BUY (Maintained)

CMP: **INR 133** Target Price: **INR 161 (INR 157)** ▲ 21%

ICICI Securities

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15 May 2025

India | Equity Research | Company Update

Nexus Select Trust

Real Estate

Pressing the growth accelerator

We attended Nexus Select Trust REIT's (Nexus) recently held Analyst Meet. The company has unveiled its "Nexus 2.0: Re-imagining the Future" strategy. This entails doubling its mall portfolio to ~30–35 malls by 2030 and gross leasable area to ~18–20msf primarily through an acquisition led strategy. This implies NOI growing ~2x to INR 30bn+ by FY30 driven by 8% LTL consumption CAGR. We retain our **BUY** rating, with a revised Mar'26E DCF based target price of INR 161/share (earlier INR 157), incorporating MBD, Ludhiana asset in our estimates, valuing assets at 6.8% cap rate considering potential value accretion from pipeline assets. At CMP of INR 133, we expect Nexus REIT to deliver NDCF distribution yield of 6.9% in FY26E and 7.4% in FY27E. **Key risks:** Consumption slowdown and falling occupancies.

Nexus 2.0 outlines acquisition-led growth strategy

The REIT manager continues to evaluate acquisitions with 10+ potential assets in the pipeline and closure of a south India mall portfolio targeted to be closed in H1FY26. While Nexus would look to follow its usual template of acquiring under-performing malls with sub-optimal occupancies, the company is also looking to acquire malls with high occupancy (90%+) and premiumising store mix. There is a clear strategy to increase consumption share of jewellery, beauty/personal care and food & beverage offerings across properties in order to drive higher consumption, which should flow into increased rentals. Further, a Mark-to-Marlet (MTM) potential of ~20% across area expiries over FY25–29E is an additional growth lever. Nexus' target of doubling operational mall space to ~18–20msf by 2030, from ~11msf currently with an 8% LTL consumption CAGR should enable it to double NOI to ~INR 30bn+ by 2030.

Guidance for 15% NOI and 10% DPU growth in FY26

In FY25, Nexus achieved an NOI of INR17.1bn and DPU of INR 8.35/unit, of which 71% was tax-free distribution. For FY26, the REIT manager has given a guidance for ~15% NOI growth to ~INR 19.4–19.6bn and ~10% DPU growth to ~INR 9.1–9.2/unit. We believe that this guidance is achievable and realistic, considering the completion of Vega City, Bengaluru (Feb'25) and MBD, Ludhiana (May'25) malls; we model for 12% NOI growth to INR 19.1bn and 10% DPU growth to INR 9.2/unit in FY26E.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	19,164	22,829	25,668	28,244
EBITDA	12,842	15,522	17,328	19,142
EBITDA Margin (%)	67.0	68.0	67.5	67.8
Net Profit	5,986	4,828	6,919	8,164
DPU (INR)	7.7	8.4	9.2	9.8
Distribution Yield (%)	5.7	6.3	6.9	7.4
P/E (x)	33.7	41.7	29.1	24.7
P/B (x)	1.3	1.4	1.5	1.6
RoCE (%)	6.2	5.6	6.4	7.3
RoE (%)	6.9	3.3	5.0	6.2

Adhidev Chattopadhyay
adhidev.chattopadhyay@icicisecurities.com
+91 22 6807 7451
Saishwar Ravekar
saishwar.ravekar@icicisecurities.com

Market Data

Market Cap (INR)	201bn
Market Cap (USD)	2,356mn
Bloomberg Code	NXST IN Equity
Reuters Code	NEXE.BO
52-week Range (INR)	156 /120
Free Float (%)	78.0
ADTV-3M (mn) (USD)	3.1

Price Performance (%)	3m	6m	12m
Absolute	(0.6)	(6.4)	0.4
Relative to Sensex	(7.1)	(10.8)	(11.1)

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

Previous Reports

14-02-2025: Company Update

05-02-2025: Q3FY25 results review

Exhibit 1: Nexus' 2.0 Strategy

NEXUS 2.0 – Re-imagining the future

Why the Shift?

- Changing Consumer Preferences
- Emergence of New-Age Brands
- Rising Interest from Global Brands
- Strategic Shift of D2C Brands towards establishing a Physical Footprint in Malls
- Malls Evolving into Experiential Destinations

What we're Retaining from Nexus 1.0?

- Strong, Proven Team
- Successful Acquisition Playbook
- Thrust on Increasing Occupancy with an Eye on Tenant Premiumization
- Cost Optimization of CAM and Other Expenses
- Technology Interventions (ADSR, Automated Footfall Count, etc.)
- Sustainability-focused Mall Upgrades

What's Changing in Nexus 2.0?

- **Future Ready Organization Structure:** Cluster-led approval to facilitate faster decision-making
- **Brand Mix/ Category Mix**: Fresh, Relevant and Dynamic
- **Store Formats**: Agile, Future-ready Layouts
- **Service Offerings**: Enhanced, Personalized Experiences
- **Leveraging Technology**: Smarter Targeting, Deeper Connections with Tech Enhanced Shopping Experience
- **Engaging Mall Experiences with Economic Upside**

Nexus 2.0 is our leap toward strategically developing unique differentiation factors and positioning for Nexus malls to sustain Industry leadership

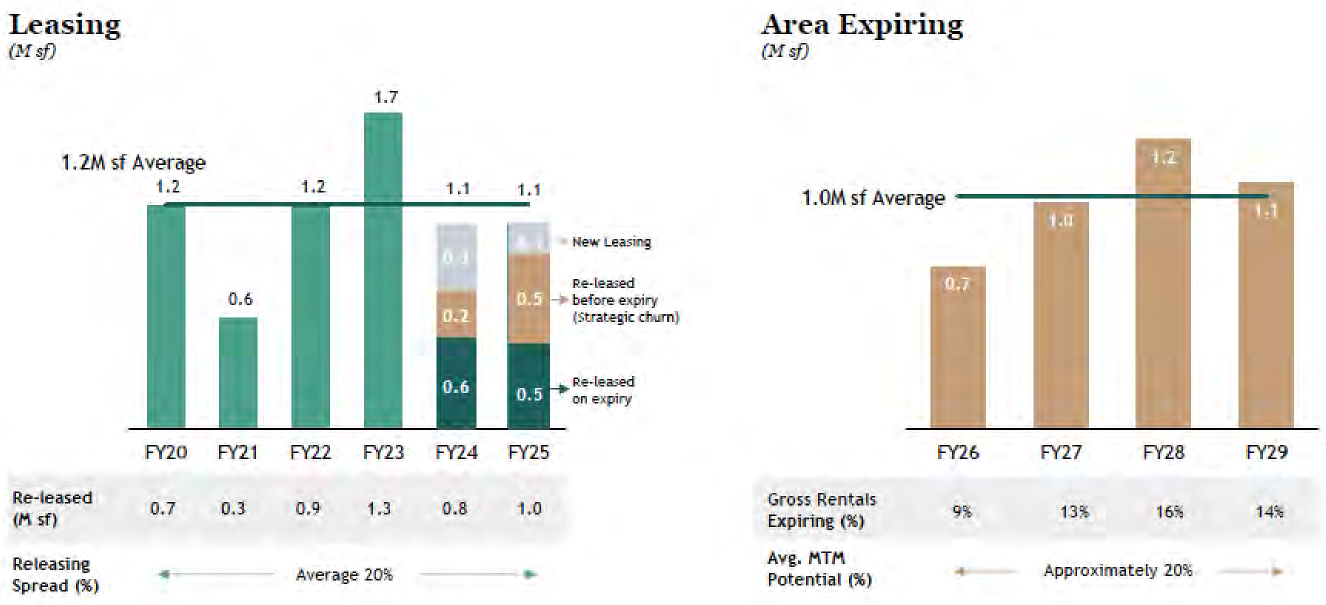
Source: I-Sec research, Company data

Exhibit 2: Nexus is targeting to double its portfolio by 2030

	Today		2030
Number of Malls	19 Malls	c.1.6-1.8x	30-35 Malls
Gross Leasable Area	c.11 M sf	c.2.0x	18-20 M sf
Retail Portfolio NOI	INR 16 Bn+	c.2.0x	INR 30 Bn+
Consumption Growth	8% CAGR (FY20-25)	Stable	8% CAGR (FY26-30)
LTV %	18%	+10-12%	28-30%

Source: I-Sec research, Company data

Exhibit 3: Nexus' leasing and area expiry profile



Source: I-Sec research, Company data

Exhibit 4: Nexus will look to strategically strengthen category relevance

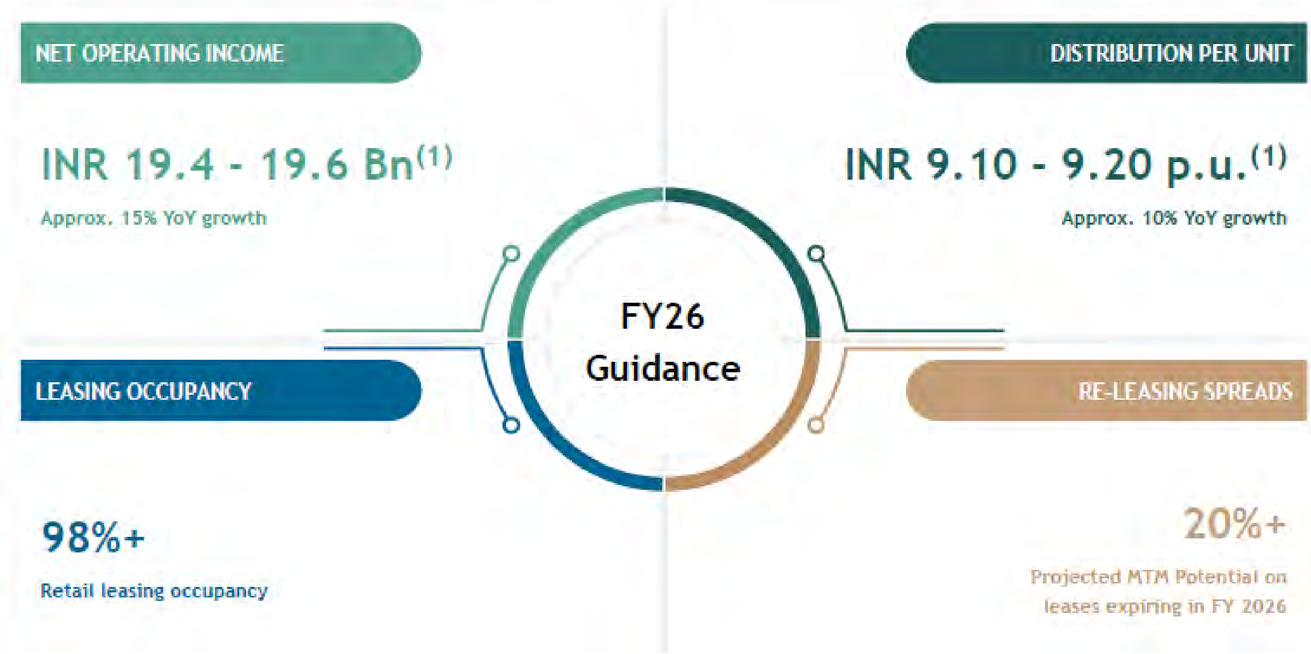
Consumption Category Mix (%)

	FY25		FY30
Jewellery	4%	3.5x	14%
Beauty and Personal Care	4%	2.0x	8%
Food & Beverages	10%	1.2x	12%
Footwear and Fitness	8%	~1.3x	10%
CDIT	16%	Flat	16%
Fashion and Accessories	40%	~0.9x	34%
FEC and Multiplex	5%	0.6x	3%
Hypermarket	5%	0.4x	2%
Others[1]	8%	0.1x	1%

Includes Toys, Books, Luggage, Services, etc.

Source: I-Sec research, Company data

Exhibit 5: Nexus' FY26 NOI and DPU guidance



Source: I-Sec research, Company data

Exhibit 6: Nexus has completed acquisition of MBD, Ludhiana mall in May'25

MBD Complex, Ludhiana

Key Tenants

SEPHORA | DA MILANO | Calvin Klein | SUPERDRY® | ARMANI EXCHANGE | Reliance digital | SKECHERS

Key Stats	
Operational Metrics	
MBD Mall	
Leasable Area	0.3M sf
In-place Occupancy (%)	95%
In-place Rent	INR 114 psf pm
Avg. Monthly Tenant Sales	Approx. INR 20 cr
WALE (Years)	5.1
Radisson Hotel	
Keys	96
FY25 Occupancy (%)	64.4%
FY25 ARR	INR 6,850 per key
Acquisition Metrics	
TEV[1]	INR 531 cr
Discount to GAV (%)[2]	Approx. 14%
Incremental NDCF[3]	Approx. INR 12 cr
FY26 Stabilized Retail NOI[3]	INR 37.0 cr
FY26 Hotel EBITDA[3]	INR 12.5 cr
Implied Retail Cap Rate (%)	9.7%
Implied Hotel EBITDA Multiple (x)	12.1x

(1) Includes INR 490 cr of Purchase Consideration, INR 10 cr of stamp duty, and balance towards planned capex & closing costs.
(2) Based on purchase consideration (incl. Stamp duty) and GAV as per independent valuation.
(3) Based on management estimates.

Nexus Select

Source: I-Sec research, Company data

Valuation

Our key assumptions for Nexus REIT include:

- 7% consumption growth between FY25–29E at a portfolio level and 5–6% annual increase in rentals across assets between FY25–29E
- Cap rate of 6.8% on NOI of each asset
- Maximum stabilised long-term occupancy of 98% across assets
- WACC of 10% assuming 0.2x debt/equity

We retain our **BUY rating,** with a revised Mar'26E DCF-based target price of INR 161/share (earlier INR 157) incorporating MBD, Ludhiana asset in our estimates, valuing assets at 6.8% cap rate, considering potential value accretion from pipeline assets. At CMP of INR 133, we expect Nexus REIT to deliver NDCF distribution yield of 6.9% in FY26E and 7.4% in FY27E. 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 an annual REIT unit capital appreciation of 6–7% over and above the distribution yield.

Exhibit 7: Return profile of Nexus REIT

Nexus REIT Cash Flows (INR mn)	FY24A*	FY25A	FY26E	FY27E
Revenue from Operations	19,164	22,829	25,668	28,244
Net Operating Income (NOI)	**14,348**	**17,110**	**19,103**	**21,293**
EBITDA	12,842	15,522	17,328	19,142
NDCF at REIT level*	**10,719**	**12,653**	**13,900**	**14,898**
NDCF Distribution Payout (%)	100%	100%	100%	100%
NDCF Distribution by REIT*	**10,719**	**12,650**	**13,900**	**14,898**
Distribution per Unit*	**7.7**	**8.4**	**9.2**	**9.8**
Distribution Yield (%)*	**5.7**	**6.3**	**6.9**	**7.4**

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

Exhibit 8: Valuation of Nexus REIT

Enterprise Value (INR mn)	3,02,902
Less: FY26E REIT level net debt (INR mn)	59,443
Equity Value (INR mn)	2,43,459
Equity Value per Unit (INR)	**161**

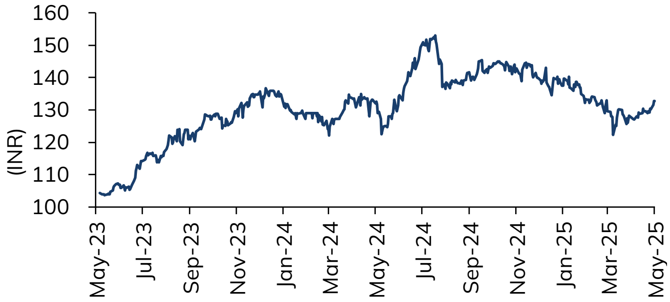
Source: I-Sec research, Company data

Exhibit 9: Sensitivity of target price to cap rate and WACC

		Cap Rate (%)				
NAV	**161**	**6%**	**7%**	**8%**	**9%**	**10%**
	10%	182	154	134	117	104
	11%	177	150	129	113	101
	12%	171	145	125	109	97
WACC (%)	**13%**	166	140	121	106	94
	14%	161	136	117	102	90

Source: I-Sec research, Company data

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	**19,164**	**22,829**	**25,668**	**28,244**
Operating Expenses	4,816	5,719	6,565	6,952
Net Operating Income (NOI)	**14,348**	**17,110**	**19,103**	**21,293**
NOI Margin (%)	74.9	74.9	74.4	75.4
Other expenses	1,506	1,588	1,775	2,151
EBITDA	**12,842**	**15,522**	**17,328**	**19,142**
EBITDA Margin (%)	67.0	68.0	67.5	67.8
Depreciation & Amortization	5,202	5,861	6,154	6,462
Interest expenditure	3,371	3,943	4,167	4,201
Other Non-operating Income	816	1,165	1,223	1,285
Income from JVs	63	96	97	104
Extraordinaries (Net)	-	-	-	-
PBT	**5,148**	**6,979**	**8,327**	**9,867**
Less: Taxes	(838)	2,150	1,407	1,703
PAT	**5,986**	**4,828**	**6,919**	**8,164**
Less: Minority Interest	-	-	-	-
Net Income (Reported)	**5,986**	**4,828**	**6,919**	**8,164**
Net Income (Adjusted)	**5,986**	**4,828**	**6,919**	**8,164**

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	12,781	13,751	14,473	17,055
of which cash & cash eqv.	1,183	770	843	2,744
Total Current Liabilities & Provisions	10,058	14,277	14,142	14,599
Net Current Assets	**2,723**	**(525)**	**331**	**2,457**
Investments	937	3,469	3,469	3,469
Net Fixed Assets	1,44,573	1,52,202	1,52,887	1,48,027
Capital Work-in-Progress	346	693	693	693
Other assets	43,404	38,833	37,311	36,312
Total Assets	**1,91,984**	**1,94,672**	**1,94,691**	**1,90,958**
Liabilities				
Borrowings	**42,635**	**53,286**	**60,286**	**63,286**
provisions	-	-	-	-
other Liabilities	-	-	-	-
Total Net Worth	**1,49,349**	**1,41,387**	**1,34,406**	**1,27,672**
Minority Interest	-	-	-	-
Total Liabilities	**1,91,984**	**1,94,672**	**1,94,691**	**1,90,958**

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**12,770**	**15,985**	**16,116**	**17,647**
Working Capital Changes	290	615	380	399
Capital Commitments	(862)	(1,456)	(6,839)	(1,602)
Free Cashflow	**12,197**	**15,144**	**9,657**	**16,444**
Other investing cashflow	(2,902)	(7,848)	(14)	(14)
Cashflow from Investing Activities	(3,764)	(9,304)	(6,853)	(1,616)
Issue of Share Capital/(Distribution)	5,900	(12,788)	(13,900)	(14,898)
Inc (Dec) in Borrowings	(10,535)	10,542	7,000	3,000
Interest paid	(3,371)	(3,943)	(4,167)	(4,201)
Others	-	-	-	-
Cash flow from Financing Activities	(8,006)	(6,189)	(11,068)	(16,099)
Chg. in Cash & Bank balance	**1,290**	**1,107**	**(1,425)**	**332**
Closing cash & balance	1,183	770	843	2,744

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Earnings per Unit	4.0	3.2	4.6	5.4
Distribution per unit (DPU)	7.7	8.4	9.2	9.8
Book Value per Unit (BV)	98.6	93.3	88.7	84.3
Growth (%)				
Net Sales	(1.7)	19.1	12.4	10.0
NOI	6.1	19.3	11.6	11.5
PAT	31.4	(19.3)	43.3	18.0
Valuation Ratios (x)				
P/E	33.7	41.7	29.1	24.7
P/BV	1.3	1.4	1.5	1.6
Dividend Yield (%)	5.7	6.3	6.9	7.4
Operating Ratios				
EBITDA Margins (%)	67.0	68.0	67.5	67.8
Net Profit Margins (%)	31.2	21.1	27.0	28.9
Net Debt / Equity (x)	0.3	0.4	0.4	0.5
Debt / EBITDA (x)	3.3	3.4	3.5	3.3
Profitability Ratios				
RoCE (%)	6.2	5.6	6.4	7.3
RoE (%)	6.9	3.3	5.0	6.2

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : compliance officer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122