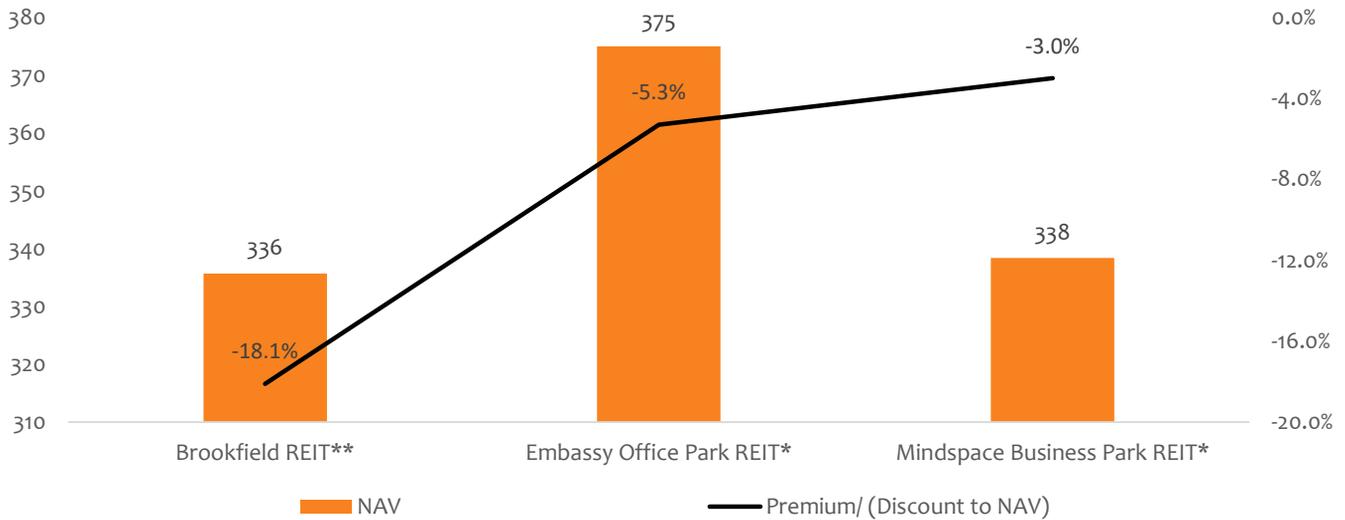
Prior to issue, all property of Initial Portfolio is owned and managed directly by Brookfield Asset Management Inc. (BAM). The team is equipped with a deep domain knowledge and experience in managing these properties and has demonstrated a robust track record in delivering value. Since April 1, 2015, the entity has leased 4.3 msf and delivered 3.6 msf of "on-campus" Completed Area within the Initial Portfolio.

# Brookfield India Real Estate Trust

## VALUATION & VIEW:

Brookfield REIT's Initial Portfolio consists of 14.0 msf of which 10.3 msf is completed, 0.1 msf area is under construction along with 3.7 msf of future development potential. Initial Portfolio's completed area has same store commitment occupancy of 92% with 75% of Gross Contractual Rental agreements with multinational corporations. 7.1-year WALE provides stability to the cash flows and is well positioned to achieve further organic growth through combination of contractual lease escalations, 36% mark-to-market headroom to in-place rents, lease-up of vacant space and near-term completion of Under Construction Area to meet tenants' expansion needs. We expect Brookfield to register a stable cash flow with current portfolio and headroom to further expand the space to lease out. Brookfield REITS has exclusive rights at their discretion to acquire the identified assets. **At higher end of unit price of INR 275, it is available at steep discount of 11.6% to its NAV/ unit as of 30<sup>th</sup> September 2020 which stands at INR 311 NAV/ unit. As of 14<sup>th</sup> Dec-20 its peers, Embassy office Park REIT and Mindspace Business Park REIT were trading at discount of 5.3% and 3.0% respectively of its NAV/unit. Brookfield at 11.6% discount of its NAV/units provides a comfort to its valuation. Thus, we recommend a "SUBSCRIBE" rating for the IPO.**

## Peer Valuation



Source: IPO Prospectus, KRChoksey Research

Note: \* NAV as on 14<sup>th</sup> Dec 2020.

Based on the evaluation of the qualitative and quantitative factors listed below, the Unit Value at the Floor Price, the Cap Price and the Offer Price is as follows:

	At Floor Price INR 274	At Cap Price INR 275
Equity Value (INR Cr)	8,296.8	8,327.0
Premium/ (Discount) to NAV	-11.9%	11.6%

Source: IPO Prospectus, KRChoksey Research

## KEY RISKS & CONCERNS

Business and profitability are dependent on the performance of the commercial real estate market in India. Fluctuations in the general economic, market and other conditions may affect the commercial real estate market in India and in turn, REIT's ability to lease office parks to tenants on favorable terms.

A significant portion of revenue is derived from a limited number of tenants and sectors, and any adverse development affecting such tenants or sectors may have an adverse effect on business, results of operations and financial condition.

A significant portion of revenue is derived from leasing activities at Candor Techspace G2 and any adverse development relating to Candor Techspace G2 or the micro-market in which it is located may adversely affect business, results of operations and financial condition.

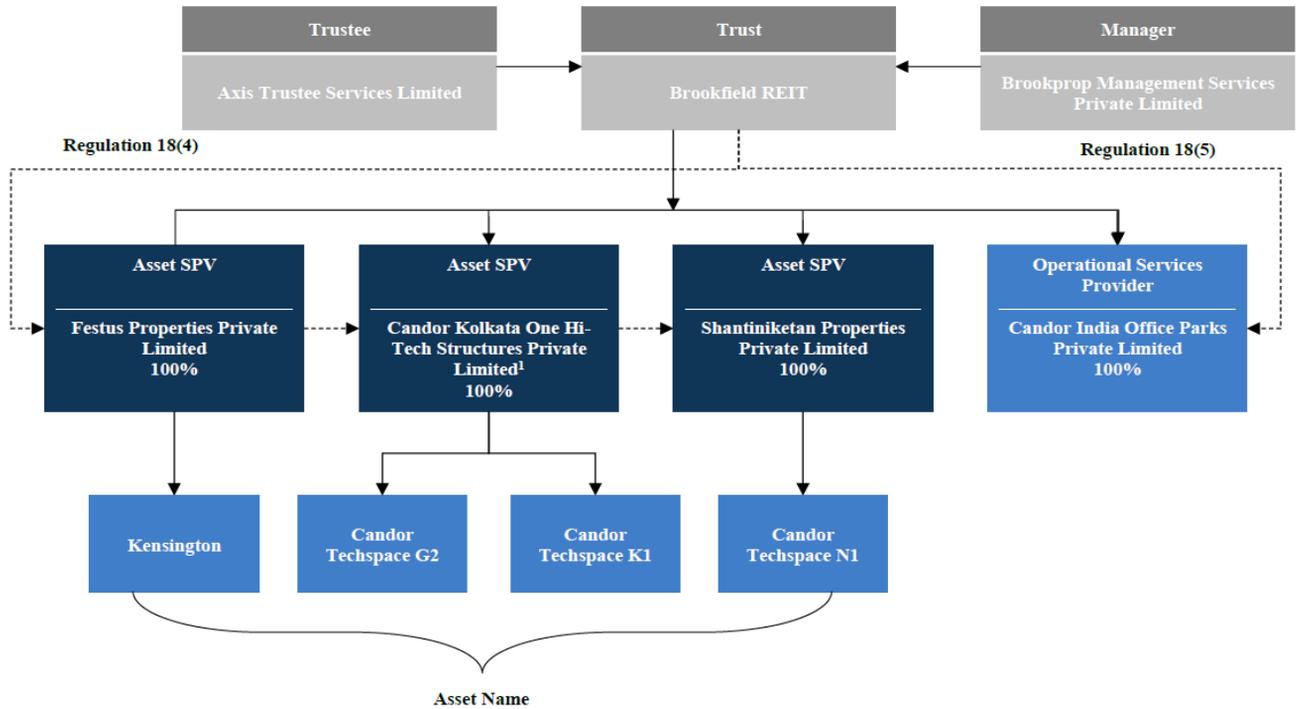
# Brookfield India Real Estate Trust

## Company Overview

**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 USD 575 billion in assets under management, as of September 30, 2020, our 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. Initial Portfolio comprises 14.0 msf (10.3 msf completed area, 0.1 msf of under construction area and 3.7msf of future development potential. It has 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.

## Proposed Brookfield REIT Structure

### SECTION – II - PROPOSED BROOKFIELD REIT STRUCTURE



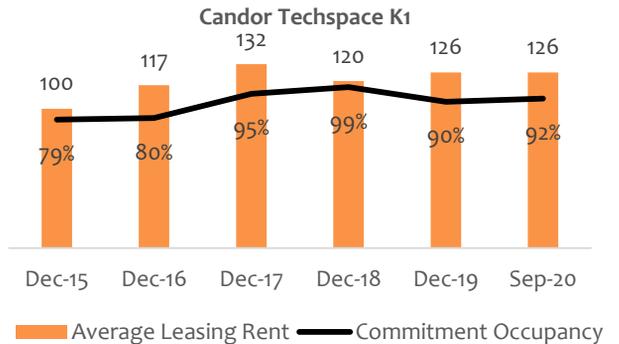
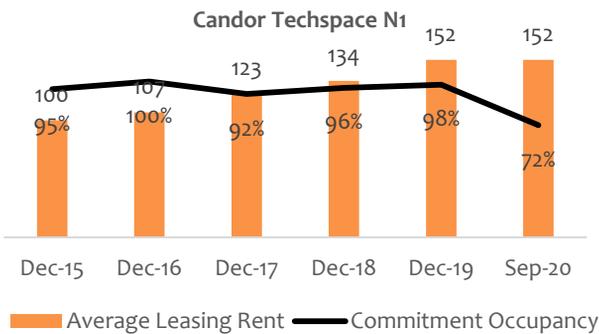
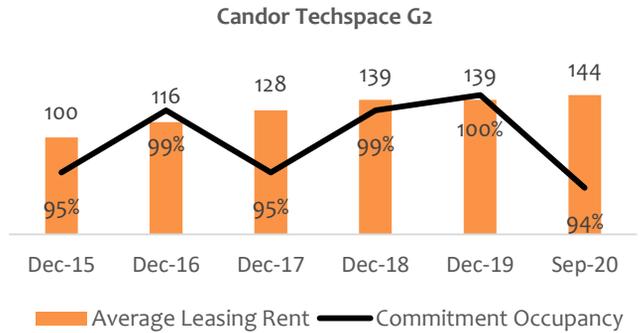
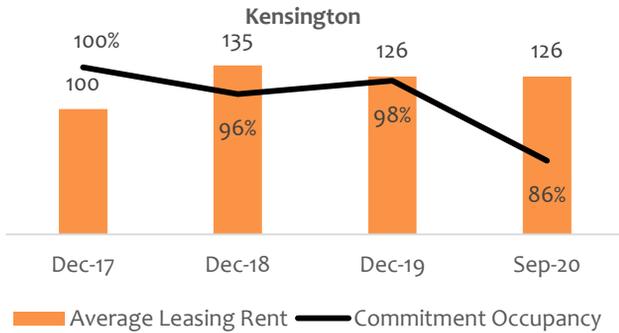
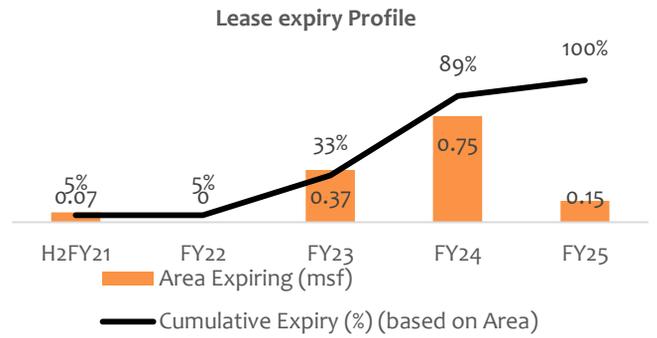
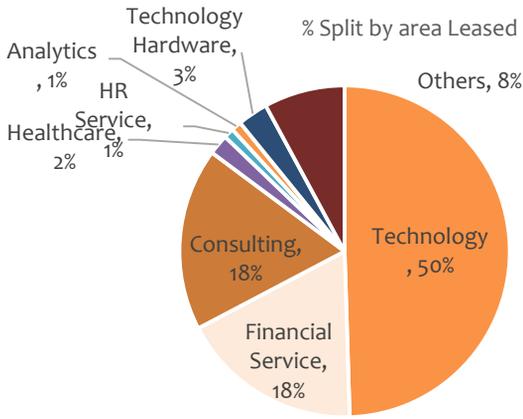
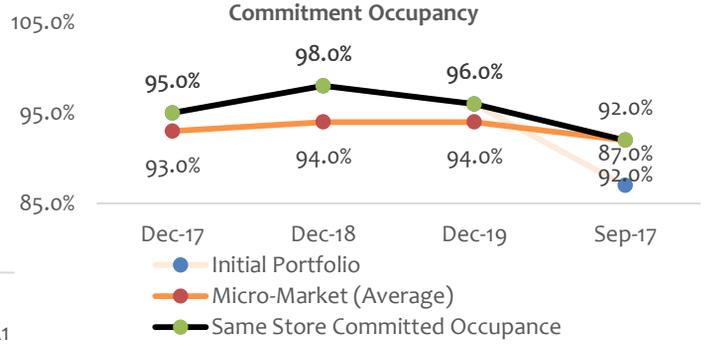
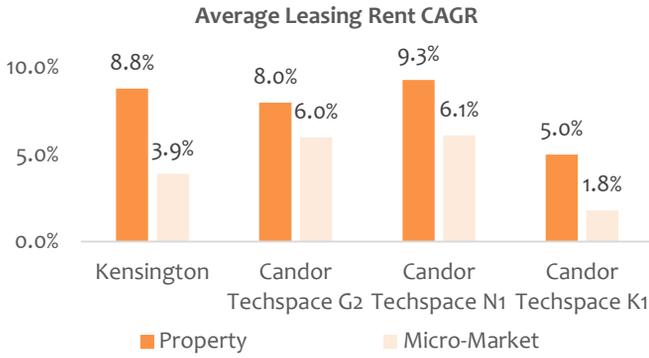
## Initial Portfolio consist of four properties

- Kensington - Mumbai
- Candor Techspace G2 - Gurugram
- Candor Techspace N1 - Noida
- Candor Techspace K1 – Kolkata pg 133

Particulars	Kensington	Candor Techspace G2	Candor Techspace N1	Candor Techspace K1	CIOP	Initial Portfolio
Type of Asset	SEZ	SEZ	IT Park	SEZ & Mixed		-
Completed Area (msf)	1.5	3.9	1.9	3.1		10.3
Under Construction Area (msf)	-	-	0.1	-		0.1
Future Development Potential (msf)	-	0.1	0.9	2.7		3.7
Total Area (msf)	1.5	4	2.8	5.7		14
Committed Occupancy (%)	86%	91%	72%	92%		87%
Same Store Committed Occupancy	NA	NA	97%	NA		92%
WALE (years)	3	8	7.6	7.6		7.1
Average in-place rent ₹/psf/month)	90	78	45	42		62
FY23 NOI (₹ in mn)	1,580	3,213	1,342	1,673	378	8,186
Market Value (₹ in mn)	25,374	43,582	19,736	25,382		1,14,074
% of Initial Portfolio Market Value	22.2%	38.2%	17.3%	22.3%	0.0%	100.0%

Source: IPO Prospectus

# Brookfield India Real Estate Trust



Source: IPO Prospectus

# Brookfield India Real Estate Trust

## Financials:

Ratio Analysis (%)	FY18	FY19	FY20	Sep-20
EBITDA Margin	66.2%	62.1%	62.0%	71.0%
PAT Margin	19.6%	-1.8%	1.6%	-16.2%
ROE	-6.2%	0.6%	-0.7%	3.0%
ROCE	62.4%	11.6%	10.4%	6.0%
Current Ratio (x)	0.1	0.2	0.6	0.4

Source: IPO Presentation

Income Statement (INR Cr)	FY18	FY19	FY20	Sep-20
<b>Revenues</b>	<b>8,218</b>	<b>8,959</b>	<b>9,567</b>	<b>4,551</b>
COGS	52	49	52	5
<b>Gross profit</b>	<b>8,166</b>	<b>8,910</b>	<b>9,515</b>	<b>4,546</b>
Employee cost	276	141	251	153
Other expenses	2,452	3,206	3,328	1,164
<b>EBITDA</b>	<b>5,438</b>	<b>5,563</b>	<b>5,936</b>	<b>3,230</b>
<b>EBITDA Margin</b>	<b>66.2%</b>	<b>62.1%</b>	<b>62.0%</b>	<b>71.0%</b>
Depreciation & amortization	903	957	1,123	606
<b>EBIT</b>	<b>4,535</b>	<b>4,606</b>	<b>4,814</b>	<b>2,623</b>
Interest expense	3,287	4,404	7,141	3,485
Other income	444	339	247	123
Exceptional Item	0	(2,495)	0	(43)
<b>PBT</b>	<b>1,735</b>	<b>541</b>	<b>414</b>	<b>-738</b>
Tax	124	699	263	0
<b>PAT</b>	<b>1,611</b>	<b>-157</b>	<b>151</b>	<b>-738</b>

Source: RHP

Cashflow Statement (INR Cr)	FY18	FY19	FY20	Sep-20
Net cash flow from operating activities	4,149	5,076	5,322	3,169
Net cash flow used in investing activities	(622)	(20,535)	980	(186)
Net cash flow generated from / (used in ) in financing activities	(4,495)	15,694	(4,362)	(5,237)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(968)	235	1,940	(2,254)
Opening Cash and cash equivalents	2,058	1,090	1,326	3,265
<b>Closing Cash and cash equivalents</b>	<b>1,090</b>	<b>1,326</b>	<b>3,265</b>	<b>1,011</b>

Source: RHP

# Brookfield India Real Estate Trust

## Financials:

INR Millions	FY18	FY19	FY20E	Sep-20
Share capital	152	552	652	652
Reserves and surplus	-26,341	-25,518	-22,849	-25,440
<b>Shareholders' funds</b>	<b>-26,189</b>	<b>-24,966</b>	<b>-22,197</b>	<b>-24,788</b>
Long-term borrowings	33,458	61,972	66,688	68,455
Short term borrowings	0	2,622	1,741	0
<b>Total debt</b>	<b>33,458</b>	<b>64,593</b>	<b>68,430</b>	<b>68,455</b>
Deferred tax liabilities (net)	295	770	639	630
Long-term provisions/ Other Liabilities	287	256	225	280
<b>SOURCES OF FUNDS</b>	<b>8,781</b>	<b>41,744</b>	<b>48,509</b>	<b>46,125</b>
PPE	89	92	105	117
Other Intangible Assets	2	1	1	1
Capital WIP				
Intangible Assets under development				
Non-current investments	166	420	487	487
Goodwill	25	22	25	28
Other financial assets	2,087	3,596	3,825	3,652
<b>Non-current assets</b>	<b>43,552</b>	<b>48,100</b>	<b>49,507</b>	<b>49,215</b>
Inventories	1,090	1,326	3,265	1,011
Trade receivables	159	32	1	33
Cash and Bank Balance	3,055	0	0	0
Other current & financial assets	759	415	558	823
<b>Current assets</b>	<b>5,381</b>	<b>2,337</b>	<b>4,273</b>	<b>2,153</b>
<b>less: current liabilities and provisions</b>	<b>40,152</b>	<b>8,693</b>	<b>5,271</b>	<b>5,242</b>
Trade payables	0	0	0	0
Other current liabilities	30,500	-	-	-
Other financial & current tax liabilities	8,622	7,794	4,091	4,109
Short-term provisions	2	2	5	4
<b>Net current assets</b>	<b>-34,771</b>	<b>-6,356</b>	<b>-998</b>	<b>-3,090</b>
<b>APPLICATION OF FUNDS</b>	<b>8,781</b>	<b>41,744</b>	<b>48,509</b>	<b>46,125</b>

Source: RHP

# Brookfield India Real Estate Trust

## **ANALYST CERTIFICATION:**

I, Parvati Rai (MBA-Finance, M.com), Head Research, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## **Terms & Conditions and other disclosures:**

KRChoksey Shares and Securities Pvt. Ltd. (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSPL is a registered Research Entity vide SEBI Registration No. INH00001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Parvati Rai (MBA-Finance, M.com), Head Research of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Parvati Rai (MBA-Finance, M.com), Head Research do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to [research.insti@krchoksey.com](mailto:research.insti@krchoksey.com)

Visit us at [www.krchoksey.com](http://www.krchoksey.com)

**KRChoksey Shares and Securities Pvt. Ltd.**

### **Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.  
Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

### **Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.  
Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.