

Rating matrix

Rating: **Subscribe only for long term**

Issue Details

Issue Opens	18-Mar-19
Issue Closes	20-Mar-19
Issue Size (₹ Crore)	4,750
Price Band (₹)	299-300
Institutional (%)	61
Strategic	19
Non-Institutional (%)	20
Minimum lot size (No. of shares)	Min. 800 units and in multiple of 400 units thereafter

Objects of the issue

Objects of the Issue

Partial or full repayment or pre-payment of bank/ financial institution debt of certain Asset SPVs and by the Investment Entity ₹ 3710 crore

Payment of consideration for acquisition of the Embassy One Assets currently held by EODPL ₹ 460 crore

General purposes ₹ 580 crore

Financial Summary

₹ Crore	FY19E	FY20E	FY21E
Total Revenue	1881.8	2304.4	2512.1
NOI	1,614.1	1,966.6	2,144.7
NOI Margin	86.0	85.0	85.0
NDCF	1,633.6	1,910.3	2,073.8

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Embassy Office Parks REIT

₹ 299-300

Opportunity to own quality commercial assets

Embassy Office Parks Real Estate Investment Trust (EOPREIT) is expected to be India's first publicly listed REIT. EOPREIT's portfolio consists of seven Grade A office parks and four prime city-centre office buildings with total area of 32.7 msf, including hotels totalling 1,096 keys and 100 MW solar park, all located in strategic submarkets of key cities in India. The portfolio has 95.0% committed occupancy for its office portfolio, while overall hotel occupancy is at 67.7%. The IPO issue size is ₹ 4,750 crore, which would lead to 20.5% post-IPO equity dilution. The IPO size implies market capitalisation of ₹ 23,170 crore and pre-tax FY20E yield of 8.25%. We recommend "Subscribe" for long term horizon to the issue considering quality of assets backed by global player Blackstone. We believe the yield has upside potential on account of rental escalation and expansion in asset portfolio following a comfortable leverage position.

Investment Rationale

Strategic asset portfolio with stable cash flow enjoys diverse tenant mix

EOPREIT's portfolio has assets with 24.8 msf completed area having 95.0% committed occupancy and seven year weighted average lease expiry (WALE) as of Q3FY18. Long-term leases with its tenants ensures stable cash flows for the trust. EOPREIT's portfolio is located in key office markets in India viz. Bengaluru, Pune, Mumbai & Noida. These locations have outperformed markets with an average of 250 bps lower vacancy & 19.8% higher average rents as of FY18. Additionally, EOPREIT has 160+ tenants comprising a mix of leading MNC and Indian corporates viz. JP Morgan, DBS, PwC, Swiss Re, Warburg Pincus, Google, McKinsey, Cognizant, IBM, etc. As of Q3FY19, it clocked ~80.9% of its gross rentals from such leading multinational corporations. Overall, its revenues are expected to grow 15.5% CAGR to ₹ 2,512.1 core in FY19E-21E.

Offers 8.25% pre-tax yield in FY20E with upside potential; Subscribe

At the IPO price, EOPREIT offer pre-tax yield of 8.25% in FY20E with upside potential over long term horizon (five to seven years). Its yield would consist of two streams: a) interest income and b) dividend income. We recommend SUBSCRIBE for a long term horizon only to the issue considering quality of assets, potential rental growth with mark-to-market opportunities in existing portfolio (EOPLs portfolio in place rents are at ~33% discount to market rates) and comfortable leverage position indicating potential for growth in asset portfolio in future.

Key risks & concerns

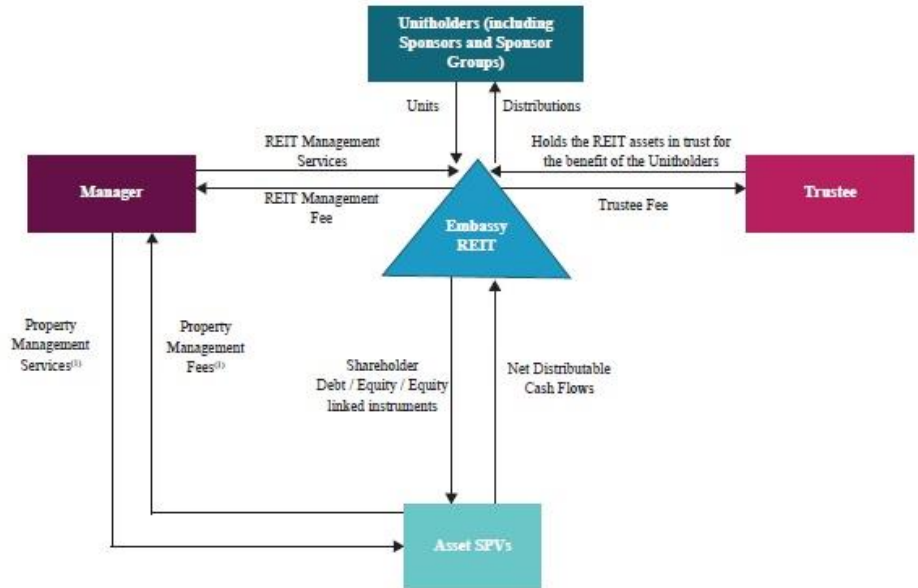
- Ambiguity over tax implication of REITs for unit holders
- Cash flow & operating results may be adversely affected by required debt repayments or related interest and other risks of debt financing
- The trust may be unable to distribute to unit holders or the level of distribution may fall
- Significant portion of the trust's revenues are derived from a limited number of large tenants
- The audit report of statutory auditors on the condensed combined financial statements contains certain qualifications

Embassy REIT Background

Embassy Office Parks REIT will be the first listed REIT in India upon listing of its units on the stock exchanges. It consists of a unit holders (including sponsors and sponsors group), manager, trustee and a portfolio.

Embassy REIT works in the following structure:-

Exhibit 1: REIT structure as on listing date

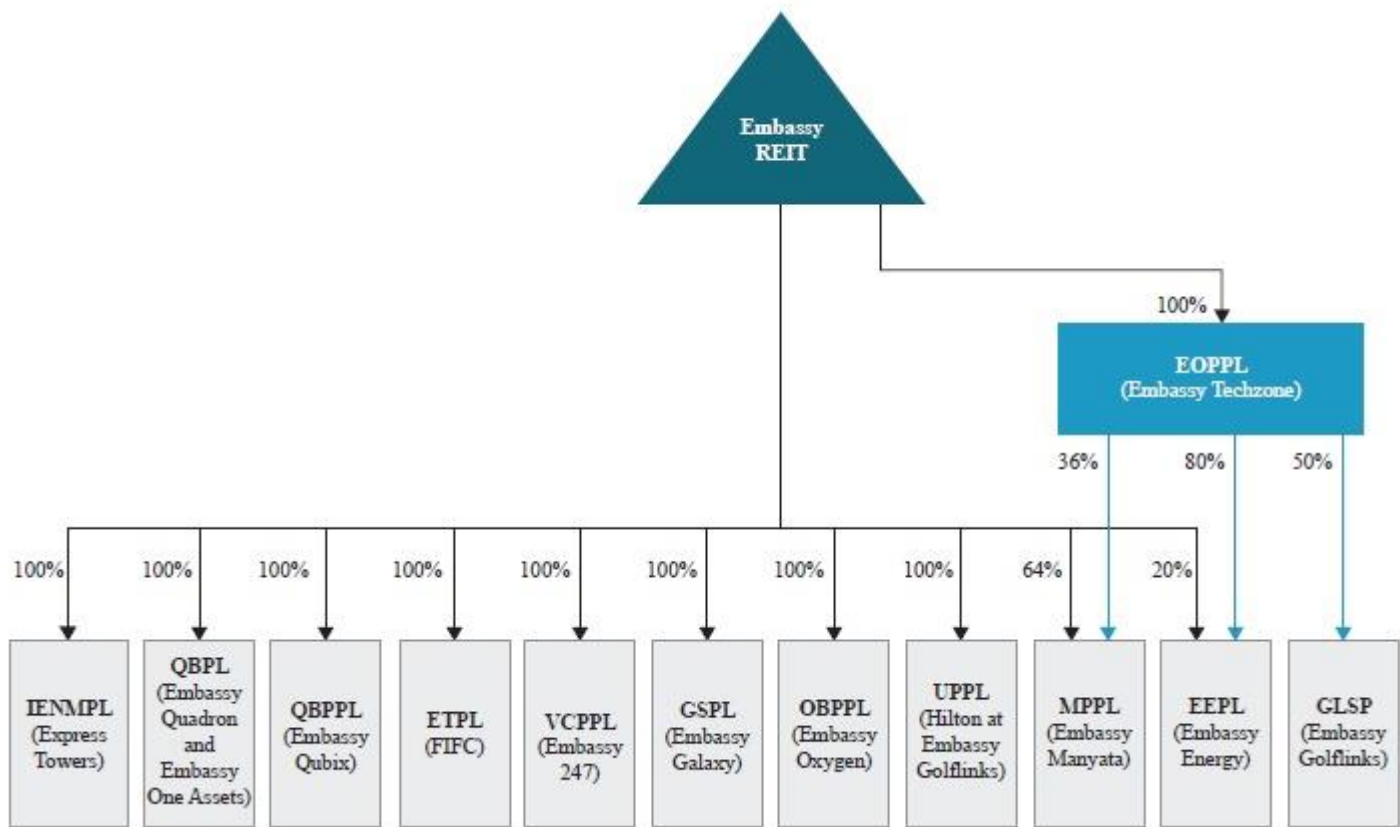


Source: Offer Document, ICICI Direct Research

- **Sponsors:** Embassy Property Developments Pvt Ltd (the Embassy Sponsor) and BRE/Mauritius Investments (the Blackstone sponsor)
- **Manager:** EOPMSPL, held by the Embassy Sponsor and certain entities, forming part of the Blackstone Sponsor Group
- **Trustee:** Axis Trustee Services Ltd
- **Portfolio:** The portfolio assets are proposed to be held through the "asset SPVs", while the portfolio investment is proposed to be held through the holdco.

Pursuant to the completion of the Formation Transactions, the portfolio is proposed to be held by the Embassy REIT through asset SPVs. EEPL and MPPL will be held partly through the holdco and partly directly by the Embassy REIT. Furthermore, the "investment entity" will be held through the holdco.

Exhibit 2: Embassy Office Parks REIT holding structure



Source: Offer Document, ICICI Direct Research

Holdco: EOPPL

EOPPL was incorporated on August 3, 2012 as a private limited company. Embassy Techzone is owned by EOPPL. Capital structure of EOPPL is as under:

Exhibit 3: EOPPL capital structure

Shareholder	No. of Shares	% Shareholding
Embassy Sponsor	4,351,624	50.0%
Embassy Sponsor jointly with Jitendra Virwani	1	0.0%
SG Indian Holding (NQ) Co I Pte. Ltd.	4,330,044	49.8%
SG Indian Holding (NQ) Co II Pte. Ltd.	2,805	0.0%
SG Indian Holding (NQ) Co III Pte. Ltd.	18,775	0.2%
Total	8,703,249	100%

Source: Offer Document, ICICI Direct Research

Embassy REIT Portfolio

Embassy Office Parks is the owner of a quality office portfolio with presence in India's top office markets viz. Bengaluru, Pune, Mumbai and Noida. The REIT's portfolio comprises seven quality office parks and four prime city-centre office buildings with a total area of 32.7 msf as of Q3FY18, including two completed and two under-construction hotels totalling 1,096 keys. The portfolio has a 95.0% committed occupancy for its office portfolio, while overall hotel occupancy is at 67.7%. As per CBRE, an independent valuator, the market value of all portfolio properties of the trust is currently at ₹ 31,480.9 crore.

Exhibit 4: Embassy Office Parks REIT portfolio

	Leasable Area (msf)	Committed Occupancy (%)	Revenue from Operations (FY18) (₹ crore)	Market Value (₹ crore)	% of total Market Value	WALE (Years)
Commercial Office						
<u>Portfolio Assets</u>						
Bengaluru						
Embassy Manyata	14.2	99.7%	739.3	13,273.9	42.2%	7.6
Embassy One	0.3	2.0%	-	596.8	1.9%	10.0
Mumbai						
Express Towers	0.5	97.5%	134.8	1,881.2	6.0%	5.0
Embassy 247	1.2	88.1%	102.7	1,715.5	5.4%	3.3
FIFC	0.4	55.4%	25.5	1,492.0	4.7%	4.9
Pune						
Embassy Techzone	5.5	84.8%	100.4	2,072.0	6.6%	5.4
Embassy Quadron	1.9	91.4%	148.4	1,452.4	4.6%	6.4
Embassy Qubix	1.5	100.0%	82.5	1,018.5	3.2%	5.7
Noida						
Embassy Oxygen	3.3	91.9%	108.2	1,958.0	6.2%	10.5
Embassy Galaxy	1.4	100.0%	82.4	836.7	2.7%	4.3
Sub-total Portfolio Assets	29.9	94.4%	1,524.2	26,297.0	83.5%	6.7
<u>Portfolio Investment</u>						
Embassy Golflinks	2.7	100.0%	-	2,606.7	8.3%	8.4
Sub-total Office	32.7	95.0%	1,524.2	28,903.7	91.8%	7.0
Infrastructure/Amenities						
	Keys/MW	Hotel Occupancy				
Four Seasons at Embassy One	230	0.0%	-	792.0	2.5%	
Hilton at Embassy Golflinks	247	67.7%	77.1	488.4	1.6%	
Hilton at Embassy Manyata	266	0.0%	-	-	0.0%	
Hilton Garden Inn at Embassy Manyata	353	0.0%	-	214.8	0.7%	
Embassy Energy	100 MW (AC)	0.0%	10.5	1,082.0	3.4%	
Sub-total Infrastructure/Amenities	1096 keys 100 MW	67.7%	87.6	2,577.2	8.2%	
Total Portfolio	32.7 msf 1096 keys 100 MW		1,611.8	31,480.9	100.0%	

Source: Offer Document, ICICI Direct Research

*WALE = weighted average lease expiry

Key assets in Embassy REIT's portfolio

Embassy Manyata, Bengaluru

Embassy Manyata is a Grade A, freehold office park located in Bengaluru. Spread across 121.8 acres, it has 14.2 msf of leasable area. Embassy Manyata is the largest office park in the city and the second largest in India. It has 11.0 msf of completed area and houses 64 tenants with more than 100,000 tenant employees. The park has an additional 1.8 msf of office area and two hotels with 619 keys currently under-construction as well as 1.4 msf of proposed development. It also offers various on-site facilities and amenities including intra-city transportation, outdoor sports zone, rooftop football arena, refurbished food court with more than 1,000 seats and an amphitheatre with 600 seats. It has marquee international tenants including IBM India, Cognizant, Cerner Healthcare Solutions and Target Corporation India.

Express Towers, Mumbai

Express Towers is an iconic, Grade A office building in Nariman Point, Mumbai. It is situated in a prime location in close proximity to some of India's most exclusive residential neighbourhoods and comprises 0.5 msf completed area. Its prime location and top-class facilities have attracted marquee tenants, including international private equity funds, multinational banks, top-tier consulting firms and law practices

Embassy 247, Mumbai

Embassy 247 is a freehold, Grade A city-centre office building located in Mumbai. The property is IGBC LEED Gold rated and comprises three high quality office blocks totalling 1.2 msf leasable area and includes state-of-the-art infrastructure, a large format retail departmental store, a recently revamped food court along with open landscaped areas & public spaces at the podium. It has a committed occupancy of 88.1% with a diversified tenant mix of well-known international and domestic brands, including Maersk, Future Retail and DHL Logistics.

FIFC, Mumbai

The First International Finance Centre (FIFC) is an iconic, Grade-A city centre office building located in the Bandra Kurla Complex (BKC), Mumbai. It is a 0.7 msf building of which the Embassy REIT owns 0.4 msf and the balance is owned by a leading multinational bank. Within BKC, FIFC is a sought-after front office development given its superior design, high quality, institutional management, marquee occupants, efficient floor plate and availability of contiguous stacks and F&B options.

Embassy Techzone, Pune

Embassy Techzone is a Grade A, high quality open campus office park located close to the Mumbai-Pune Expressway and is one of the larger developments in its submarket. The park is spread over 67.5 acres with 5.5 msf of leasable area and comprises six operational towers (2.2 msf) and a further 3.3 msf of proposed development area. Of the 67.5 acres, 42.3 acres are currently designated as SEZ. The park has received numerous awards and certifications for its operations, health & safety standards including the IGBC Green Campus Platinum Certification and British Council Sword of Honour 2017.

Embassy Quadron, Pune

Embassy Quadron is a high-quality, Grade A office park located in the West Pune submarket. The property is spread over 25.5 acres and comprises four buildings with 1.9 msf of leasable area. It has high quality specifications, infrastructure and tenant amenities, including a state-of-the-art 2,000+ seat food court, indoor sports zone, fitness centre, day-care facilities, refurbished lobbies, enhanced landscaping and various retail offerings. It has a committed occupancy of 91.4%.

Embassy Qubix, Pune

Embassy Qubix is a Grade A office park strategically located close to the Mumbai-Pune Expressway in the submarket of West Pune. The office park is spread over 25.2 acres and has six office buildings totalling 1.5 msf of leasable area. It provides occupiers with a full suite of amenities, including a recently fully renovated food court, refurbished lobbies, and a 150-seat auditorium. The park is currently 100.0% occupied and houses well-known technology, manufacturing and consulting tenants such as Cisco, L&T Infotech, Accenture Solutions and Crisil.

Embassy Oxygen, Noida

Embassy Oxygen is one of the few high-quality, institutionally-owned, Grade A office parks in Noida. The property is among the largest office parks in the city and one of only two SEZ developments in its submarket. It is spread over 24.8 acres with 3.3 msf of leasable area and comprises seven completed towers (1.9 msf), one under-construction tower (0.6 msf) and a further 0.7 msf of proposed development. The park is IGBC LEED Gold certified (Phase II being pre-certified LEED Gold) and has also received many quality, health and safety and environment standards.

Embassy One, Bengaluru

Embassy One is a mixed-use development located in Bengaluru and comprises of 0.3 msf leasable office and retail area, a 230 key proposed Four Seasons Hotel and 109 proposed Four Seasons branded residences. The project is strategically located on the main arterial Bellary Road between Kempegowda International Airport and the Central Business District (CBD).

Investment Rationale

Portfolio of cash-flow generating assets...

The trust's portfolio has 24.8 msf completed area with 95.0% committed occupancy and 7.0 year weighted average lease expiry (WALE) as of Q3FY18. Its revenue grew at 7.4% CAGR to ₹ 1611.8 crore in FY16-18. It is further projected to grow at 15.5% CAGR to ₹ 2512.1 core in FY19E-21E. This is since the trust is well positioned to achieve further organic growth through a combination of contracted revenue, re-leasing at market rents (market rents of Embassy's properties are expected to be 33.6% above in-place rents) and new construction. Contractual rent escalations are expected to contribute 36.0% (₹ 226.8 crore) to the total increase in revenue from operations over FY20E & FY21E.

Overall, high quality tenant base, along with long-term contracted rentals provides considerable stability to the portfolio which is projected to grow by 55.8%.

Exhibit 5: Projected financials of trust...

₹ crore	FY19E	FY20E	FY21E
Portfolio Assets			
Revenue from Operations	1,881.8	2,304.4	2,512.1
Net Operating Income (NOI)	1,614.1	1,966.6	2,144.7
NOI Margin (%)	86%	85%	85%
EBITDA	1,517.3	1,856.2	2,025.7
EBITDA Margin	81%	81%	81%
Cash Flow from Operating Activities	1,348.8	1,607.7	1,825.0
Portfolio Investment (Embassy Golflinks)			
Revenue from Operations	342.8	400.1	416.3
Net Operating Income (NOI)	329.5	388.1	405.1
NOI Margin (%)	96%	97%	97%
EBITDA	310.2	364.2	378.5
EBITDA Margin	90%	91%	91%
Cash Flow from Operating Activities	272.2	281.1	303.4
Net Distributable Cash Flows (NDCF) for Embassy Office Parks Groups #			
	1633.6	1910.3	2073.8
Pre-tax yield*		8.25%	8.90%

Source: Offer Document, ICICI Direct Research

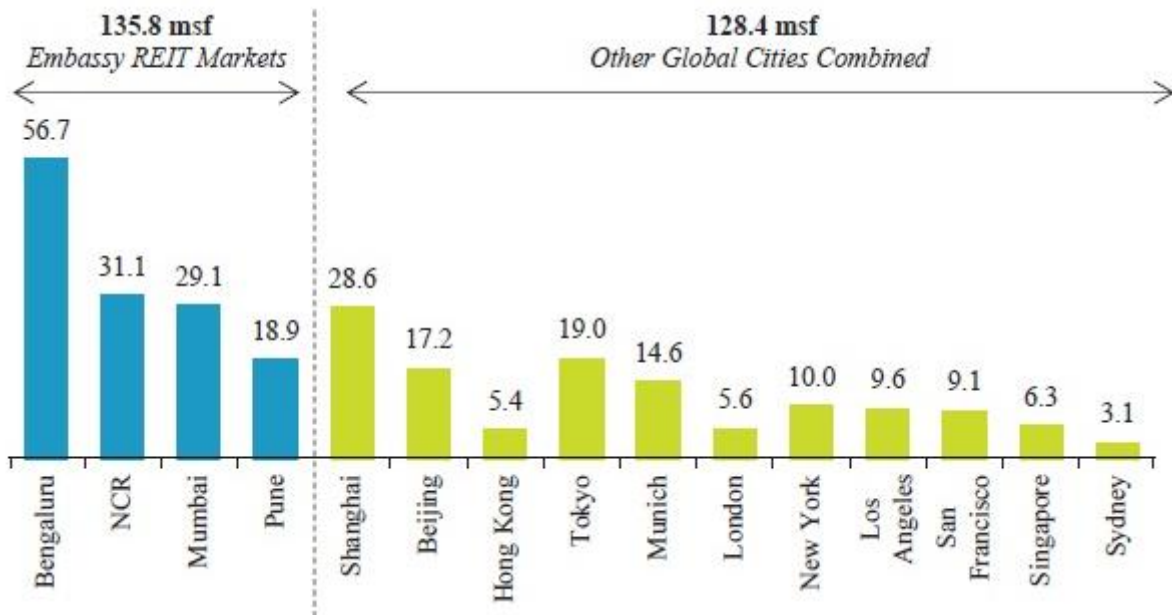
*Assuming 100% distribution to unitholders

#NDCF will be distributed partially in form of interest income and partially in form of dividend income

Strategically located in top-performing markets...

Embassy REIT's portfolio is located in key office markets in India viz. Bengaluru, Pune, Mumbai and Noida, which are among the world's largest real estate markets by space absorption. According to CBRE report, these markets saw total leases of 135.8 msf between CY13 and Q1CY18, which exceeds the total combined absorption of 11 global cities including New York, San Francisco, London, Shanghai and Tokyo over the same period. Absorption in the Bengaluru market alone exceeds the overall office space absorption of China.

Exhibit 6: India office space absorption vis-à-vis global peers



Source: Offer Document, ICICI Direct Research

The four key Indian markets – Bengaluru, Mumbai, Pune & Noida, are among the top performing in India, accounting for 72.5% of the total Grade-A office stock and 76.9% of total absorption over the last five years and three months.

Exhibit 7: India office space supply, absorption and vacancy trends



Source: Offer Document, ICICI Direct Research

In the submarkets the trust's assets have outperformed their overall markets with an average of 250 bps lower vacancy and 19.8% higher average rents as of March 31, 2018. Furthermore, the market rent of these submarkets are 19.8% higher than overall markets.

Stable cash flows with contracted escalations

The trust's portfolio had 80.9% tenant retention rate over the last three years and nine months. Also, over this period, the trust has seen strong growth with 6.8 msf of new leasing, including 48.0% re-leasing spreads on 2.7 msf of re-leasing, and 2.7 msf of new development completions.

The portfolio enjoys stable cash flows with the trust entering into long-term leases with its tenants. The tenure of leases for the office parks is typically nine to 15 years, with a three to five year initial commitment period with renewal options. The terms of agreement for leases also include contractual escalations of 10-15% every three to five years. As far as terms for city centre office buildings is concerned, the lease tenure is typically five to nine years with a three to five year initial commitment period and contractual escalations of 15.0% every three years.

Best-in-class office properties with high connectivity and scale

The trust's portfolio comprises seven best-in-class office parks and four prime city-centre office buildings totalling 32.7 msf (as of Q3FY19, with strategic amenities, including two completed and two under-construction hotels totalling 1,096 keys). All these properties are developed and managed to international standards making them the preferred options for both domestic and multinational corporations in the submarkets where these properties are present. Most of these properties are located in dense, in-fill locations, making them easily accessible with excellent connectivity to transport systems and are distinguished by scale and infrastructure. Also, some of these assets are among the largest in their submarkets viz. Embassy Manyata that is spread across 121.8 acres, is the largest business park in its submarket with a leasable area of 14.2 msf and the tenants employ an estimated 100,000 employees in the park.

International standard infrastructure at attractive capital values

Despite high quality, high growth infrastructure-like assets, capital values for the trust's assets are \$150 psf as of FY18, which implies 82.9-95.2% discount to Grade-A properties in Tokyo, Hong Kong and New York. Furthermore, capitalisation rates for such properties in India are in the range of 7.5-8.5%.

Diverse tenant mix, deep tenant relationship

The trust has 160+ tenants comprising a mix of leading multinational and Indian corporates viz. JP Morgan, DBS, PwC, Swiss Re, Warburg Pincus, Google, McKinsey, Cognizant, IBM, L&T Technology Services etc.). As of Q3FY19, it clocked ~80.9% of its gross rentals from such leading multinational corporations. Furthermore, 49.4% of the trust's gross rentals are derived from tenants in the technology sector, which is India's fastest growing segment of GDP. Out of 6.8 msf of new leasing over the past four years, 4.2 msf (i.e. 61.7%) has come from existing tenant expansions, leading to high and stable occupancy levels of over 93.4%, reflecting the trust's deep relationship with its existing clientele.

Right of first Offer (ROFO) assets to drive growth, increase geographical diversification

The trust will have ROFO on certain assets owned by the Embassy Sponsor or its subsidiaries if it seeks to sell them. Hence, it is primed to benefit from such an asset base. These potential ROFO assets are located in key markets viz. Bengaluru (three assets) and Chennai (one asset). The following is an indicative list of assets that could be offered as ROFO assets by the Embassy Sponsor as of Q3FY18:

Exhibit 8: Indicative list of ROFO assets

Asset	Location	Approx. Leasable Area (msf)
Embassy TechVillage	Bengaluru	12.2+
Embassy Knowledge Park	Bengaluru	17.7+
Embassy Concord	Bengaluru	7.9+
Embassy Splendid TechZone	Chennai	5.0+
Total		42.8+

Source: Offer Document, ICICI Direct Research

Highly experienced management team

The trust will be managed by the “manager”, led by Michael Holland (CEO of the Manager, founder and former country head of JLL India, ex-CEO of Assetz Property Group) and Vikaash Khdloya (Deputy CEO / Chief Operating Officer of the “manager” prior to the listing of the units).

Risk & Concerns

Ambiguity over taxation for REIT unitholders

The taxation implication of the REIT structure is unclear. However, we understand that the dividend component will not be taxed while interest income component of the total distribution will be taxed at the marginal tax rate. The management has guided for effective 50:50 ratio for dividend and interest component for FY20E. Therefore, the effective tax rate may be around 15% for FY20E. It could vary based on distribution mix. Since there is ambiguity around the tax implication, we may be incorrect in our assessment. Investors are advised to consult their tax advisors to understand the tax implications better.

Cash flows, operating results may be adversely affected by required debt repayments or related interest, other risks of debt financing...

Embassy REIT has proposed to raise external debt funding to refinance a portion of the existing debt of the asset SPVs through and to fund construction of certain projects after the listing of the units. It has executed an indicative and non-binding term sheet with a consortium of lenders to borrow up to ₹ 4,000 crore, subject to certain securities and financial covenants. Definitive documentation for availing this REIT debt financing is expected to be executed after the listing of the units. Such terms are indicative and subject to change depending on market conditions at the time of availing of the debt facility. Also, the trust is generally subject to risks associated with debt financing viz.: a) cash flow may be insufficient to satisfy required payments of principal and interest; b) unable to refinance existing indebtedness or the terms of refinancing may be less favourable; c) any default on indebtedness could result in acceleration of those obligations; and d) the risk that necessary capital expenditures cannot be financed on favourable terms. These factors may limit the trust's ability to make distributions to unit holders in future.

Trust may be unable to distribute to unit holders or level of distributions may fall

There is no assurance or guarantee of any distribution to unit holders. Distribution to unit holders will be based on the net distributable cash flows (NDCF) available for distribution. The assessment of the NDCFs is based on pre-determined framework as per applicable regulations, in consultation with financial and tax advisors. The trust's ability to distribute may be affected by several factors including: servicing of debt raised by the Embassy REIT, cash flows received from asset SPVs and the investment entity, debt servicing requirements and other liabilities of asset SPVs and the investment entity, fluctuations in the working capital needs of the asset SPVs and the investment entity, completing the development of under-construction assets within the anticipated timeline or as per the forecasted budget, business and financial position of its asset SPVs and the investment entity, including any operating losses incurred by the portfolio assets and portfolio investment in any financial year, applicable laws and regulations, which may restrict the payment of dividends by the asset SPVs and the investment entity or other distributions etc.

Significant portion of trust's revenues derived from limited number of large tenants...

The trust's revenues from operations are concentrated in a few large tenants, the technology sector and from a few integrated office parks in its portfolio. Top 10 tenants amounted to 42.3% of the trust's total combined gross rentals and accounted for 45.0% of the trust's occupied area as of Q3FY19. Tenants in the technology industry accounted for ~49.4% of the trust's combined gross rentals and accounted for 57.0% of its occupied area as of Q3FY19. Furthermore, for 9MFY19, MPPL, which owns Embassy Manyata, alone amounted to 44.09% of the Trust's combined revenue from operations. Revenues from assets located in Bengaluru represented 55.4% of the trust's total revenue from operations for 9MFY19. If the trust is unable to diversify tenant base or diversify into new submarkets, it may experience material fluctuations or decline in its revenue, because of which its financial condition and results of operations could be materially and adversely affected

Contingent liability may adversely affect trust's financial condition...

As of Q3FY19, the trust had a contingent liability for, among others, claims against the asset SPVs including claims not acknowledged as debt in respect of property tax matters, amounting to ₹ 438.7 crore that had not been provided for. If any of these contingent liabilities materialise, it could have an adverse effect on the financial condition, results of operations and cash flows of the trust.

Audit report of statutory auditors on condensed combined financial statements contains certain qualifications and matters of emphasis ...

The audit opinion to the condensed combined financial statements is qualified in two respects. These qualifications relate to weaknesses in the internal control systems of certain asset SPVs and that certain loans were made and were received in non-compliance with the requirements of Section 185 of the Companies Act, 2013: a) as on December 31, 2018, MPPL has advanced loans aggregating to ₹ 725.0 crore (₹ 886.1 crore as of March 31, 2018; ₹ 126.0 crore as of March 31, 2017; and ₹ 55.5 crore as of March 31, 2016) to a company in which a director of MPPL was interested. Accordingly, the loans given by MPPL are not in compliance with the requirements of the Companies Act, 2013 and the impact of this non-compliance has not been quantified. However, subsequent to the reporting date, MPPL has received ₹ 55.0 crore back from the company in which the director of MPPL was interested; b) As on December 31, 2018, UPPL received a loan aggregating ₹ 203.6 crore (₹ 206.1 crore as of March 31, 2018; ₹ 192.8 crore as of March 31, 2017; and as at March 31, 2016: ₹ 150.0 crore) from a company in which a director of UPPL is interested of which ₹ 102.8 crore (net of repayments) has been received after September 12, 2013. Accordingly, the aforementioned loan obtained by UPPL is not in compliance with the requirements of the Companies Act, 2013 and the impact of this non-compliance has not been quantified. However, subsequent to the reporting date, this loan has been converted into equity shares.

The trust's condensed combined financial statements also state that the statutory auditors of GLSP have modified their audit report for FY18 to note its non-compliance with Section 185 of the Companies Act, 2013 in respect of a loan amounting to ₹ 19.0 crore, which was made to a private company with common directors. The trust does not believe that the possible implications of this matter are significant in relation to the condensed combined financial statements.

Brief profile of key personnel of manager

a) Michael Holland

Michael Holland has been the CEO of the 'manager' since 2014. He holds a master's degree in Property Development (project management) from Thames Polytechnic and South Bank University and is a fellow of the Royal Institution of Chartered Surveyors. He has over 20 years of experience in the commercial real estate sector in Asia and Europe. Prior to joining the Embassy Group, he was the CEO of Assetz Property Group. He founded the JLW India/JLL India business and has served as its country manager and managing director from 1998 to 2002.

b) Vikaash Khdloya

Vikaash Khdloya will be the Deputy CEO and COO of the manager on the date of listing of the Embassy REIT. He holds a bachelor's degree in commerce from Osmania University. He is a fellow member of the Institute of Chartered Accountants of India (ICAI). He is also a certified fraud examiner, a certified internal auditor, a CFA charterholder and a member of the CFA Institute. He has over 11 years of experience in the real estate sector and has been associated with Blackstone Real Estate from 2011-18, where his last held position was Managing Director. He is an employee of Blackstone Advisors India Pvt Ltd and will be on a three year leave of absence prior to commencing his role with the manager. He is under a three year agreement with the manager. In the past, he has also worked as a Vice President at Piramal Fund Management (erstwhile Indiareit).

c) Rajesh Kaimal

Rajesh Kaimal is the CFO of the Manager. He holds a bachelor's degree in commerce from KJ Somaiya College of Arts and Commerce and an MBA degree from the Institute for Technology and Management. He has over 23 years of experience in the finance and budget sectors and was previously associated with the Manipal group of companies from 2000-17.

c) Sachin Shah

Sachin Shah is the Chief Investment Officer of the Manager. He holds a bachelor's of science degree from the School of Business, Babson College, Massachusetts and an MBA degree from the Faculty of Business Administration, Harvard University. He has over 17 years of experience in the real estate sector and has previously worked at Starwood Capital Group from 2001-06, where his last held position was VP of Acquisitions, and was associated with Blackstone as an analyst from 1998-99. He was a key person of Samsara Fund Advisors Private Limited, the investment advisor to Catalyst Samsara India Opportunity Fund I LP.

d) Bhhavesh Kamdar

Bhhavesh Kamdar is the Head of Leasing of the manager. He has an executive MBA degree from the SP Jain Institute of Management & Research, Mumbai. He has over 26 years of experience in the real estate, technology and engineering industry. He has previously worked at Larsen & Toubro from 1993 to 2014, where his last held position was Deputy General Manager – Leasing and Marketing (Commercial). He has been associated with the Manager since 2014.

Exhibit 9: Profit & Loss Statement

(₹ Crore)	FY16	FY17	FY18	9MFY19
Revenue from operations	1,397.0	1,484.9	1,611.8	1,376.0
Revenue Share in Intergearated Joint Ops	-	-	-	-
Other Income	178.4	160.7	154.5	117.2
Total Revenue	1,575.4	1,645.6	1,766.3	1,493.2
Operating Expense	207.2	233.3	206.9	173.0
Cost of Materials Consumed	4.2	4.9	5.5	4.2
Employee Benefits Expense	18.1	20.8	21.5	22.0
Impairment loss on Property,Plant and Equipment	-	-	119.5	38.6
Other expenses	117.1	146.7	172.0	116.8
Total Operating Expenditure	346.6	405.7	525.4	354.6
EBITDA	1,050.4	1,079.3	1,086.4	1,021.3
EBITDA Margin (%)	75.2%	72.7%	67.4%	74.2%
Finance Cost	708.3	693.8	631.2	517.4
Depreciation	315.8	324.4	322.8	268.7
Share of profit of equity accounted investees	24.1	57.9	96.0	87.5
PBT	228.8	279.8	382.8	440.0
Current tax	71.6	91.7	129.8	132.7
Deferred tax charge	116.3	71.6	74.5	32.0
MAT credit entitlement	(52.3)	(60.6)	(78.4)	(9.8)
Total Tax	135.6	102.7	125.9	154.9
Net Profit / (Loss) for the year	93.2	177.1	256.9	285.1

Source: Offer Document, ICICI Direct Research

Exhibit 10: Balance Sheet

(₹ Crore)	FY16	FY17	FY18	9MFY19
Equity Capital	387.1	427.9	448.2	360.8
Reserve and Surplus	2,784.6	2,968.1	3,030.8	3,406.6
Total Shareholders funds	3,171.7	3,396.1	3,478.9	3,767.4
Long term borrowings	4,923.5	5,822.4	7,590.9	7,651.2
Short term borrowings	145.0	2.9	355.1	324.9
Total Debt	5,068.6	5,825.3	7,946.0	7,976.1
Other long term liabilities	554.0	615.7	598.5	632.8
Liability side total	8,794.3	9,837.1	12,023.4	12,376.4
Tangible Assets	434.5	415.7	1,039.8	1,010.9
Investment Property	6,395.1	6,273.1	6,661.1	6,765.3
Investment Property under development	85.3	292.0	460.0	494.5
Intangible Assets	1,096.5	1,095.7	1,103.1	1,096.5
Capital WIP	214.0	358.6	497.0	757.8
Long term L & A	150.1	157.3	82.9	64.9
Non-current Investments	631.4	35.5	39.0	47.1
Deferred Tax asset	20.1	34.3	54.2	56.6
Other non-current assets	363.6	670.6	1,107.4	1,245.5
Equity accounted investee	401.4	459.9	555.9	643.4
Inventories	238.4	292.6	0.9	0.5
Debtors	40.0	36.3	37.8	37.1
Cash & cash equivalents	171.4	372.6	217.9	261.4
Current investments	129.2	135.1	251.8	225.4
Short term L & A	59.5	127.6	927.8	808.4
Other Current Assets	118.6	440.1	478.9	263.8
Total Current Assets	757.1	1,404.2	1,915.3	1,596.6
Creditors	46.9	28.9	41.7	17.3
Provisions	0.0	0.0	0.0	0.2
Other Current Liabilities	1,707.9	1,330.9	1,450.4	1,385.1
Total Current Liabilities	1,754.7	1,359.8	1,492.1	1,402.6
Net Current Assets	(997.7)	44.5	423.1	194.0
Assets side total	8,794.3	9,837.1	12,023.4	12,376.4

Source: Offer Document, ICICI Direct Research

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