

Company Overview

Nexus Select Trust is the owner of India's leading consumption center platform of high-quality assets that serve as essential consumption infrastructure for India's growing middle class. Consumption growth has served as a key driver of the Indian economy over the last decade, and its portfolio is well-positioned to benefit from the consumption tailwinds of India's growing middle class and rapid urbanization. The company portfolio offers an attractive opportunity to capitalize on India's consumption growth through a robust business model and diversified asset base that can serve as a natural hedge against inflation. Nexus Select Trust's portfolio comprises 17 best-in-class Grade A urban consumption centers with a total Leasable Area of 9.2 msf, two complementary hotel assets (354 keys), and three office assets (1.3 msf) as of December 31, 2022. Its assets are strategically located across 14 leading cities in India, which constituted 30% of India's total discretionary retail spending in FY20 and had an average population CAGR that was 226 bps higher than the national average from financial years 2011 to 2021. Further, their portfolio has a tenant base of 1,044 domestic and international brands with 2,893 stores as of December 31, 2022. The portfolio is well diversified across cities, with no single asset and tenant contributing more than 18.3% and 2.8% of the total Gross Rentals for December 31, 2022, respectively.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ To used for partial or full repayment and redemption of certain financial loans of the Asset SPVs and the Investment Entity.
- ⇒ Acquisition of stake and redemption of debt securities in certain Asset SPVs.
- ⇒ General corporate purposes.

Investment Rationale

India - Location advantage, demographics and consumption story a near-perfect story at play

Nexus Select Trust's portfolio is located in India, the fifth-largest economy in terms of nominal gross domestic product (GDP), the third-largest economy in terms of purchasing power parity (PPP), and the second-most populous country in the world as of June 30, 2022. The income levels in India are increasing at a rapid pace, which is demonstrated by robust growth in its middle-class and high-income households. As a result, the middle-class household segment (i.e. households earning a total annual income of USD 5,000 to USD 50,000) grew at a 14.8% CAGR between FY10 and FY20. Domestic consumption is a key driver of India's economy. In FY22, consumption expenditure accounted for ~59.6% of India's GDP, which was ~390 bps higher than the world average and ~2,070 bps higher than that of China for the same period. Further, the company with a market-leading presence in prime in-fill locations of 14 prominent cities across India is well-positioned to capitalize upon the consumption growth driven by these megatrends.

India's largest consumption center platform, with best-in-class assets and pan-India presence

Nexus Select Trust owns 17 best-in-class urban consumption centers across 14 cities and is India's largest consumption center platform. The company's pan-India portfolio has a well-diversified presence in prime in-fill locations of 14 prominent cities which represented 30% of India's total discretionary retail spending in FY20. The company has high-quality assets in major cities such as Delhi, Navi Mumbai, Bengaluru, Pune, Hyderabad, and Chennai, and has a strong presence in other prominent cities such as Chandigarh, Ahmedabad, and Bhubaneswar. The asset base is well-diversified across northern, western, and southern India, with the largest asset contributing only 18.3% of gross rentals. Further, the quality and scale of the portfolio and its industry-leading active asset management make them among the preferred options for domestic and multinational retailers and consumers. This has enabled them to maintain high levels of committed occupancy, with strong rent growth and robust tenant sales growth.

Issue Details

Offer Period	9 th May, 2023 - 11 th May, 2023
Price Band	Rs. 95 to Rs. 100
Bid Lot	150
Listing	BSE & NSE
Issue Size (no. of shares in mn)	320
Issue Size (Rs. in bn)	32
Face Value (Rs.)	-

Issue Structure

QIB	75%
Retail	25%

BRLM	Axis Capital, BofA Securities, Citigroup Global, HSBC Securities, IIFL Securities, JM Financial, J P Morgan India, Kotak Mahindra Capital, Morgan Stanley, SBI Capital
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Registrar	KFin Technologies Ltd.
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Nexus Select Trust

Valuation

Nexus Select Trust is the owner of India's leading consumption center platform of high-quality assets that serve as essential consumption infrastructure for India's growing middle class. The company's portfolio offers an attractive opportunity to capitalize on India's consumption growth through a robust business model and diversified asset base that can serve as a natural hedge against inflation. Further, the quality, scale, and reach of their pan-India portfolio, the superior shopping experience, and holistic retail offering have enabled them to achieve a market-leading position, which makes most of their portfolio assets destinations of choice for leading brands that are looking to expand in India. A majority of their portfolio assets are market leaders in their respective submarkets and serve as shopping, entertainment, and social destinations for their respective catchments. As a result, Nexus REIT enjoyed a 96.2% average Committed Occupancy across their portfolio as of December 31, 2022, and 11% CAGR in tenant sales from FY18 to FY20. The NAV per unit stood as of 31 December 2022 stood at Rs. 127.73. At the upper price band of Rs. 100 per unit, the issue looks attractive. Moreover, considering the three listed office REITs, Nexus Select Trust offers a differentiated exposure to investors due to its retail assets. The company will also declare and distribute at least 90% of the net distributable cash flows of the Nexus Select Trust as distributions to the unitholders. **We, therefore, recommend a "SUBSCRIBE" rating for the long term.**

Key Risks

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



Nexus Select Trust

Income Statement (Rs. in millions)

Particulars	FY20	FY21	FY22	9MFY23
Revenue				
Revenue from Operations	16,220	9,070	13,182	14,631
Total Revenue	16,220	9,070	13,182	14,631
Expenses				
Cost of raw material and components consumed	159	69	107	133
Purchases of Stock-in-Trade	63	5	283	318
Changes in inventory	-	-	-	-
Employee benefit expenses	1,168	954	1,127	701
Other expenses	4,919	3,321	3,888	4,491
Total Operating Expenses	6,310	4,349	5,405	5,642
EBITDA	9,910	4,720	7,777	8,990
Depreciation and Amortization expenses	2,614	2,513	2,429	1,749
Other income	862	1,410	803	352
EBIT	8,158	3,617	6,151	7,593
Finance costs	5,600	5,535	5,240	4,212
Exceptional Item	0	-163	-215	0
PBT	2,558	-2,081	696	3,381
Total tax	488	-111	833	861
PAT	2,067	-1,991	-110	2,570

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY20	FY21	FY22	9MFY23
Cash Flow from operating activities	9,106	4,133	7,475	8,911
Cash flow from investing activities	-10,082	749	-2,707	-665
Cash flow from financing activities	1,060	-4,028	-4,382	-8,419
Net increase/(decrease) in cash and cash equivalents	85	853	386	-173
Cash and cash equivalents at the beginning of the period	1,571	1,656	2,509	2,896
Cash and cash equivalents at the end of the period	1,656	2,509	2,896	2,723

Source: RHP, BP Equities Research



Nexus Select Trust

Balance Sheet (Rs. in millions)

Particulars	FY20	FY21	FY22	9MFY23
Equity and Liabilities				
Equity Share Capital	2,246	2,480	3,249	2,065
Other Equity	21,009	14,141	13,990	16,491
Non-controlling interest				
Total Equity	23,255	16,622	17,238	18,557
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	55,865	59,997	59,507	55,817
(ii) Lease Liabilities	135	108	88	84
Deferred tax liability (net)	2,694	2,601	2,775	2,807
Provisions	47	48	50	41
Other non current liabilities	1,826	1,090	1,112	1,773
Current Liabilities				
Financial Liabilities				
(i) Borrowings	3,688	2,808	3,577	2,848
(ii) Lease Liabilities	27	28	23	16
(iii) Trade Payable	1,175	969	814	1,005
(iv) Other financial liabilities	5,349	4,693	4,988	6,065
Current tax liabilities (net)	485	41	122	36
Provisions	77	74	93	92
Other current liabilities	654	515	511	755
Total Current Liabilities	11,455	9,128	10,128	10,816
Total liabilities	72,021	72,972	73,659	71,339
Total Equity and Liabilities	95,276	89,594	90,898	89,895
Assets				
Non-Current Assets				
Property, plant and equipment	4,520	4,234	4,206	4,085
Capital work in Progress	0	206	0	42
Right of Use assets	154	126	97	85
Intangible Assets	2,251	2,251	2,251	2,251
Intangible assets under development	156	133	165	214
Other investments	67,745	66,612	65,782	65,081
Financial Assets				
(i) Investments	159	293	137	0
(ii) Other financial assets	6,430	2,035	1,786	1,704
Income tax assets (net)	1,270	772	1,093	802
Deferred tax assets (net)	304	328	499	715
Other non current assets	307	191	209	184
Total Non current assets	83,295	77,181	76,224	75,162
Current Assets				
Inventories	1,426	1,487	1,247	565
Investments	1,431	1,637	1,655	1,536
(i) Trade Receivables	1,358	1,490	1,161	1,104
(ii) Cash and cash equivalents	4,100	4,329	6,541	7,352
(iii) Other financial assets	2,998	2,912	3,473	2,977
Other current assets	669	558	597	1,199
Total Current Assets	11,982	12,413	14,674	14,733
Assets held for sale				
Total Assets	95,276	89,594	90,898	89,895

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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