

14 February 2025

India | Equity Research | Company Update

Nexus Select Trust

Real Estate

Vega City Mall acquisition strengthens presence in Bengaluru

The REIT manager of Nexus Select Trust announced the closure of the acquisition of Vega City Mall, a Grade A mall located in south Bengaluru for a total EV of INR 9.1bn (initial purchase cost of INR 8.7bn – funded 100% by debt at 7.7% and balance towards planned capex). The REIT manager estimates that the asset may add stabilised NOI of INR 780mn in FY26 and an incremental NDCF accretion of INR 200mn post servicing debt. We assume a base rental of INR 117/sq.ft. per month ex-CAM and raise our FY26–27E revenue and NOI estimates by 4% and DPU estimates by 1%, factoring in incremental debt taken at 7.7% and acquisition synergies. Upgrade to **BUY**, from *Add*; Mar'25E DCF-based TP of INR 157 unchanged, incorporating Vega City asset into our estimates. We expect Nexus REIT to deliver distribution yield of 6.4%/6.8% in FY25E/FY26E. **Key risks:** Consumption slowdown and falling occupancies.

New acquisition strengthens presence in Bengaluru

The REIT manager has announced the closure of the acquisition of Vega City Mall, a Grade A mall located in south Bengaluru for a total EV of INR 9.1bn (initial purchase cost of INR 8.7bn funded 100% by debt at 7.7% and balance towards planned capex). The mall is 96% leased to a diversified tenant mix, comprising international and domestic brands. The REIT manager estimates that the asset may add stabilised NOI of INR 780mn in FY26E and an incremental NDCF accretion of INR 200mn post servicing debt. As per an independent valuation of the acquisition, it is at a 10% discount to the GAV at an implied cap rate of 8.5%. The post-acquisition Loan-to-Value stands at 17% with post-acquisition net debt at INR 45bn. We assume a base rental of INR 117/sq.ft. per month ex-CAM and increase our FY26–27E revenue and NOI estimates by 4% and DPU estimates by 1%, factoring in incremental debt taken at 7.7% and acquisition synergies.

Growth story on track, new asset infusions key

The Trust's assets have demonstrated strong growth over FY19–24 by leasing 5.8msf and achieving average re-leasing spreads of 20% on ~4msf of re-leased space. Further, it has strong credentials of delivering inorganic growth via accretive acquisitions of stabilised assets and turnaround of underperforming assets. As part of its growth strategy, the REIT manager has completed the acquisition of the Vega City Mall in south Bengaluru; any incremental transaction closures in north India and Hyderabad, subject to regulatory approvals and documentation, are likely drivers for growth.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	19,164	23,276	25,769	27,266
EBITDA	12,842	16,072	17,825	18,852
EBITDA Margin (%)	67.0	69.1	69.2	69.1
Net Profit	5,986	7,482	7,340	9,639
DPU (INR)	7.7	8.5	9.1	9.5
Distribution Yield (%)	5.8	6.4	6.8	7.2
P/E (x)	33.7	26.9	27.5	20.9
P/B (x)	1.3	1.4	1.5	1.5
RoCE (%)	6.2	6.3	6.8	8.2
RoE (%)	6.9	5.1	5.2	7.1

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Market Data

Market Cap (INR)	201bn
Market Cap (USD)	2,319mn
Bloomberg Code	NXST IN Equity
Reuters Code	NEXE.BO
52-week Range (INR)	156 /106
Free Float (%)	78.0
ADTV-3M (mn) (USD)	1.4

Price Performance (%)	3m	6m	12m
Absolute	(6.1)	(2.5)	3.1
Relative to Sensex	(4.1)	1.1	(3.3)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	3.8	3.8
NOI	4.0	4.0
DPU	1.0	1.0


Previous Reports

05-02-2025: [Q3FY25 results review](#)

13-11-2024: [Q2FY25 results review](#)

Exhibit 1: Vega City, Bengaluru asset overview

Vega City, Bengaluru



Key Stats








Operational Metrics

Completion Year	2017
Leasable Area (M sf)	0.45
In-place Occupancy (%)	96%
MTM Rent Potential (%) ⁽¹⁾	15-20%

Acquisition Metrics

TEV (INR cr) ⁽²⁾	913
Discount to GAV (%) ⁽³⁾	Approx. 10%
Incremental NDCF (INR cr) ⁽⁴⁾	20
FY26 Stabilized NOI (INR cr) ⁽¹⁾	78
Implied Cap Rate (%)	8.5%
Funding	100% Debt

Key Tenants



(1)

Based on management estimates.

(2)


Includes INR 870 cr of purchase consideration and balance towards planned capex (incl. renewables) & closing costs.

(3)

As per Independent Valuation by IVAS.

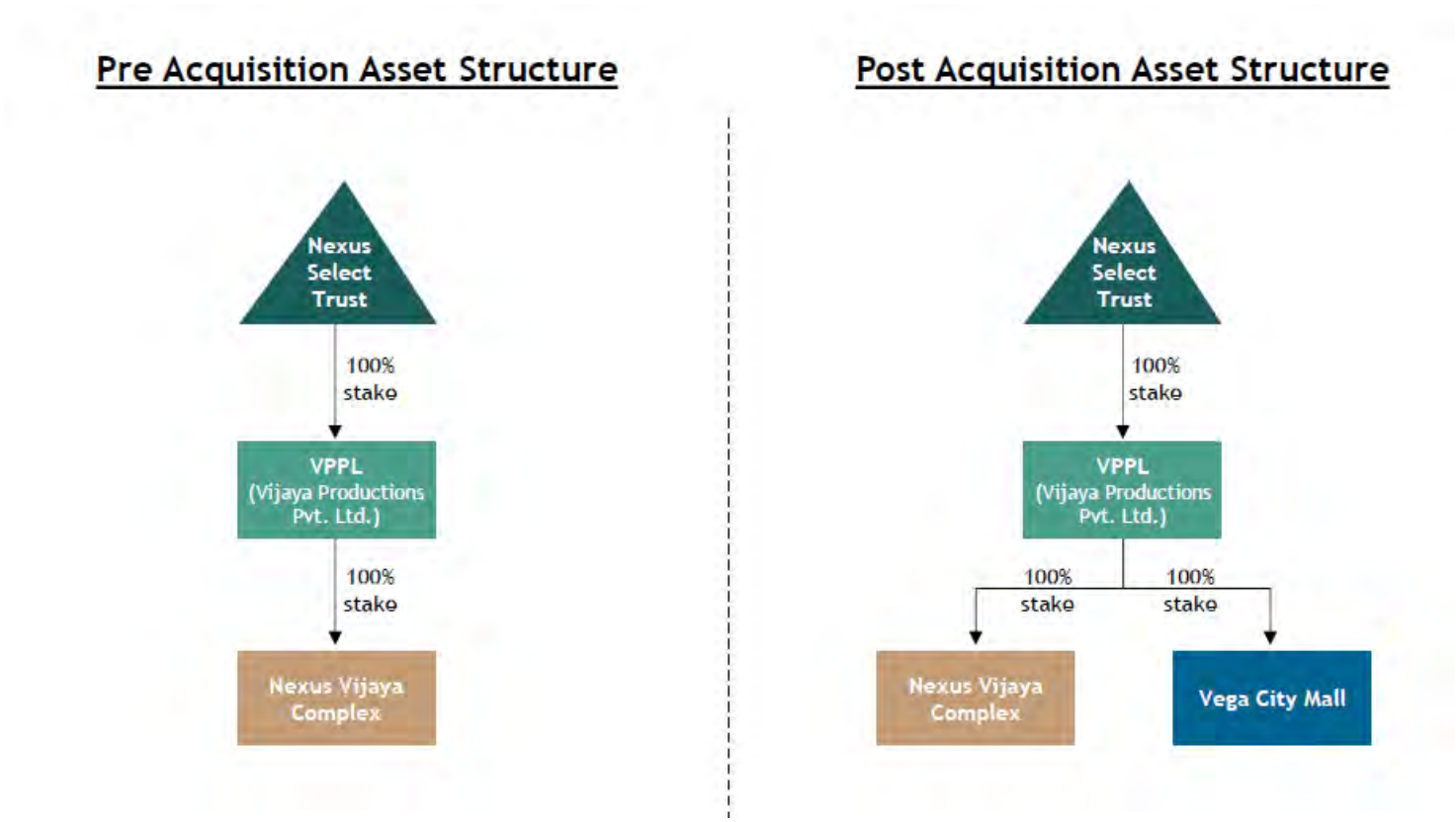
(4)

Based on management estimates post servicing debt.



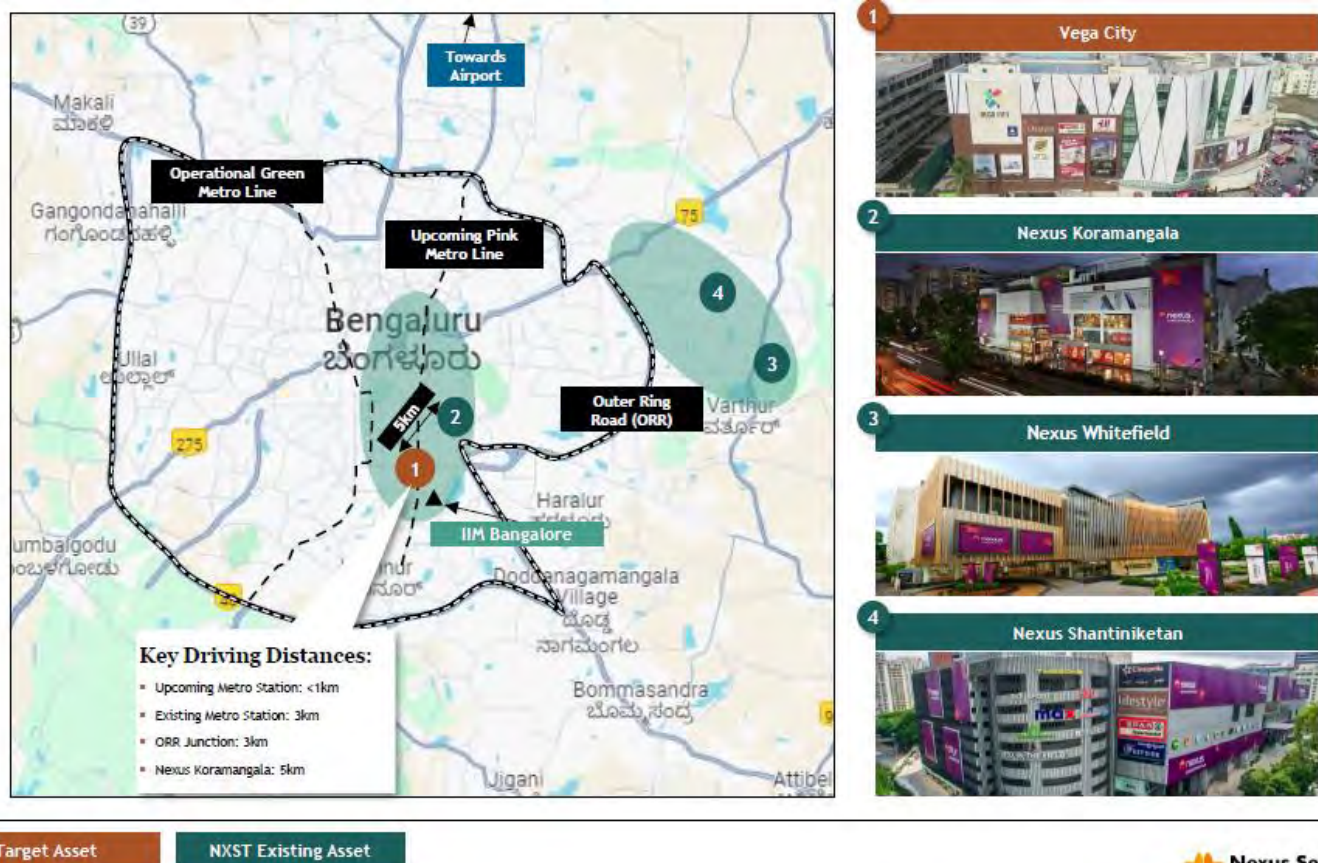
Source: I-Sec research, Company data

Exhibit 2: Vega City – pre and post-acquisition structure



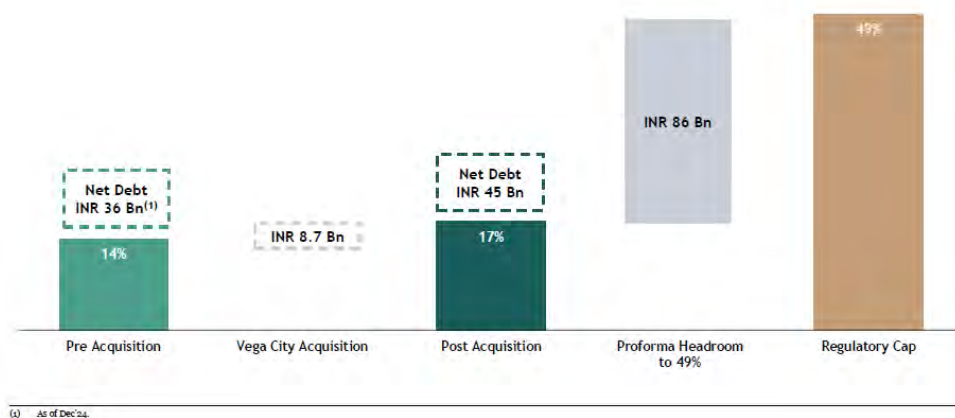
Source: I-Sec research, Company data

Exhibit 3: Vega City, Bengaluru location and proximity to existing REIT assets



Source: I-Sec research, Company data

Exhibit 4: Nexus' debt profile pre- and post-acquisition of Vega City, Bengaluru



Source: I-Sec research, Company data

Valuation

Our key assumptions for Nexus REIT include:

- 7% consumption growth between FY24–29E at a portfolio level and 5–6% annual increase in rentals across assets between FY24–29E
- Cap rate of 6.5% on NOI of each asset
- Maximum stabilised long-term occupancy of 98% across assets
- WACC of 10% assuming 0.2x debt/equity
- For Vega City asset acquisition, we have increased our FY26/27E revenue and NOI estimates by 4% and DPU estimates by 1% factoring in incremental debt taken at 7.7% and acquisition synergies

We upgrade our rating to **BUY**, from *Add*, rating with an unchanged Mar'25E DCF based target price of INR 157/share incorporating Vega City asset in our estimates, valuing assets at 6.5% cap rate considering potential value accretion from RoFO assets. At CMP of INR 133, we expect Nexus REIT to deliver NDCF distribution yield of 6.4% in FY25E and 6.8% in FY26E. We expect ~65–70% of distribution to be in the form of dividends/principal repayments that are tax free.

We believe upsides from mark-to-market opportunity, portfolio rental appreciation of 5-6% beyond FY26E and any value-accretive acquisitions may enable the REIT to deliver annual REIT unit capital appreciation of 6-7% over and above the distribution yield.

Exhibit 5: Return profile of Nexus REIT

Nexus REIT Cash Flows (INR mn)	FY24A*	FY25E	FY26E	FY27E
Revenue from Operations	19,164	23,276	25,769	27,266
Net Operating Income (NOI)	14,348	17,874	19,806	20,955
EBITDA	12,842	16,072	17,825	18,852
NDCF at REIT level*	10,719	12,890	13,721	14,441
NDCF Distribution Payout (%)	100%	100%	100%	100%
NDCF Distribution by REIT*	10,719	12,890	13,721	14,441
Distribution per Unit*	7.7	8.5	9.1	9.5
Distribution Yield (%)*	5.8	6.4	6.8	7.2

Source: I-Sec research, Company data, *Nexus REIT listed on 19th May'23

Exhibit 6: Valuation of Nexus REIT

Enterprise Value (INR mn)	289,565
Less: FY25E REIT level net debt (INR mn)	51,464
Equity Value (INR mn)	238,101
Equity Value per Unit (INR)	157

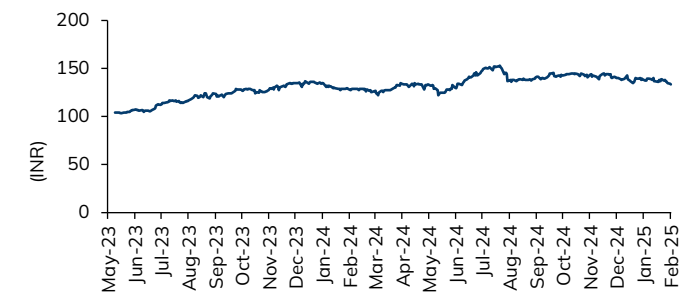
Source: I-Sec research, Company data

Exhibit 7: Sensitivity of target price to cap rate and WACC

Cap Rate (%)						
NAV	157	6%	7%	8%	9%	10%
	10%	171	146	127	113	101
	11%	164	140	122	108	97
	12%	157	134	117	103	93
WACC (%)	13%	151	129	112	99	89
	14%	145	123	107	95	85

Source: I-Sec research, Company data

Exhibit 8: Price chart



Source: Bloomberg

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	19,164	23,276	25,769	27,266
Operating Expenses	4,816	5,402	5,963	6,311
Net Operating Income (NOI)	14,348	17,874	19,806	20,955
NOI Margin (%)	74.9	76.8	76.9	76.9
Other expenses	1,506	1,802	1,981	2,103
EBITDA	12,842	16,072	17,825	18,852
EBITDA Margin (%)	67.0	69.1	69.2	69.1
Depreciation & Amortization	5,202	4,729	5,236	3,693
Interest expenditure	3,371	3,745	4,941	4,973
Other Non-operating Income	816	857	900	945
PBT	63	92	98	105
Extraordinaries (Net)	-	-	-	-
PBT	5,148	8,547	8,646	11,235
Less: Taxes	(838)	1,064	1,306	1,596
PAT	5,986	7,482	7,340	9,639
Less: Minority Interest	-	-	-	-
Net Income (Reported)	5,986	7,482	7,340	9,639
Net Income (Adjusted)	5,986	7,482	7,340	9,639

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	12,781	17,449	20,634	18,821
of which cash & cash eqv.	1,183	5,271	7,846	5,394
Total Current Liabilities & Provisions	10,058	10,405	10,769	11,151
Net Current Assets	2,723	7,045	9,865	7,670
Investments	937	937	937	937
Net Fixed Assets	1,44,573	1,48,944	1,44,743	1,42,136
ROU Assets	-	-	-	-
Capital Work-in-Progress	346	346	346	346
Other assets	43,404	43,404	43,404	43,404
Total Assets	1,91,984	2,00,676	1,99,295	1,94,493
Liabilities				
Borrowings	42,635	56,735	61,735	61,735
provisions	-	-	-	-
other Liabilities	-	-	-	-
Total Net Worth	1,49,349	1,43,941	1,37,559	1,32,757
Minority Interest	-	-	-	-
Total Liabilities	1,91,984	2,00,676	1,99,295	1,94,493

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	12,770	15,192	16,714	17,465
Working Capital Changes	290	289	303	318
Capital Commitments	(862)	(10,006)	(1,035)	(1,087)
Free Cashflow	12,197	5,475	15,982	16,697
Other investing cashflow	(2,902)	32	32	34
Cashflow from Investing Activities	(3,764)	(9,975)	(1,003)	(1,052)
Issue of Share Capital	5,900	(12,890)	(13,721)	(14,441)
Inc (Dec) in Borrowings	(10,535)	14,100	5,000	-
Dividend paid	(3,371)	(3,745)	(4,941)	(4,973)
Others	-	-	-	-
Cash flow from Financing Activities	(8,006)	(2,535)	(13,661)	(19,414)
Chg. in Cash & Bank balance	1,290	2,970	2,353	(2,683)
Closing cash & balance	1,183	5,271	7,846	5,394

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Earnings per Unit	4.0	4.9	4.8	6.4
Distribution per unit (DPU)	7.7	8.5	9.1	9.5
Book Value per Unit (BV)	98.6	95.0	90.8	87.6
Growth (%)				
Net Sales	(1.9)	21.5	10.7	5.8
EBITDA	(2.9)	25.2	10.9	5.8
EPS (INR)	25.5	25.0	(1.9)	31.3
Valuation Ratios (x)				
P/E	33.7	26.9	27.5	20.9
P/BV	1.3	1.4	1.5	1.5
Dividend Yield (%)	5.8	6.4	6.8	7.2
Operating Ratios				
EBITDA Margins (%)	67.0	69.1	69.2	69.1
Net Profit Margins (%)	31.2	32.1	28.5	35.3
Net Debt / Equity (x)	0.3	0.4	0.4	0.4
Net Debt / EBITDA (x)	3.3	3.5	3.5	3.3
Profitability Ratios				
RoCE (%)	6.2	6.3	6.8	8.2
RoE (%)	6.9	5.1	5.2	7.1

Source Company data, I-Sec research

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