



February 02, 2021

# Brookfield India REIT IPO

*India's only institutionally managed public commercial real estate company, Brookfield India REIT, said it will launch its initial public offer (IPO) on February 03, 2021. The offer will close on February 05, 2021 and the company has fixed the price band at ₹274-275 per equity share.*

**Rating: Subscribe**

**Analyst**

Saurabh Joshi, CA

[saurabh.joshi@marwadigroup.in](mailto:saurabh.joshi@marwadigroup.in)

Komal Maheshwari

[komal.maheshwari@marwadionline.in](mailto:komal.maheshwari@marwadionline.in)





## Company's Details

- Brookfield India REIT is India's only institutionally managed public commercial real estate company, sponsored by an affiliate of Brookfield Asset Management (BAM), part of Brookfield Group.
- The company has campus-format office parks strategically located in Mumbai, Noida, Gurugram, and Kolkata. Its portfolio comprises of 14.0 msf with 10.3 msf completed area, 0.1 msf under construction and 3.7 msf are of future development. Its completed area has an occupancy rate of 92%.
- Their initial portfolio's completed area has a same store committed occupancy of 92% (and 87% committed occupancy, which includes the recently completed 0.5 msf at Condor techspace N1) and is leased to marquee tenants with 75% of gross contracted rentals contracted with MNCs. Multi-national corporations like Barclays, Bank of America Continuum, RBS, TCS, Cognizant, and Accenture are some of the clients of Brookfield India Real Estate Trust.

## Valuations

- Current Market price discount to NAV of Embassy office parks and Mindspace Business parks are 6.14% and 0.59% respectively as on February 01, 2021. While Brookfield India REIT is coming up with the 11.58% upper price discount to NAV, which is at very high discount compare to its peers. Above data show that, compare to listed peers like Embassy Office Parks and Mindspace Business parks, Brookfield India REIT is coming up at a reasonable valuation.

## Financials

Particulars (In Cr.)	FY18	FY19	FY20	September 30, 2020
Revenue	822	896	957	455
Total income	866	930	981	467
Cost of Material Consumed	5	5	5	1
Employee benefits expense	28	14	25	15
Other Expenses	245	321	333	116
Finance Cost	329	440	714	348
Total Expenses	697	876	1,189	541
PBT before Exceptional items	169	54	-208	-74
PAT	161	-16	15	-74
PATM	18.6%	-1.7%	1.5%	-15.8%

## Issue Details

Issue opens on	February 03, 2021
Issues Closes on	February 05, 2021
Issue Type	Book Built issue REIT
Issue Size(In Cr, Upper Band)	Fresh Issue: 3,800 Offer For Sale: 0.0
Face Value	Rs. 10
Issue Price Band	Rs. 274-275
Listing at	NSE, BSE
Minimum Lot Size	200 Shares

## Object of the Issue

- Partial or full pre-payment or scheduled repayment of the existing indebtedness of the Asset SPVs
- To meet general corporate purposes.

## Bucket Size (%) available for Allotment

Particulars	Allocation
Institutional Investors	Not more than 75% of the Issue
Other Investors	Not less than 25% of the issue
Total	100.00%

## Indicative Timeline for Listing

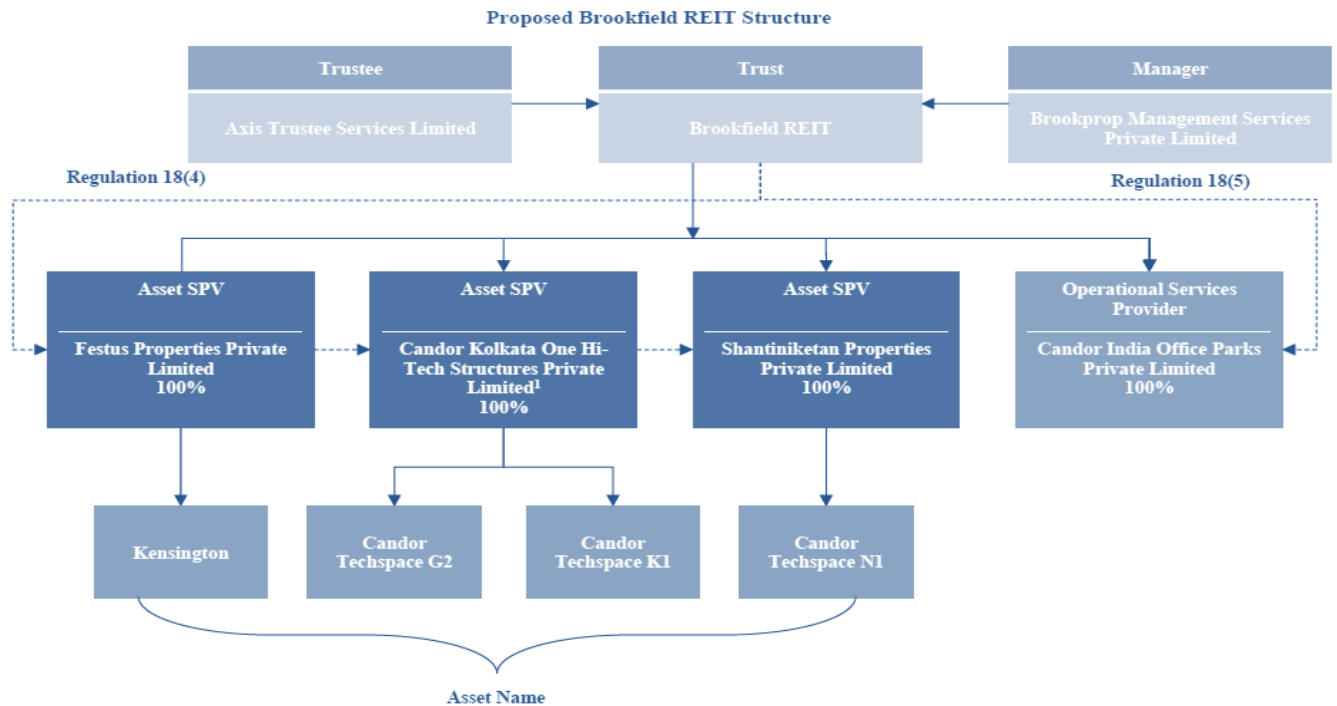
Activity	On of About
Finalisation of Basis of Allotment	February 11, 2021
Initiation of Refunds/Designated Date	February 12, 2021
Credits of units	February 12, 2021
Trading Commences	February 17, 2021

Source: RHP, MSFL Research



## Business Snapshot

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, it's 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.

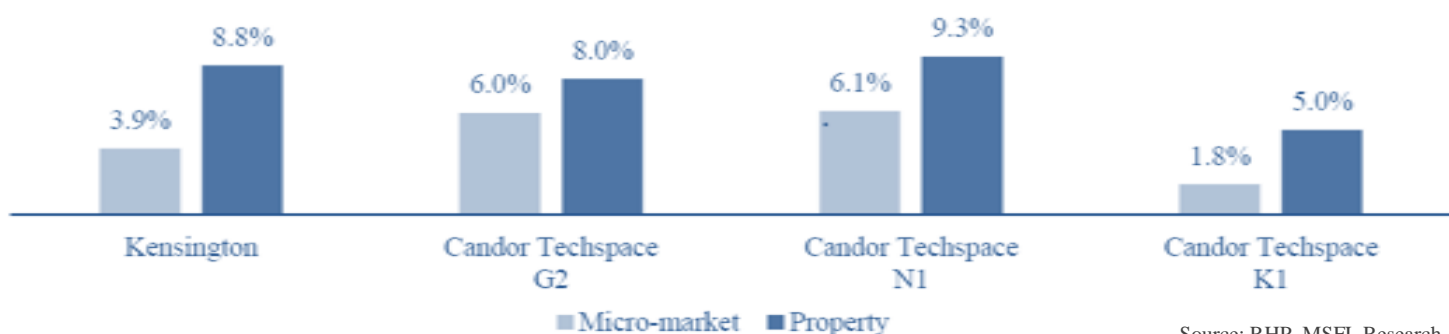


## Business Division

Company'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. Company own an Initial Portfolio of four large campus-format office parks, which they believe are "business-critical", located in some of India's key gateway markets - Mumbai, Gurugram, Noida and Kolkata.

### Portfolio Performance compared to micro-markets and cities.

Office parks have outperformed their respective micro-markets and cities in terms of rental growth and occupancy, and provide critical infrastructure for major tenants in key gateway markets and established locations, creating high barriers to entry. As a result, Leasing Rent and Committed Occupancy for their Initial Portfolio has surpassed the averages in their respective micro-markets, delivering sustained outperformance.



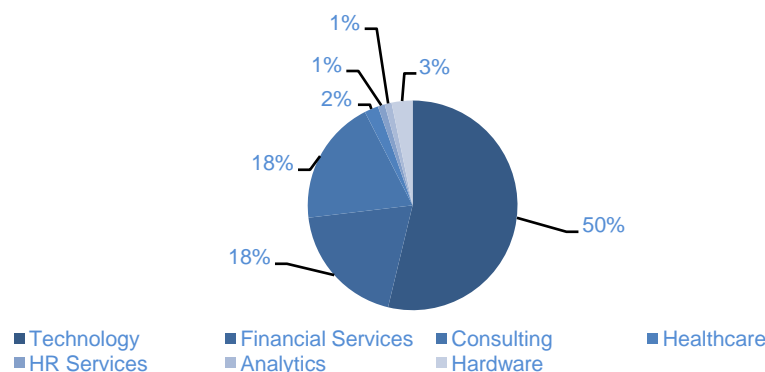
Source: RHP, MSFL Research



## Diversified Tenancy Profile

The Initial Portfolio houses a diverse base of marquee tenants with 75% of Gross Contracted Rentals contracted with multi-national corporations. These marquee tenants represent a broad array of industries, and a majority of these tenants have been occupiers in our portfolio for many years.

The chart below provide a breakdown of area leased by trade sectors represented in the Initial Portfolio:



The following table sets forth details of the 10 largest tenants by Gross Contracted Rentals of the Initial Portfolio:

Tenant	Tenant Sector	No. of parks in Initial Portfolio	% of Gross Contracted Rentals	% of area leased
Accenture	Consulting	2	19%	17%
Tata Consultancy Services	Technology	2	17%	17%
Cognizant	Technology	2	10%	14%
Sapient	Technology	1	7%	6%
RBS	Financial Services	1	6%	5%
Bank of America Continuum	Financial Services	1	5%	3%
A Big 4 Accounting Firm	Financial Services	1	3%	2%
Barclays	Financial Services	1	3%	4%
Amdocs	Technology	1	3%	2%
Wipro	HR Services and Technology	1	2%	1%
<b>Total for 10 largest tenants by Gross Contracted Rentals</b>			<b>75%</b>	<b>73%</b>

## Key Strengths

- ✓ Global Sponsorship with Local Expertise.
- ✓ Difficult to Replicate, Dominant and Strategically Located Properties
- ✓ Placemaking Capabilities
- ✓ Diversified Blue Chip Tenant Roster and Cash Flow Stability.
- ✓ Significant Identified Internal and External Growth Opportunities
- ✓ Experienced, Cycle-Tested Senior Management Team
- ✓ Institutional Corporate Governance Framework and Strong Alignment of Interests

## Key Strategies

- ✓ Leveraging Brookfield and our Manager's Operating Expertise for Proactive Asset and Property Management
- ✓ Capitalize on our Initial Portfolio's Embedded Organic Growth and On-Campus Development Potential
- ✓ Pursue Disciplined and Accretive Acquisition Growth Opportunities
- ✓ Prudent and Flexible Capital Structure Positioned for Growth.

Source: RHP, MSFL Research





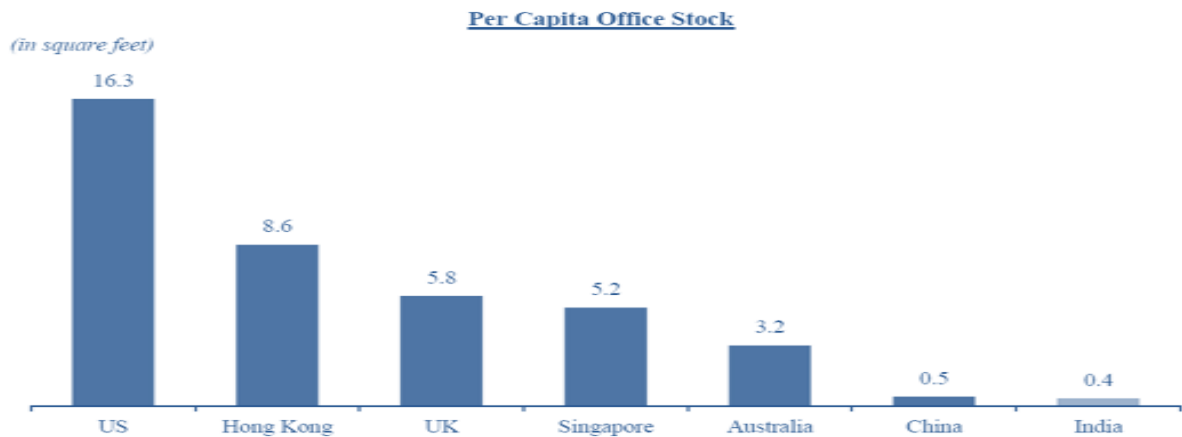
## Risk factors

- ✓ A significant portion of the revenue is derived from leasing activities at Candor Techspace G2.
- ✓ Dependence on rental income may adversely affect the profitability
- ✓ Recent disruptions in the financial markets and current economic conditions could adversely affect the ability of our Manager to service existing indebtedness.
- ✓ Business may be adversely affected by the illiquidity of real estate investments.

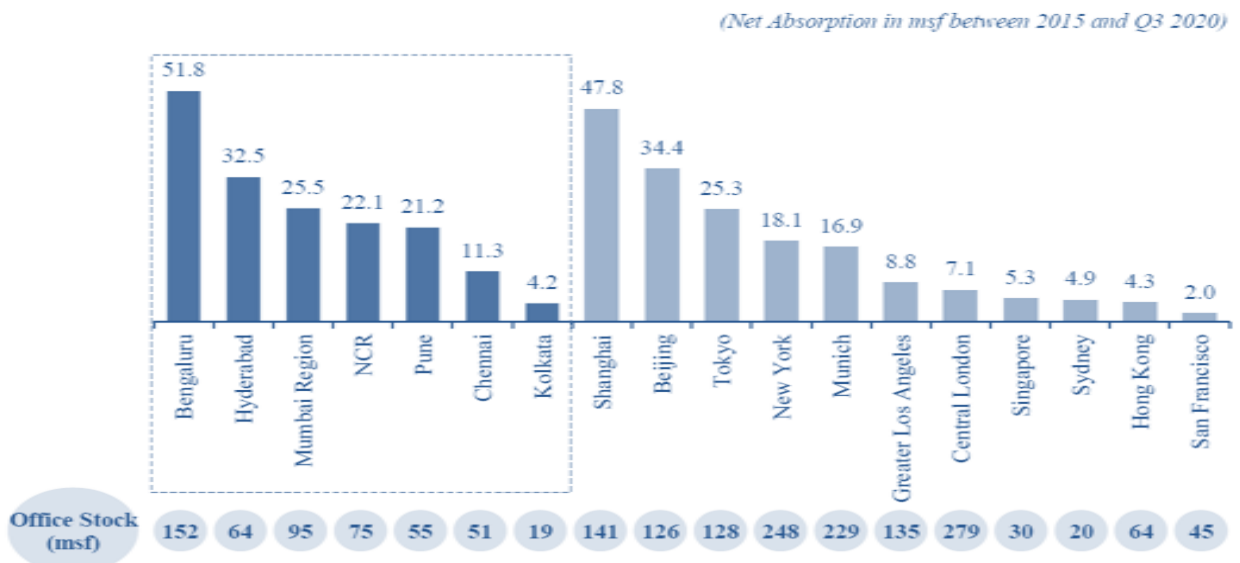
## Industry Snapshot

India's office real estate landscape has significantly evolved over the last decade. From majority of office stock being unorganized into single standalone buildings with no amenities, the landscape has now consolidated with Grade-A developers owning large modern corporate IT parks with a rich amenity mix. Grade-A office stock in Chennai, Mumbai, Pune, Hyderabad, Bengaluru, NCR and Kolkata has grown at a CAGR of 10.8% between 2008 and Q3 2020 and was approximately 510 msf as of September 30, 2020.

India's per capita office stock of 0.4 sf is minimal compared to developed markets such as the United States (16.4 sf), Hong Kong (8.6 sf) and Singapore (5.2 sf).



## Comparison between Key Indian and Select Global Cities

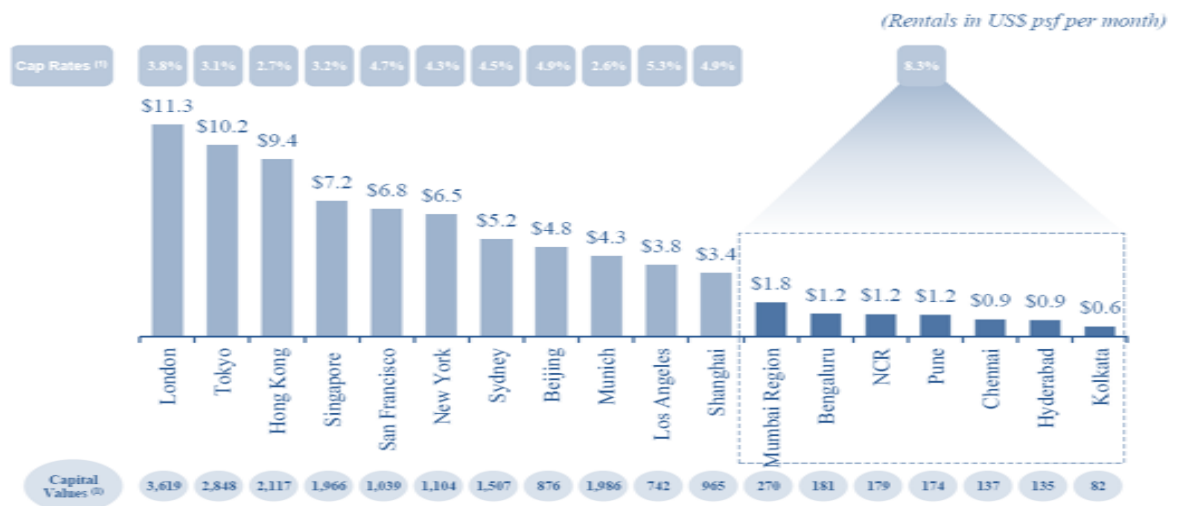


Source: RHP, MSFL Research



The demand for quality office spaces has also led to rental growths growing at a CAGR of approximately 5.0% over the last five years. The Indian office market still offers comparatively cheaper rentals compared to global hubs. Moreover, office properties in India offer higher rental yields and are available at attractive capital values, significantly lower than global comparable markets.

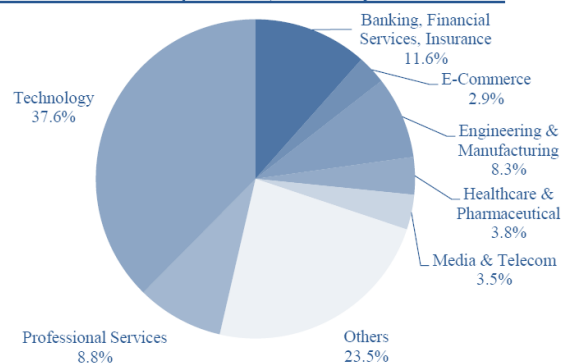
**Rentals and Valuations continue to be attractive for Indian Markets**



**Key driver: Sectoral Demand Trend Analysis**

With strong growth in the Indian services sector and increasing penetration of GCCs providing high value-added services, the Top Seven Indian Markets have attracted a majority of tenants from the technology sector as illustrated below:

**India – Sectoral Absorption Analysis 2015 – Q3 2020 – 253 msf**



**Promoters and Management Details**

BSREP India Office Holdings V Pte. Ltd is the promoter of the company.

Research Disclaimer <https://bit.ly/2RK2tzc>