



IPO Note- Nexus Select Trust REIT

08 May 2023

Nexus Select Trust REIT (Nexus REIT) was registered with SEBI on September 15, 2022, as a real estate investment trust (REIT). They are the owner of India's leading consumption centre platform of high-quality assets that serve as essential consumption infrastructure for India's growing middle class (Source: CBRE Report, by Completed Area). Nexus REIT is expected to be the first publicly listed consumption centre REIT in India upon the listing of their units on the stock exchanges. Their portfolio comprises 17 best-in-class Grade A urban consumption centres with a total Leasable Area of 9.2 msf, two complementary hotel assets (354 keys) and three office assets (1.3 msf) as of 9MFY23.

Key Highlights: -

- Nexus REIT has renowned sponsor (Blackstone Real estate fund with global real estate AUM of US\$326 billion spread across 1,475 msf of leasable area with global expertise and local knowledge (15 years operating experience in India).
- It has a tenant base of 1,044 domestic and international brands with 2,893 stores as of 9MFY23 and is well diversified across cities with no single asset and tenant contributing more than 18.3% and 2.8% of their total Gross Rentals for the month of December 31, 2022, respectively.
- The portfolio enjoys strong embedded growth prospects with Committed Occupancy of 96.2% and 5.7-year WALE as of December 31, 2022.
- Strategically located in prime in-fill locations with high barriers to entry.
- Their tenant base includes marquee global and domestic brands such as Zara, Decathlon, Hamleys, Tata Starbucks, Under Armour, PVR Cinemas and Cinopolis, amongst others. Their top ten brands account for only 20.2% of their Gross Rentals for the month ended December 31, 2022.
- Achieved 7.5% CAGR in Marginal Rents across their Portfolio from CY16 to CY19 (122 bps higher than the average Marginal Rents for the Portfolio Markets)

Key Risks:- 1) A decline in footfalls in its urban consumption centres has in the past, and may in the future, adversely affect its revenues. 2) A significant portion of the company's revenues are derived from a limited number of large tenants. Any conditions that impact these tenants, properties or markets may.

Outlook & valuation – SUBSCRIBE

Nexus Select is a quasi-play on consumption through its high-quality retail assets. At the upper price band, Nexus REIT Price/NAV of 0.78x (December 2022 NAV at | 127.7/unit). It is offering pre-tax yield of ~8% in FY24, at the upper price band. We have a **SUBSCRIBE** recommendation to this issue on the back of a) healthy yields potential, b) rent escalation/repricing and tenant sales and c) potential inorganic growth through assets addition.

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(INR in Cr)	FY20	FY21	FY22	9MFY23
Revenue from Operations	1,622	907	1,318	1,463
NOI	1,083	548	869	1,040
NOI Margin (%)	66.8%	60.4%	66.0%	71.1%
EBITDA	1,077	613	858	934

Source: ABML Research, RHP, company presentation

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Rating	SUBSCRIBE
Issue Details	
Issue Opens	09-May-23
Issue Closes	11-May-23
Price Band (₹)	95-100
Bid Lot	150 units
Issue Size at higher price band (₹ Cr)	3,200
Market cap @ upper price band (₹ cr)	15,150
Listing	NSE/BSE
BRLMs	Axis Capital, BofA Securities, Citigroup Global, HSBC Securities, IIFL Securities, JM Financial, JP Morgan India, Kotak Mahindra Capital, Morgan Stanley, SBI Capital
Registrar	KFin Tech Ltd

Issue Structure (In cr units)

Issue size	32.0
OFS	18.0
Break-up of net issue to public (%):	
Institutional investors	75.0
Non-Institutional investors	25.0

Source: ABML Research, RHP

Analyst Details

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