

RETAIL EQUITY RESEARCH

Nexus Select Trust

REIT

SENSEX: 61,054

NIFTY: 18,069

SUBSCRIBE

Price Range Rs. 95 - Rs. 100

First RIET in Indian retail consumption space...

Nexus Select Trust (NST) is the owner of India’s leading consumption centre platform, comprising 17 Grade-A best-in-class urban consumption centres with a total leasable area of 9.2 msf spread across 14 leading cities in India such as Delhi, Navi Mumbai, Bengaluru, Pune, Hyderabad, and Chennai. The NST’s portfolio is highly stabilized, with a committed occupancy of 96.2% and 5.7-year WALE (weighted average lease expiry) as of December 31, 2022. Their portfolio has a tenant base of 1,044 domestic and international brands with 2,893 stores as of 9MFY23.

- Consumption accounted for ~60% of India’s GDP in FY22 and has grown at 10% CAGR between CY14-21, led by strong tailwinds like young population, growing middle class, and rapid urbanisation.
- As one of the leading consumption centre platform in India (by completed area), NST’s portfolio is well-positioned to capitalise on strong consumption growth, powered by marquee tenant base and consumer outreach initiatives.
- Over the last four years, NST has leased 4.2 msf with addition of 408 new brands, achieved an average re-leasing spread of 19.2% on ~ 2.9 msf.
- The LTV (Loan to Value) is expected to reduce ~20% as a part of the net IPO proceeds will be utilised for debt reduction. This provides flexible headroom for future acquisitions. NST has acquired 17 malls in the last 7 years and aims to double acquisitions going forward.
- The current offering appears to be reasonable at a NAV (Net Asset Value) of Rs.18,310cr (as of Dec 31, 2022) with a current dividend yield of ~8%, which is higher than fixed deposits & G-sec.
- Considering the strong growth story in consumption space, healthy projected net operating income (NOI) growth of ~17% over FY24-26E, capital appreciation prospects, and healthy balance sheet with lower LTV ratio, we assign a “Subscribe” rating on a long term basis.

Purpose of IPO

The offer comprises of a fresh issue and an offer for sale. The fresh issue is of ₹1,400cr out of which ₹250cr would be used for partial or full repayment of certain financial loans of the Asset SPVs and the Investment Entity; ₹1,050cr would be used for acquisition of stake and redemption of debt securities in certain Asset SPVs; and the balance would be used for general corporate purposes. The offer for sale is for ₹1,800cr.

Key Risks

- A decline in footfalls may impact the business.
- Vulnerability to external factors including outbreak of pandemic.
- Possible increase in leverage due to future acquisitions.

| Issue Details | |
|---------------------------|--|
| Date of opening | May 9, 2023 |
| Date of closing | May 11, 2023 |
| Total Units offered (cr.) | 32.0 |
| Price Band | ₹95 - ₹100 |
| Face Value | Nil |
| Bid Lot | 150 units and in multiple thereof |
| Listing | BSE,NSE |
| Sponsor | Wynford Investment Ltd. |
| Investment Manager | Nexus Select Mall Management Pvt Ltd. |
| Trustee | Axis Trustee Services |
| Lead Managers | BofA Securities India, Axis Capital, Citi Group Global Markets India, HSBC Securities and Capital Markets India, IIFL Securities, JM Financial, J.P Morgan India Pvt Ltd, Kotak Mahindra Capital Company, Morgan Stanley India Company, SBI Capital Markets Ltd. |
| Registrar | KFin Technologies Ltd. |

| Issue size (upper price) | | Rs.Cr |
|--------------------------|----------------|------------|
| Fresh Issue | | 1,400 |
| OFS | | 1,800 |
| Total Issue | | 3,200 |
| Issue structure | Allocation (%) | Size Rs.cr |
| Institutional Investors | 75 | 2,400 |
| Non-Institutional | 25 | 800 |
| Total | 100 | 3,200 |

| Y.E March (Rs cr) Consol. | FY21 | FY22 | 9MFY23 |
|---------------------------|-------|-------|--------|
| Sales | 907 | 1,318 | 1,463 |
| Growth (%) | -44.1 | - | - |
| EBITDA | 472 | 778 | 899 |
| Margin(%) | 52 | 59 | 61 |
| PAT Adj. | -199 | -11 | 257 |
| Growth (%) | -196 | - | - |

| Y.E March (Rs cr) Consol. | FY24E | FY25E | FY26E |
|------------------------------------|-------|-------|-------|
| Sales | 2,146 | 2,318 | 2,494 |
| Net Operating Income (NOI) | 1,639 | 1,782 | 1,916 |
| EBITDA | 1,539 | 1,673 | 1,809 |
| Cash Flow from Operating Activity | 1,480 | 1,581 | 1,693 |
| Net Distributable Cash Flow (NDCF) | 1,212 | 1,313 | 1,412 |
| Units Post Issue (cr) | 151.5 | 151.5 | 151.5 |
| Pay-out (Rs/Unit) | 8.0 | 8.7 | 9.3 |
| Pay-out @90% of NDCF | 7.2 | 7.8 | 8.4 |
| Yield at CMP Rs 100 | 7% | 8% | 8% |
| Pay-out @100% of NDCF | 8.0 | 8.7 | 9.3 |
| Yield at CMP Rs 100 | 8% | 8.7% | 9.3% |

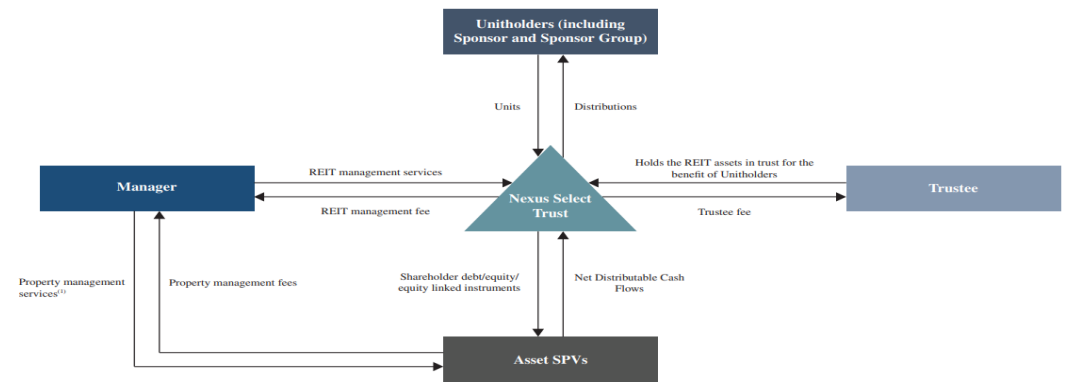


Background of Nexus Select Trust REIT

The Nexus Select Trust is registered with SEBI on September 15, 2022, as a real estate investment trust (REIT). Currently, Wynford Investments Limited (a portfolio company of a Blackstone Incorporation) is the sponsor of the Nexus Select Trust. Nexus Select Trust REIT (Nexus REIT) is 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. The Portfolio comprises 17 best-in-class Grade A urban consumption centres with a total Leasable Area of 9.2 msf, 2 complementary hotel assets (354 keys) and 3 office assets (1.3 msf) as of December 31, 2022. Their assets are strategically located across 14 leading cities in India, which constituted 30% of India’s total discretionary retail spending in FY20.

Nexus Select Mall Management Private Limited has been appointed as the manager to the Nexus Select Trust. Axis Trustee Services Limited has been appointed as the Trustee to the Nexus Select Trust. Pursuant to the Initial Portfolio Acquisition Transactions, the Portfolio is proposed to be held through the Asset SPVs and the Investment Entity, in accordance with the REIT Regulations.

Structure of REIT

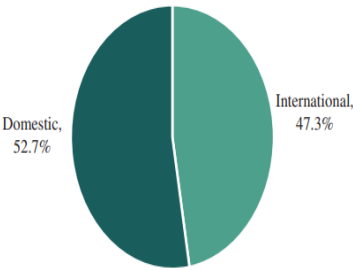


(1) Operation and management for the hotel assets forming part of the Portfolio (i.e., Hyatt Regency Chandigarh and Oakwood Residence Whitefield Bangalore) will be undertaken by third parties

Source: Geojit Research, RHP

Highly occupied & Reputed tenant profile...

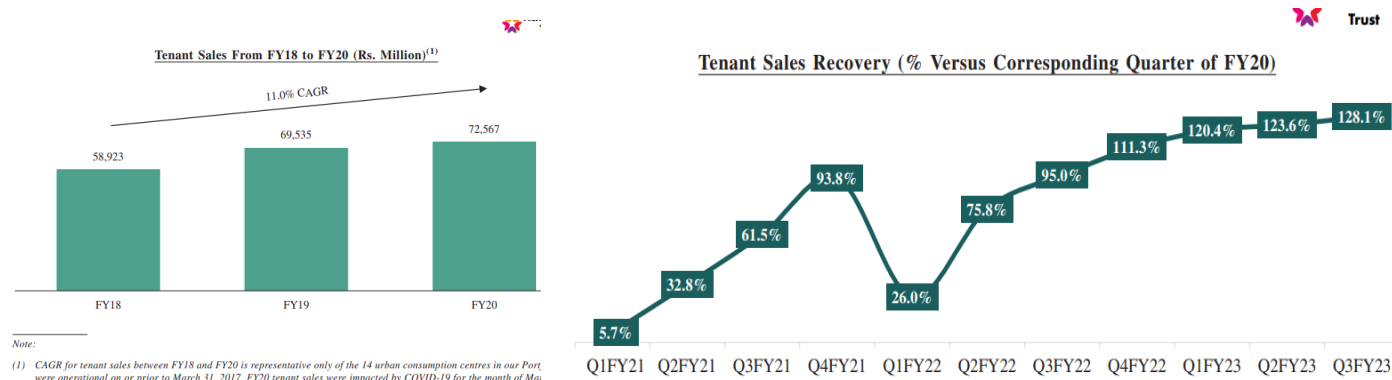
NST’s assets has 93.9% Same-store Committed Occupancy as of June 30, 2022 (276 bps higher than assets across its Portfolio Markets) (Source: CBRE Report) with an average WALE of 5.7 years. Nexus Select REIT has a diversified tenant base of 1,044 retail tenants across 2,893 stores as of December 31, 2022, comprising a mix of leading international brands including Zara, ALDO, Superdry, and Marks & Spencer, and Indian brands including Croma, Shoppers Stop, PVR Cinemas and Forest Essentials. Approximately 47.3% of Gross Rentals in the month ended December 31, 2022 were from international brands and approximately 52.7% were from domestic Indian brands.



Source: Geojit Research, RHP

| Top Ten Tenants by Gross Rentals | No. of Stores in our Portfolio | Leasable Area (sf) | Gross Rentals (%) | WALE (Years) | Trade Categories |
|----------------------------------|--------------------------------|--------------------|-------------------|--------------|-------------------------|
| 1 Lifestyle | 8 | 442,663 | 2.8% | 8.8 | Departmental Store |
| 2 Cinepolis | 6 | 362,349 | 2.6% | 17.8 | Entertainment |
| 3 PVR Cinemas | 8 | 502,062 | 2.5% | 7.0 | Entertainment |
| 4 Westside | 9 | 285,317 | 2.1% | 7.0 | Apparel and Accessories |
| 5 Zara | 3 | 119,823 | 2.0% | 7.5 | Apparel and Accessories |
| 6 Shoppers Stop | 5 | 283,366 | 1.8% | 15.1 | Departmental Store |
| 7 Max | 14 | 230,747 | 1.7% | 6.4 | Apparel and Accessories |
| 8 Smart Bazaar | 6 | 310,030 | 1.6% | 10.8 | Hypermarket |
| 9 Swedish Apparel Retailer Chain | 8 | 229,120 | 1.6% | 21.9 | Apparel and Accessories |
| 10 Reliance Trends | 12 | 215,124 | 1.5% | 5.1 | Apparel and Accessories |
| Total/Average of Top Ten Tenants | 79 | 2,980,600 | 20.2% | 10.7 | |

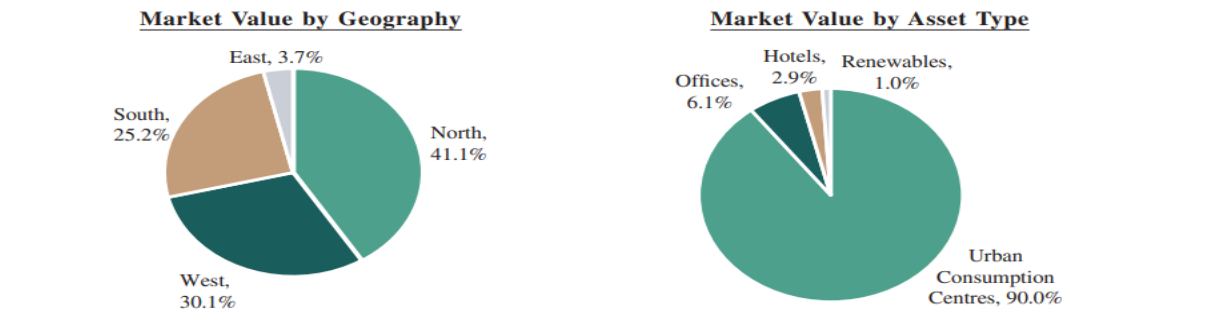
Tenant Sales



Source: Geojit Research, RHP

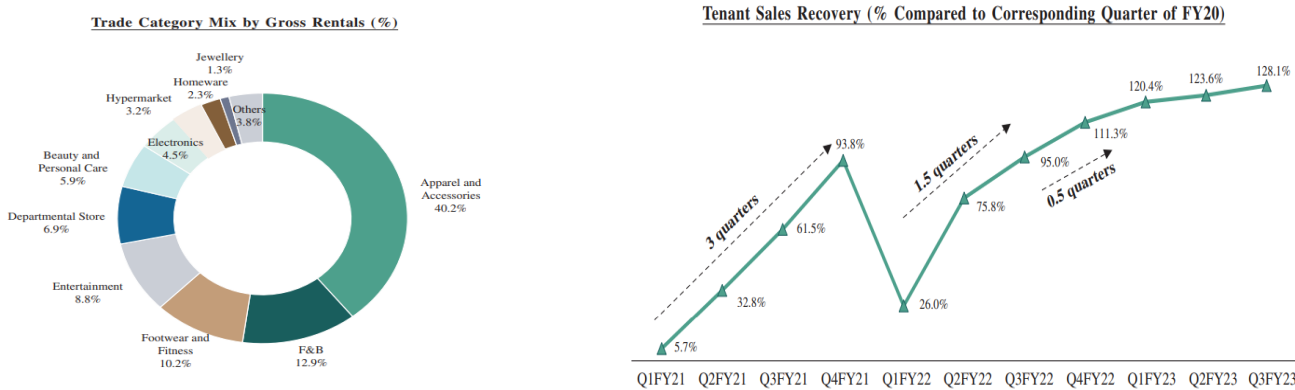
Market value of Nexus portfolio....

Market Value of the Portfolio as of December 31, 2022 as per the Valuer is Rs. 235 bn, as shown in further detail below.



Source: Geojit Research, RHP

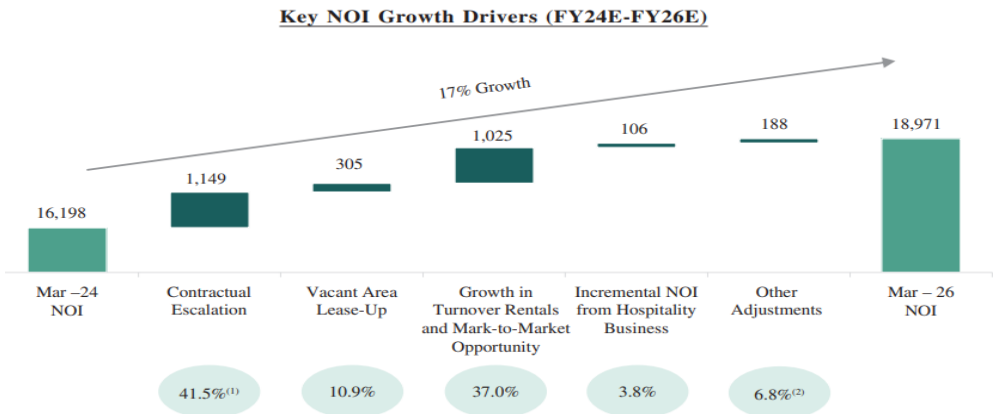
Tenant category mix.



Source: Geojit Research, RHP

Capitalize on Portfolio’s embedded organic growth opportunities

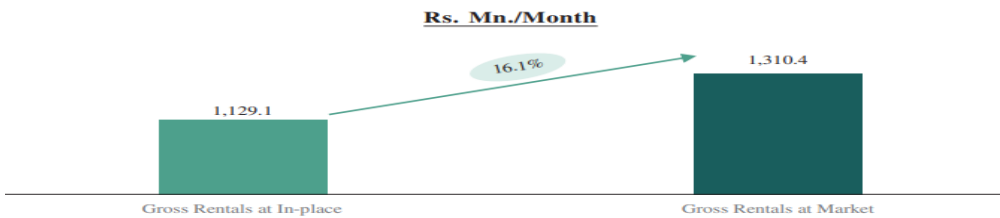
NST’s Portfolio is well-positioned for strong organic growth through a combination of contractual rent escalations, increased tenant sales leading to higher Turnover Rentals, re-leasing at higher market rents (the company estimates Market Rents for properties are on average 16.1% higher than In-place Rents as of December 31, 2022) and lease-up of vacant area. Over the projections period, 89.4% of the projected increase in NOI is expected to result from contractual rent escalations, lease-up of vacant area, growth in Turnover Rentals and re-leasing at market rents, as illustrated below:



Source: Geojit Research, RHP

Mark-to-Market Opportunity:

As of December 31, 2022, the average monthly In-place Rent across the Portfolio is Rs. 122.5 psf compared to estimated Market Rent of Rs. 142.2 psf, resulting in mark-to-market potential of 16.1% on the Gross Rentals.



Source: Geojit Research, RHP

Portfolio as on 31st December, 2022

| Name of Asset | Leasable Area (msf)/Keys (for Hotels)/MW (for Renewable Power Plants) (as applicable) | Committed Occupancy/Office Occupancy/Hotel Occupancy ⁽¹⁾ (as applicable) | Market Value (Rs. million) | % of Gross Portfolio Market Value | WALE (Years) |
|---|--|---|----------------------------------|--|--|
| Urban Consumption Centres | | | | | |
| Select Citywalk | 0.51 msf | 98.8% | 45,519 | 19.4% | 4.9 |
| Nexus Elante | 1.25 msf | 99.4% | 38,672 | 16.5% | 5.5 |
| Nexus Seawoods | 0.97 msf | 99.0% | 22,169 | 9.4% | 7.1 |
| Nexus Ahmedabad One ⁽²⁾ | 0.88 msf | 96.4% | 19,561 | 8.3% | 6.0 |
| Nexus Hyderabad | 0.83 msf | 98.8% | 16,896 | 7.2% | 4.2 |
| Nexus Koramangala | 0.30 msf ⁽³⁾ | 97.8% | 8,352 | 3.6% | 3.3 |
| Nexus Vijaya | 0.65 msf | 99.4% | 12,565 | 5.3% | 4.2 |
| Nexus Westend | 0.44 msf | 95.9% | 8,444 | 3.6% | 7.8 |
| Nexus Esplanade | 0.42 msf | 97.0% | 8,617 | 3.7% | 7.7 |
| Nexus Amritsar | 0.54 msf | 97.2% | 6,326 | 2.7% | 6.7 |
| Nexus Shantiniketan | 0.41 msf ⁽⁴⁾ | 97.3% | 5,953 ⁽⁴⁾ | 2.5% | 6.9 |
| Nexus Whitefield | 0.31 msf | 94.7% | 3,681 | 1.6% | 4.7 |
| Nexus Celebration | 0.40 msf | 94.6% | 4,557 | 1.9% | 5.0 |
| Fiza by Nexus | 0.49 msf ⁽⁵⁾ | 71.7% | 2,881 ⁽⁵⁾ | 1.2% | 5.1 |
| Nexus Centre City | 0.33 msf | 97.8% | 2,714 | 1.2% | 6.7 |
| Nexus Indore Central | 0.24 msf | 90.4% | 2,007 | 0.9% | 13.7 |
| Portfolio Investment | | | | | |
| Treasure Island | 0.22 msf ⁽⁶⁾ | 96.8% | 2,552 ⁽⁶⁾ | 1.1% | 5.1 |
| Subtotal Urban Consumption Centres | 9.18 msf | 96.2% | 211,466 | 90.0% | 5.7 |
| Offices | | | | | |
| Westend Icon Offices | 0.98 msf | 74.9% | 11,442 | 4.9% | 3.5 |
| Vijaya Office | 0.19 msf | 100.0% | 1,823 | 0.8% | 3.2 |
| Elante Office | 0.09 msf | 75.1% | 1,059 | 0.5% | 4.6 |
| Subtotal Offices | 1.26 msf | 78.7% | 14,324 | 6.1% | 3.6 |
| Hotels | | | | | |
| Hyatt Regency Chandigarh | 211 keys | 66.2% | 4,908 | 2.1% | NA |
| Oakwood Residence Whitefield Bangalore | 143 keys | 73.0% | 1,882 | 0.8% | NA |
| Subtotal Hotels | 354 keys | 69.0% | 6,790 | 2.9% | NA |
| Renewable Power Plants | | | | | |
| Karnataka Solar Park | 15 MW (AC) | NA | 2,413 | 1.0% | NA |
| Subtotal Renewable Power Plants | 15 MW (AC) | NA | 2,413 | 1.0% | NA |
| Power Plants | | | | | |
| Total Portfolio | 9.18 msf⁽⁷⁾ (Urban Consumption Centres) | 96.2% (Urban Consumption Centres) | 234,993 | 100.0% | 5.7 (Urban Consumption Centres) |
| | 1.26 msf (Offices) | 78.7% (Offices) | | | 3.6 (Offices) |
| | 354 keys (Hotels) | 69.0% (Hotels) | | | |
| | 15 MW⁽⁸⁾ (AC) (Renewable Power Plants) | | | | |

Notes:

(1) Hotel Occupancy representative of the twelve month period ended December 31, 2022.

(2) Includes Nexus Ahmedabad One Phase II (0.2 msf; 84.0% Committed Occupancy as at December 31, 2022), which launched operations in August 2021. Committed Occupancy excluding Nexus Ahmedabad One Phase II was 99.1% as of December 31, 2022.

(3) Operational data presented above represents NHRPL's economic interest as of December 31, 2022 in 302,063 sq.ft of Leasable Area in Nexus Koramangala arising out of its (i) ownership interest over 260,295 sq.ft. of Leasable Area, (ii) short term leasehold rights over 13,656 sq.ft. of Leasable Area valid until March 31, 2028; and (iii) revenue share entitlements with respect to 28,112 sq.ft. of Leasable Area valid until March 31, 2028. For further details, see "Management Framework—Commercial arrangements with JD Partners" on page 344.

(4) The total Leasable Area and Market Value of Nexus Shantiniketan is 0.63 msf and Rs. 9,172 million, respectively, and the numbers indicated in the above table represent the Leasable Area and Market Value of the asset adjusted for our share of economic interest in the asset.

(5) The total Leasable Area and Market Value of Fiza by Nexus is 0.72 msf and Rs. 4,236 million, respectively, and the numbers indicated in the above table represent the Leasable Area and Market Value of the asset adjusted for our share of economic interest in the asset.

(6) The total Leasable Area and Market Value of Treasure Island is 0.43 msf and Rs. 5,104 million, respectively, and the numbers indicated in the above table represent the Leasable Area and Market Value of the asset adjusted for our share of economic interest in the asset.

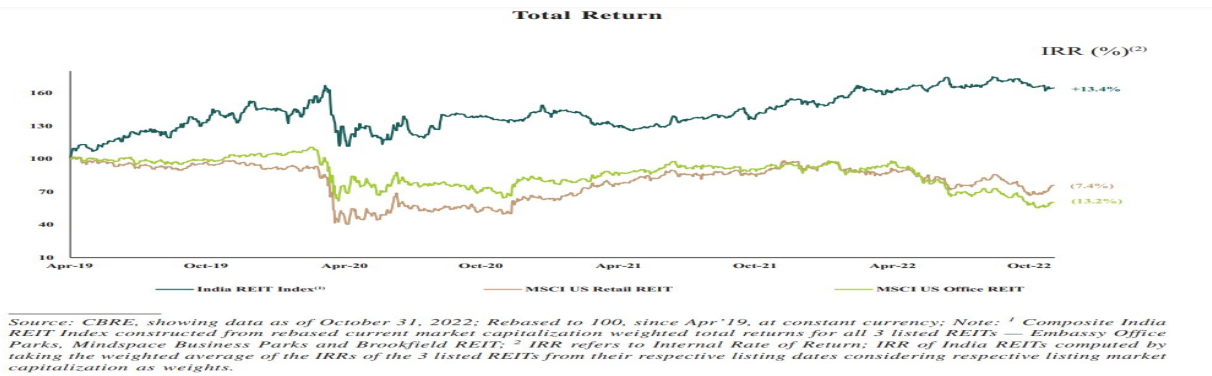
(7) The total Leasable Area of the assets comprising our Portfolio (including 100% interest in Nexus Shantiniketan, Fiza by Nexus and Treasure Island) is 9.85 msf.

(8) Excluding our Asset SPVs' renewable power plants of 22.1 MW (AC) which have been set up for captive consumption.



Overview of REITs in India

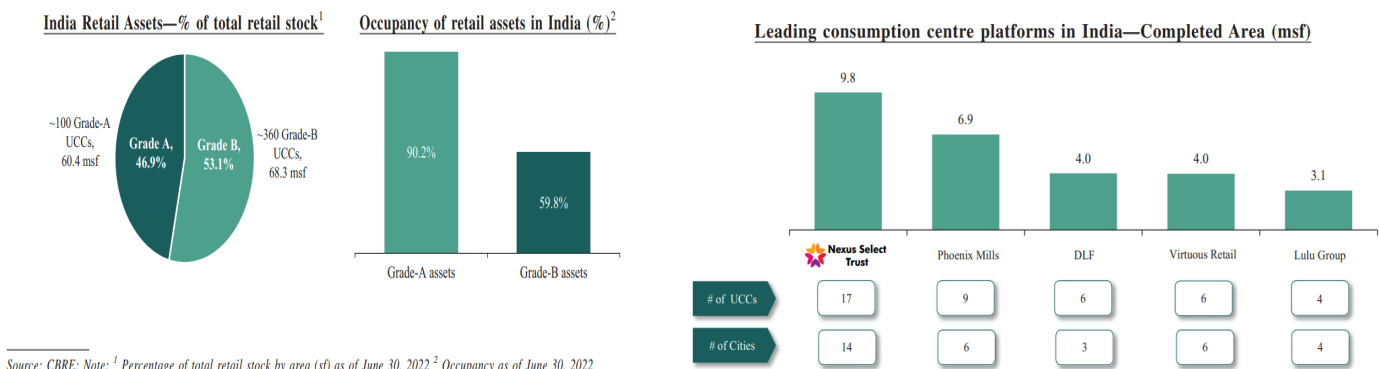
Currently, there are three listed REITs in the Indian market, all of which are office REITs. As such, there is currently no listed retail REIT in India. Indian REITs have significantly outperformed its global peers, delivering an IRR of 13.4% since April 2019, outperforming US office REITs by 2,662 bps.



Source: Geojit Research, RHP

Overview of Indian Real Estate market

As of June 30, 2022, approximately 46.9% (approximately 100 UCCs, which represents 21.2% of total UCCs in India) of overall retail stock in India are classified as Grade-A and the occupancy for these Grade-A assets is 90.2% which is 3,032 bps higher than the occupancy of Grade-B assets. Nexus Select Trust is India's leading consumption centre platform with 9.8 msf1 retail area spread across 17 UCCs and 14 cities. The market is fragmented with over 35% Grade A UCCs owned by independent developers as of June 30, 2022.

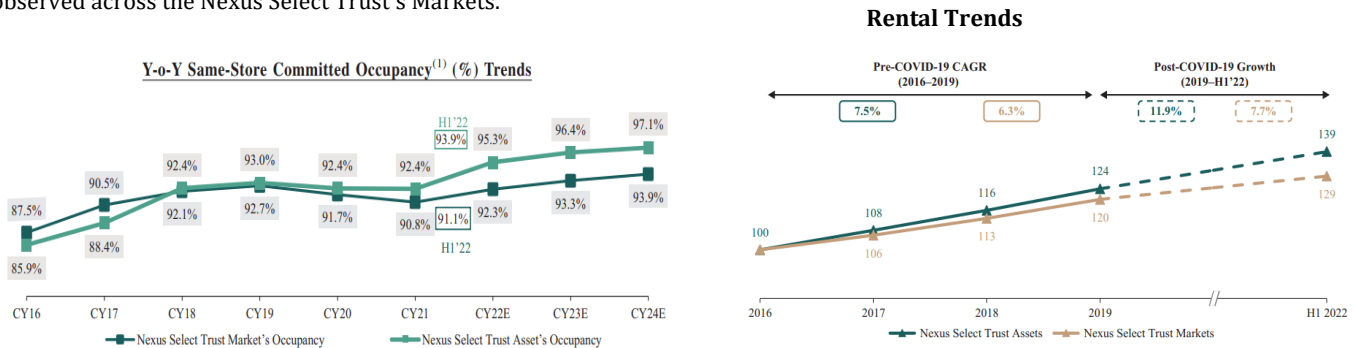


Source: Geojit Research, RHP

Overview of Nexus Select Trust Markets

The Nexus Select Trust portfolio is located in 14 cities of India (Ahmedabad, Amritsar, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Delhi, Hyderabad, Indore, Mangaluru, Mysuru, Navi Mumbai, Pune and Udaipur) which includes key metropolitans, financial centres, political capital, education hubs, major tourist destinations and technology hubs. These cities contribute to 30.0% of discretionary retail spend in India (Source: Technopak).

The Nexus Select Trust's assets have consistently maintained over 90.0% Same-Store Committed Occupancy¹ post-CY17. As of June 30, 2022 it achieved Same-Store Committed Occupancy¹ levels of 93.9%, 276 bps higher than the average Same-Store Committed Occupancy¹ observed across the Nexus Select Trust's Markets.



Source: Geojit Research, RHP

Nexus Select Trust's Assets marginal rentals have grown at a CAGR of 7.5% from CY2016 to CY2019 (approximately 122 bps higher than market). Post-COVID-19, Nexus Select Trust's Assets has witnessed robust rental growth of 11.9% (approx. 419 bps higher than marginal rent growth).

CONSOLIDATED FINANCIALS

PROFIT & LOSS

| Y.E March (Rs cr) | FY21 | FY22 | 9MFY23 |
|-------------------|-------|-------|--------|
| Sales | 907 | 1,318 | 1,463 |
| % change | -44.1 | - | - |
| EBITDA | 472 | 778 | 899 |
| % change | -52 | - | - |
| Depreciation | 251 | 243 | 175 |
| EBIT | 221 | 535 | 724 |
| Interest | 553 | 524 | 421 |
| Other Income | 141 | 80 | 35 |
| Exceptional items | -18 | -19 | 5 |
| PBT | -210 | 72 | 343 |
| Tax | -11 | 83 | 86 |
| PAT | -199 | -11 | 257 |
| % change | -196 | - | - |

BALANCE SHEET

| Y.E March (Rs cr) | FY21 | FY22 | 9MFY23 |
|------------------------|-------|-------|--------|
| Cash | 433 | 654 | 735 |
| Accounts Receivable | 149 | 116 | 110 |
| Inventories | 149 | 125 | 56 |
| Other Cur. Assets | 288 | 336 | 323 |
| Investments | 6,884 | 6,814 | 6,756 |
| Deff. Tax Assets | 110 | 159 | 152 |
| Net Fixed Assets | 436 | 430 | 417 |
| CWIP | 21 | 0 | 4 |
| Intangible Assets | 226 | 226 | 226 |
| Other Assets | 265 | 229 | 209 |
| Total Assets | 8,959 | 9,090 | 8,990 |
| Current Liabilities | 148 | 133 | 176 |
| Provisions | 282 | 304 | 310 |
| Debt Funds | 6,393 | 6,418 | 6,038 |
| Other Fin. Liabilities | 469 | 499 | 606 |
| Deferred Tax liability | 4 | 12 | 4 |
| Equity Capital | 248 | 325 | 206 |
| Reserves & Surplus | 1,414 | 1,399 | 1,649 |
| Shareholder's Fund | 1,662 | 1,724 | 1856 |
| Total Liabilities | 8,959 | 9,090 | 8,990 |

General Disclosures and Disclaimers

CERTIFICATION

We, Sheen G and Rajeev T, author (s) of this Report, hereby certify that all the views expressed in this research report reflect my personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of GeoJit Financial Services Limited, hereinafter referred to as GeoJit.

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It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

he, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

he, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered

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It is affirmed that We, Sheen G and Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

7. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

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