

Brookfield India Real Estate Trust (BIRET)

Real Estate | India

IPO | 01 February 2021

A Niche Play in Commercial Real Estate Space

About the Company

Brookfield India Real Estate Trust (BIRET) is India's only institutionally managed public commercial real estate company, sponsored by an affiliate of Brookfield Asset Management, one of the largest alternative asset managers in the world. BIRET has campus-format office parks strategically located in Mumbai, Noida, Gurugram, and Kolkata. Its portfolio comprises of 14msf, which include 10.3msf of completed area, 0.1msf of under construction and 3.7msf future development projects. Its completed area has an occupancy rate of 92%, which is leased to marquee tenants with 75% of gross contracted rentals contracted with MNCs i.e. Barclays, Bank of America Continuum, RBS, Accenture, TCS and Cognizant etc. While a 7.1-year Weighted Average Lease Expiry (WALE) provides stability to cash flows of initial portfolio, it is well-positioned to achieve further organic growth through a combination of contractual lease escalation, 36% mark-to-market headroom to in-place rents, leasing the vacant space and completion of under construction area in the near-term.

Financials in Brief

Despite strong operating margin, BIRET's financials have not been encouraging. Its net profit stood merely at Rs150mn in FY20, while the company incurred Rs740mn net loss in 1HFY21. While its revenue clocked 8% CAGR over FY18-FY20, net profit witnessed negative CAGR during the period primarily owing to 48% CAGR in finance cost during the period, as its debt positioning increased significantly due to investment in properties. The company's net worth was negative (-Rs24.8bn) as on 1HFY21.

Our View: Subscribe for Long-term Perspective

BIRET is to be the third REIT to get listed in India after Mindspace and Embassy REITs. The REIT instrument is most popular in global markets, where REITs usually invest in ready-to-use or leased-out properties acquisitions and reduce gestation periods. Notably, REITs must be looked at cash flow perspective and BIRET generated cumulatively Rs11.4bn FCF through FY18-1HFY21. Given substantial reduction in debt level after fund raising, we expect saving on finance cost should aid the company to generate positive net distributable cash flows (NDCF) from FY22E onwards. However, the NAV per unit as on 1HFY21 is estimated at Rs311 (13% premium from issue price). Further, the company expects NDCF to the tune of Rs6.6bn and Rs7bn in FY22E and FY23E, respectively which offer yield of ~8%. **Hence, we recommend SUBSCRIBE from long-term perspective.**

IPO Details

Pice Band	Rs274-275
Face Value (Rs)	10
Issue Open/Closing Date	3rd / 5th Feb'21
Fresh Issues (mn)	138.2
OFS (mn)	0.0
Total Issue (mn)	138.2
Minimum Bid Amt. (Rs)	55,000
Issue Size (Rs bn)	38.0
Inst : Non Inst.	75% : 25%
Implied Market Cap (Rs bn)	83.3

Object of the Issue

- ▶ To make partial or full payment of existing indebtedness of the Asset SPVs.
- ▶ To meet general corporate purposes

Key Risks

- ▶ Adoptability of WFH culture in a large way
- ▶ Prolonged slowdown in commercial real estate market

Key Financials

Rs bn	FY18	FY19	FY20	1HFY21
Revenue	8.22	8.96	9.57	4.55
EBITDA	5.88	5.9	6.18	3.35
EBITDA Margin (%)	71.5	65.8	64.6	73.6
PAT	1.16	(0.2)	0.15	(0.7)
Finance Cost	3.3	4.4	7.1	3.5
Net Worth	(26.2)	(25.0)	(22.2)	(24.8)
EV/EBITDA (x)	20.8	25.9	24.7	22.8
Gross Debt	39.3	69.5	69.5	69.8
OCF	4.14	5.08	5.32	3.17
OCF Yield (%)	4.97	6.10	6.39	3.81
FCF	3.10	1.90	3.64	2.76
Mcap/sales (x)	10.1	9.3	8.7	9.2

Source: RHP

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