

## REAL ESTATE INVESTMENT TRUSTS (REITS) - BACKGROUND:

- A REIT is a vehicle that enables owners of real estate to pool income generating assets together in a portfolio and allows investors to buy ownership in real estate assets in the form of equity
- REITs are universally accepted by global institutions and individual investors as product that provides liquidity, transparency, diversification, dividends, and performance
- India REITs have to adhere to a strong regulatory framework aimed at protecting unitholder value, few key points:
  - At least 80% of total value must be comprised of completed and income generating properties
  - Debt cannot exceed 49% of asset value
  - Minimum 90% of distributable cash flows to be distributed

## BENEFITS OF A REIT VS DIRECT INVESTMENTS:

	Investments in India REITs	Direct Investment <sup>(1)</sup>
<b>Investment Characteristics</b>	<ul style="list-style-type: none"> <li>- Minimum investment of Rs 50,000 with no cap</li> <li>- Freely transferable securities listed on stock exchange</li> <li>- Professionally managed with no entry/exit load</li> </ul>	<ul style="list-style-type: none"> <li>- Rs. 25-200 Crores for strata interest</li> <li>- Illiquid and non-transparent secondary market</li> <li>- Transaction costs &amp; hassles in managing the properties</li> </ul>
<b>Diversified Portfolio with High Quality Tenants</b>	<ul style="list-style-type: none"> <li>- Grade A assets in prime locations across cities</li> <li>- Multiple tenants across sectors with high credit worthiness</li> </ul>	<ul style="list-style-type: none"> <li>- Usually strata interests in standalone buildings</li> <li>- Usually exposed to single tenant risk</li> </ul>
<b>Return Profile</b>	<ul style="list-style-type: none"> <li>- Returns driven equally by regular cash distributions and capital appreciation</li> </ul>	<ul style="list-style-type: none"> <li>- Returns driven by a timely and profitable exit</li> </ul>
<b>Tax Efficiency</b>	<ul style="list-style-type: none"> <li>- Dividends are tax exempt</li> <li>- 10%-15% capital gains tax* on sale of listed units</li> </ul>	<ul style="list-style-type: none"> <li>- Dividends are subject to applicable marginal tax rates</li> <li>- 20%-30% capital gains tax* at exit</li> </ul>
<b>Perpetual Growth Platform</b>	<ul style="list-style-type: none"> <li>- Professionally managed by an experienced team</li> <li>- Ability to grow portfolio by acquiring assets without additional investment by the same investor</li> </ul>	<ul style="list-style-type: none"> <li>- Limited capability to negotiate lease terms with tenants</li> <li>- Limited liquidity to acquire additional assets</li> </ul>

(1) Assumed held through a SPV. \* Excluding applicable surcharges and cess.

## MINDSPACE BUSINESS PARKS REIT

### **I. Sponsors: Anbee Constructions LLP and Cape Trading LLP**

- The sponsors form part of the **K Raheja Corp (KRC) group**, which is one of the leading and reputed real estate developers in India with significant experience and knowledge of undertaking large-scale real estate developments across India.
- As of March 31, 2020, the KRC group has acquired and/or developed properties across various businesses (approximately 28.5 msf area of commercial projects, six operational malls, 2,554 operational hotel keys and residential projects across five cities in India). In addition, KRC group operates 278 retail outlets across India, as of March 31, 2020.
- The KRC group has approximately 40 years of strong real estate experience and has a dedicated multi-skilled workforce of approximately 9,300 employees across its various real estate and retail businesses, as of March 31, 2020.
- Investment Manager: K Raheja Corp Investment Managers LLP led by **Mr. Vinod Rohira**, chief executive officer, and **Ms. Preeti Chheda**, chief financial officer. Mr. Vinod Rohira has been instrumental in leading the development of approximately 25.0 msf of commercial real estate for the KRC group, across India. Ms. Preeti Chheda has approximately 20 years of experience, including 12 years with the KRC group, in equity and debt fund raising, acquisitions, overseeing the management of commercial real estate assets, raising private equity for real estate projects, investor relations and financial reporting.

## II. Portfolio Highlights of Mindspace Business Parks REIT (as of March 31, 2020)

### 1. Diversified Portfolio of Office Assets:

- A total of 29.5 msf across Mumbai (41%), Hyderabad (39%), Pune (17%) and Chennai (3%)

Portfolio	Type of Asset	Total Leasable Area (msf)	Committed Occupancy (%)	WALE (Years)	Revenue from Operations for FY 2020 (INR mn)	Market Value <sup>(6)</sup> (INR mn)	% of Total Market Value
<b>Mumbai Region</b>		<b>12.1</b>	<b>86.5%</b>	<b>5.7</b>	<b>6,600</b>	<b>92,022</b>	<b>38.9%</b>
Mindspace Airoli East	Business Park	6.8	98.0%	4.8	3,569	43,107 <sup>(5)</sup>	18.2%
Mindspace Airoli West	Business Park	4.5	72.3%	8.1	2,269	35,205	14.9%
Paradigm Mindspace Malad	Independent Office	0.7	93.8%	3.3	762	9,409	4.0%
The Square, BKC <sup>(2)</sup>	Independent Office	0.1	-	-	-	4,302	1.8%
<b>Hyderabad Region</b>		<b>11.6</b>	<b>97.4%</b>	<b>5.5</b>	<b>6,237</b>	<b>90,570</b>	<b>38.3%</b>
Mindspace Madhapur	Business Park	10.6	97.6%	5.6	6,107	87,585 <sup>(1)</sup>	37.0%
Paradigm Pocharam	Independent Office	1.0	92.4%	2.9	130	2,984	1.3%
<b>Pune Region</b>		<b>5.0</b>	<b>90.0%</b>	<b>7.0</b>	<b>4,823</b>	<b>42,681</b>	<b>18.0%</b>
Commerzone Yerwada	Business Park	1.7	99.9%	5.6	1,611	19,100	8.1%
Gera Commerzone Kharadi	Business Park	2.6	71.3%	10.9	2,296	15,486	6.5%
The Square, Nagar Road	Independent Office	0.7	100.0%	5.5	916	8,094	3.4%
<b>Chennai Region</b>		<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,946</b>	<b>2.5%</b>
Commerzone Porur	Independent Office	0.8	-	-	-	5,946	2.5%
<b>Facility Management Division<sup>(3)</sup></b>						<b>5,532</b>	<b>2.3%</b>
<b>Total</b>		<b>29.5<sup>(4)</sup></b>	<b>92.0%</b>	<b>5.8</b>	<b>17,660</b>	<b>2,36,751</b>	<b>100.0%</b>

Source: Addendum to the offer document dated 25 June 2020

(1) The Market Value of Mindspace Madhapur is with respect to 89.0% ownership of the respective Asset SPVs that own Mindspace Madhapur.

(2) The Square, BKC was acquired in August 2019 and is currently not leased.

(3) The facility management division, with approximately 140 employees, will be housed in one of the Asset SPVs, KRC Infra, with effect from the first day of the quarter following the listing of the Units. Accordingly, KRC Infra is expected to commence facility management division effective October 1, 2020.

(4) Includes 23.0 msf of Completed Area, 2.8 msf of Under Construction Area and 3.6 msf of Future Development Area.

(5) While Mindspace Airoli East has aggregate development potential of 2.1 msf, Mindspace REIT has currently formulated development plans for 0.9 msf and, accordingly, only 0.9 msf of the future development area has been considered for the purpose of valuation.

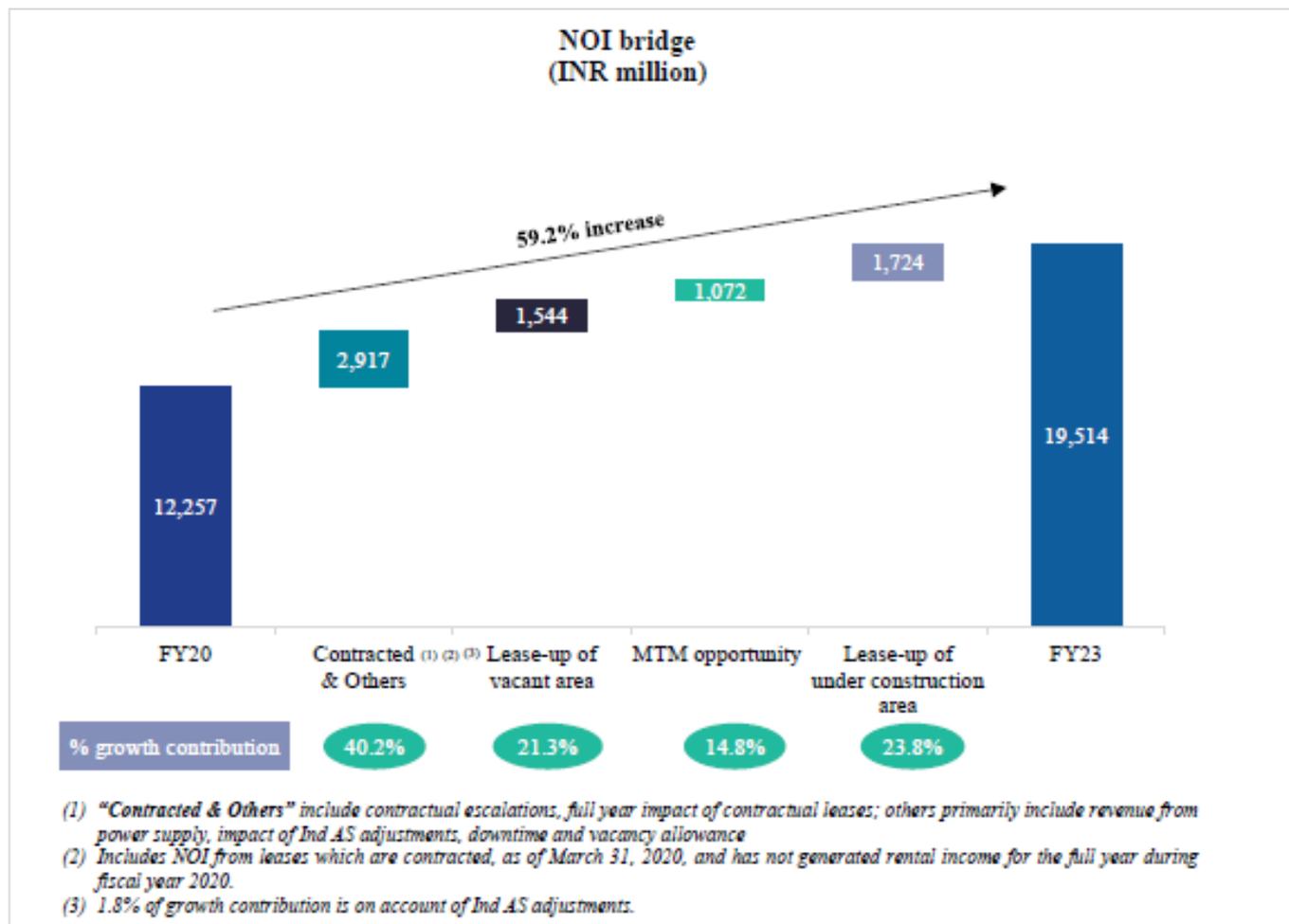
(6) Numbers are subject to rounding off

### 2. Diversified and High-Quality Tenant Base:

- 170+ tenants with a Weighted Average Lease Expiry (WALE) of 5.8 years
- ~85% rentals from MNCs and ~39% from Fortune 500 companies
- Top 10 tenants contribute ~42% of gross rentals; no tenant contributes >7.7% of gross rentals
- Key tenants are Accenture, Qualcomm, BA Continuum, JP Morgan, Amazon, Schlumberger, UBS, Capgemini, Facebook, Barclays and BNY Mellon

### 3. Portfolio with Stable Cash Flows and Strong Growth Potential:

- The Portfolio is stabilized with 92.0% Committed Occupancy (240 bps higher than Portfolio Markets), 96.5% Same Store Committed Occupancy and a WALE of 5.8 years, as of March 31, 2020.



Source: Addendum to the offer document dated 25 June 2020

- **Stable cash flows with contracted occupancy and escalations:** The tenure of leases is typically 5-10 years with initial commitment of generally 3-5 years and renewal options post initial commitment period. While majority of the leases have rent escalations of 12-15% every three years, recent leases have escalations of 4-5% every year
- **Proven mark-to-market potential across portfolio:** Track record of driving rent growth by re-leasing to quality tenants at market rents. Over the last three fiscal years, ~3.0 msf has been released at rents which were on average 28.9% higher than In-place rents. With 24.6% of Gross Contracted Rentals expiring over FY21-23, this presents a strong mark-to-market re-leasing opportunity to drive rental growth
- **Inorganic growth opportunity:** Driven by low leverage (LTV ~15.3%) and ROFO pipeline (~8.6 msf across Mumbai Region, Chennai, Hyderabad) by Sponsors K Raheja Corp
- **Expansion of portfolio:** Development of ~2.0 msf is expected to complete in FY21 with ~11% (as of May 2020) already pre-leased and another 0.7 msf to be completed in FY22

#### 4. Summary of Financials:

INR Mn	FY 18 A	FY 19 A	FY 20 A	FY 21 E	FY 22 E	FY 23 E	CAGR (FY20-23)
<b>Revenue from Operations</b> <sup>(1)</sup>	12,616	14,103	15,501	17,141	21,080	24,023	16%
<b>NOI</b>	9,867	11,083	12,257	13,487	17,074	19,514	17%
<i>% of total revenue</i>	78%	79%	79%	79%	81%	81%	
<i>NOI growth</i>	6%	14%	11%	10%	27%	14%	
<b>NDCF</b>				5,739 <sup>(2)</sup>	12,231	13,061	

Source: Addendum to the offer document dated 25 June 2020

(1) Adjusted for eliminations on account of facility management business

(2) NDCF in FY21 represents distributions for the half year

## 5. Yield and Return:

<b>Total Units (post issue)</b>	<b>59,30,18,182</b>
<b>Price per Unit (INR)</b>	<b>275</b>
<b>Post Money Equity Value (INR mn)</b>	<b>1,63,080</b>

<b>NDCF</b>	<b>INR Mn</b>
FY22E	12,231
FY23E	13,061

### Yield Calculation - Quarterly Distributions (INR Mn)

<b>FY22E Yield</b>	<b>Entry</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>
Post Money REIT Equity Value	-1,63,080				1,63,080
Quarterly Distributions		3,058	3,058	3,058	3,058
FY22E CF	-1,63,080	3,058	3,058	3,058	1,66,138
<b>Distribution Yield (XIRR)</b>	<b>7.74%</b>				

### Yield Calculation - Quarterly Distributions (INR Mn)

<b>FY23E Yield</b>	<b>Entry</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
Post Money REIT Equity Value	-1,63,080				1,63,080
Quarterly Distributions		3,265	3,265	3,265	3,265
FY23E CF	-1,63,080	3,265	3,265	3,265	1,66,345
<b>Distribution Yield (XIRR)</b>	<b>8.28%</b>				

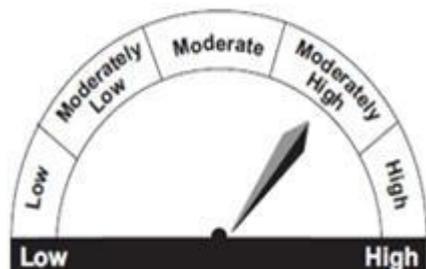
Source: Offer document

For Illustrative purposes only. These projections are subject to market variation.

This is assuming the issue will be priced at Rs. 275 per share. The yield calculation for FY 22 and FY 23 assumes the Equity Valuation to be the same as Post Money Equity Value at IPO at a price of INR 275 per share

Equal quarterly split has been done for the purpose of the above representation and does not represent actual NOI phasing.

## KEY RISKS



*Investors should understand that the Principal will be at Moderately High Risk*

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.*

- Concentration risks across tenants, sectors, asset, and micro market
- Title and development rights over land owned by Mindspace
- Lack of operating history
- Actual results may be materially different from projections
- Regulatory changes may increase the tax incidence or hinder further property development
- The business and profitability of the Mindspace REIT depends on the performance of the commercial real estate market in India. Any fluctuations in market conditions may have an adverse effect on the business, results of operations and financial condition.
- The business is dependent on economic growth in India and financial stability in Indian markets, and any slowdown in the Indian economy or in Indian financial markets could have an adverse effect on our business, financial condition and results of operations and the price of the Units.

For complete list of risk factors kindly refer to the offer document.

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