

## NEXUS SELECT TRUST REIT

09 May, 2023 - 11 May, 2023

**Industry: Real estate REIT**

**Recommendation: Subscribe for long term**

**Price Band: ₹ 95 - 100**

### Key Data

Issue Size (₹ Cr)	3200
Fresh	1400
OFS	1800
No of Units (₹ Cr)	32
Bid Lot	150
Minimum Amount (₹)	15000

### About the Company

Nexus Select Trust (NST) is India's first retail asset focused real estate investment trust (REIT) sponsored by global investment giant Blackstone. NST is basically engaged in the mall development in retail consumption space on a Pan India basis. NST would be the fourth REIT to make its debut on the Indian stock markets and the first in the retail space since the other three listed REITs are in the commercial sector. Nexus Select Trust has a portfolio of 17 operational shopping centers throughout 14 major cities, totaling 9.8 million square feet, with 96% of its properties under lease and a diverse mix tenant base of domestic and international brands with two complementary hotel assets (354 keys) and three office assets (1.3 msf) as of December 31, 2022. NST's diverse tenant mix in industries such as fashion & accessories, hypermarket, entertainment, and food and drinks. Recently Apple opened its 2nd India retail store in April - 2023, at Select Saket (New Delhi) indicates the preference enjoyed by this group. Shopping centers are located in major cities of India such as Delhi, Navi Mumbai, Bengaluru, Pune, Hyderabad, and Chennai.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	16-05-2023
Refunds/Unblocking ASBA Fund	17-05-2023
Credit of equity shares to DP A/c	18-05-2023
Trading commences	19-05-2023

### Investment Rational

#### Well Diversified Tenant base:

Company have a well-diversified tenant base of 1044 domestic and international brands with 2,893 stores as of Dec 31, 2022 and is also well diversified across cities with no single asset and tenant contributing more than 18.3% and 2.8% of our total Gross Rentals for the month of Dec 31, 2022. With the Advantage of location and their proactive leasing approach they have enabled them to get Marque Brands and healthy mix of tenants across Sectors. Sectors such as apparel, accessories, hypermarket, entertainment, food and beverages (F&B) and Brands such as PVR Cinemas, Croma, Shoppers Stop, Max and International brands like Zara, ALDO, Superdry, and Marks & Spencer provide a holistic shopping and entertainment offering to consumers.

#### Prime Fill Location area with High Entry Barrier:

Nexus Select trust Reit portfolio includes 17 best Grade A urban consumption centres which are strategically located across 14 major cities such as Delhi, Navi Mumbai, Bengaluru, Pune, Hyderabad and Chennai. These high quality assets are in city-centre locations in close proximity to dense residential catchments and are well-connected to key transport and social infrastructure. Their portfolio is difficult to replicate which makes a high entry barrier due to limited availability of large land parcels in in-fill locations, land aggregation complexities, long gestation periods and specialized capabilities required to stabilize large urban consumption centre projects. The strong demand coupled with limited supply is expected to continue with only 9.6 msf of new supply expected until 2024, which is expected to result in a decline in average vacancy by 271 bps as compared to CY21.

#### Disciplined acquisition strategy with a strong balance sheet:

Companies has a track record of executing value-accretive acquisitions. They have core strategy of acquiring, owning and managing best-in-class retail assets within submarkets that have attractive fundamentals. In addition to acquisitions, they intend to undertake strategic expansions within their existing assets to enhance the value of their Portfolio. Company believe that owning the best retail assets in India's top submarkets will allow them to generate robust cash flow growth with strong long-term returns and listing the Units will a strong balance sheet with low levels of leverage resulting in high flexibility in capital structure.

#### Distribution Policy:

As per the Distribution Policy the company shall declare and distribute 100% distribution vs Minimum 90% requirement for any REITs as distribution to unit holders. Such distributions shall be declared and made not less than once every six months in every Financial Year. Further, in accordance with the REIT Regulations, REIT Distributions shall be made no later than 15 days from the date of such declarations. The REIT Distributions, when made, shall be made in Indian Rupees.

### Sponsor / Manager / Trustee Details

#### Sponsor:

Wynford Investments Ltd (a portfolio company of a Blackstone Inc. ("Blackstone") real estate fund)

#### Manager :

Nexus Select Mall Management Pvt Ltd

#### Trustee:

Axis Trustees Services Ltd

### Other Details:

**BRLMs:** BofA Securities, Citigroup Global, HSBC Securities, IIFL Securities, JM Financial, J P Morgan India, Kotak Mahindra Capital, Morgan Stanley, SBICapital

**Registrar:** Kfin Technologies Ltd

### Issue Breakup

QIB	75%
NIB	0%
Retail	25%

Listing: BSE & NSE

### Research Analyst

Rajan Shinde  
 rajan.shinde@mehtagroup.in  
 022-61507142

### Risk

- Any changes in REIT Taxation framework would add risk in Unit holders.
- Any changes in Property tax is a substantial cost would affect cost management.
- Any alteration in distribution policy would be a part of risk to unit holders

### Mview

We believe Nexus Select Trust REITs IPO offer gives investors a unique investment opportunity to invest and participate in India's First of its kind retail asset focused REITs. The trust is well positioned for growth potential of India's retail consumption space with substantial high growth opportunities as a result of higher contractual rentals, increasing tenant sales, higher turnover rentals, and re-leasing at higher market rates which would improve profitability year on year. Over and above the traditional rental revenue model, Nexus has a unique kicker model of higher top line by participating in tenant's incremental sales which can bring in additional topline. Along with the raise in rentals, management has also committed the unit holder for a 100% distribution vs Minimum 90% requirement for any REITs as distribution to unit holders, which would boost up the yields substantially and keep it higher when compared to other listed REITs and also with any other traditional fixed income instruments making it an attractive investment opportunity in the long term investors. Hence considering all rationales and investor-friendly pricing, we recommend investors who are looking for steady approx. ~8.5% pre-tax yields along with healthy capital appreciation on holdings should consider to grab this opportunity and subscribe to the IPO with a medium to long-term investment horizon.



## CONSOLIDATED FINANCIAL TABLES

Particulars ₹ (in Cr)	2020	2021	2022	Dec'31 (2022)
Equity Share Capital	225	248	325	207
Reserve as Stated	2101	1414	1399	1649
Net Worth as stated	2326	1662	1724	1856
Revenue from Operations	1622	907	1318	1463
Revenue Growth (%)		-44%	45%	11%
EBITDA as stated	991	472	778	899
Profit Before Tax	256	-192	91	338
Net Profit	207	-199	-11	257
EPS (Rs)	0.9	-	-	1.2
RONW (%)	9%	-	-	14%
NAV (Rs)	-	-	-	127.7

Sr.No.	Name	Types of Assets	IPO Date	Dividend Distribution Year	Dividends	IPO Price	Current* Price	Yield	Absolute Returns
1	Embassy Office Parks REIT	Commercial	18-Mar-19	2023	21.76	300	312	7.0%	4%
2	Mindspace Business Parks REIT	Commercial	27-July-20	2023	18.74	275	322	5.8%	17%
3	Brookfield India Real Estate Trust REIT	Commercial	03-Feb-21	2023	20.30	275	274	7.4%	-0.4%

\*Prices As on 8th May 2023





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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India Tel: +91 22 6150 7101, Fax: +91 22 6150

Kindly Contact Mehta Equities Ltd :

7102 Email: [info@mehtagroup.in](mailto:info@mehtagroup.in), Website: [www.mehtagroup.in](http://www.mehtagroup.in)

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