Brookfield India Real Estate Trust — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat (Operational) / Strategic Transformation **One-line:** BIRET has transitioned from a stable yield play to a high-growth platform via a landmark 50-50 partnership with GIC to acquire ₹11,225 Cr of assets, effectively neutralizing interest rate headwinds through sheer scale and 4.5% pro-forma accretion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY23 Gross leasing of 2.1 MSF is ~1.8x historical average; DPU of ₹20.20 met the top end of guidance.	□
Earnings Quality	High (Core driven)	Adjusted NOI grew 38% YoY; growth is driven by 11% average escalations and physical occupancy recovery.	□
Guidance Confidence	Strong	Management announced a transformative 6.5 MSF acquisition with GIC, providing a clear path to 4.5% NDCF accretion.	□
Management Credibility	Strong	Executed on the "Return to Office" theme (physical occupancy 63% vs 8% YoY) and landed a Tier-1 global partner (GIC).	□
Business Quality Signal	Improving	Top 5 tenant concentration to drop from 52% to 32% post-acquisition; BFSI exposure doubling to 22%.	□
Key Q&A Exchange	PPT_ONLY: Not applicable	N/A	□
The Street's Primary Anxiety	Financing & Dilution	Concern over ₹3,500 Cr equity raise; Mgmt countered with 4.5% NDCF accretion and 5.8% discount to GAV.	□
Capital Cycle Stage	Growth / Expansion	Pivoting to aggressive inorganic growth via the GIC partnership.	□
Margin / Return Ratio Trajectory	Improving	15% YoY increase in NOI run rate; 13% additional organic headroom identified.	□
Pricing Power	Stable	Achieved 24% re-leasing spread in FY23; 13% average escalation on 0.6 MSF in Q4.	□
FCF Conversion & Quality	Strong	100% of distributions are backed by cash flows; NDCF (REIT level) ₹678.6 Cr for FY23.	□
Competitive Moat Signals	Widening	Only 100% institutionally managed REIT in India; now backed by the world's most sophisticated sovereign wealth fund.	□
Balance Sheet Strength	Adequate	LTV at 32% (Current) / 33.6% (Pro-forma); still 100% floating rate debt is the primary risk.	□
Working Capital Efficiency	Improving	CAM recovery improving as physical occupancy hits 63%.	□
Mgmt Guidance Track Record	Reliable	Consistently hitting DPU targets and leasing milestones.	□
Key Vulnerability / Red Flag	Floating Debt	100% floating rate debt remains; average cost rose to 8.20% (up 25 bps QoQ).	□
Management Tone	Aggressive / Confident	Shift from "defending the yield" to "transforming the scale."	□

Key Takeaways (Positives & Negatives): * **Positives:** The GIC partnership is a game-changer, providing a massive capital pool for growth without over-leveraging the REIT balance sheet. The acquisition of Downtown Powai and G1 Gurugram at a 5.8% discount to GAV is highly disciplined. Operationally, the "Return to Office" is no longer a theory; physical occupancy reaching 63% (from 53% last quarter) is driving strong CAM recovery and ancillary income. * **Negatives:** The debt book remains 100% floating rate at 8.20%. While NOI growth (15%) is currently outpacing interest rate hikes, the REIT remains the most sensitive in the sector to RBI's terminal rate decisions. * **Street Concern:** Investors were wary of the "SEZ stagnation" in Noida/Kolkata; the Mumbai-heavy acquisition (increasing Mumbai GAV share to 33%) directly addresses this by diversifying into high-demand CBD/SBD micro-markets. * **Watchpoint:** Execution of the ₹3,500 Cr (₹35 billion) Institutional Placement and the resulting impact on the final unit price vs. the projected 4.5% accretion.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (Q4 FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Leasable Area (MSF)	18.7	→	→	→	Stable; Pro-forma to reach 25.2 MSF.
Committed Occupancy (%)	84%	↑ 100 bps	↑ 100 bps	↑	1.2 MSF leased in Q4 alone.
Effective Economic Occ (%)	89%	→	→	→	Includes income support at N2.
In-place Rent (₹PSF/mo)	₹65	↑ 1.5%	↑ 1.5%	↑	Post-renewal (TCS) seen at ₹67.
Revenue from Ops (₹ Cr)	₹302.4	↑ 20.5%	↑ 0.8%	↑	Driven by N2 addition and new leasing.
Net Operating Income (₹Cr)	₹226.2	↑ 18.8%	↑ 12%	↑	Adjusted NOI (incl. support) is ₹244.4 Cr.
PAT (₹Cr)	Not in PPT	-	-	-	Concall/Financials not provided.
NDCF (REIT Level) (₹ Cr)	₹167.2	↑ 1%	↓ 0.3%	→	Stable payout of ₹5.00/unit.
Net Debt to Value (%)	32%	→	→	→	Regulatory cap is 49%; significant headroom.
Avg. Interest Rate (%)	8.20%	↑ 25 bps	↑ 25 bps	↓	Rate rose from 7.95% to 8.20% QoQ.
Physical Occupancy (%)	63%	↑ 4700 bps	↑ 1000 bps	↑	Jump from 53% (Dec) to 63% (Mar).
WALE (Years)	7.9	↑ 16%	↑ 16%	↑	Improved from 6.8 to 7.9 yrs due to renewals.

2B. SEGMENT BREAKDOWN

Segment (Asset)	Revenue (₹ Cr)*	YoY Growth	Occupancy	Trend	vs Co. Avg	Key Development
Kensington (Mumbai)	₹46.8	↑ 2.8%	87%	↑	Outperformer	TCS renewal achieved 35% spread.
G2 (Gurugram)	₹86.8	↑ 12%	85%	→	Average	108% NOI margin on OLR.
N1 (Noida)	₹49.4	↑ 15%	96%	↑	High	Almost full; achieved 105% NOI margin.
N2 (Noida)	₹69.3	-	77%	→	Underperformer	Income support active till Mar-24.
K1 (Kolkata)	₹49.5	↓ 1%	84%	→	Lower	Stabilized; focus on future dev (2.7 MSF).
**Revenue from Operations as of Q4 FY23.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distribution	₹5.00 DPU for Q4 FY23.	Achieved.	Consistently met guidance for FY23.	Low
Guidance	Inorganic Growth	Acquisition of 6.5 MSF assets (Powai & G1).	Requires ₹3,400 Cr equity raise and GIC's ₹3,263 Cr.	First entry (transformative).	Medium
Guidance	Accretion	4.5% NDCF per unit accretion.	Assumes ₹275 placement price and 8.5% debt refi.	New target.	Execution
Guidance	Organic Growth	13% embedded NOI growth headroom.	Requires lease-up of 1.7 MSF vacant area.	NOI run rate grew 15% in FY23.	Medium
Strategy	Diversification	Reduce Top 5 tenant concentration.	Targets 32% (down from 52%).	On track post-acquisition.	Low
Strategy	Net Zero	Advanced Net Zero target to 2040.	60% green energy PPA signed for N1, N2.	Improving ESG metrics.	Low
Balance	Leverage	Pro-forma LTV of 33.6%.	Well within 49% limit.	Maintained 32% for FY23.	Low

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs. 9M FY23 Prior Context.

What Changed	Prior Quarter	This Quarter	Direction
Strategy	Organic focus / ROFO evaluation	**Mega Acquisition with GIC** (₹11,225 Cr)	↑ (Growth)
Asset Base	18.7 MSF	**25.2 MSF (Pro-forma)**	↑ (Scale)
Geography	Mumbai 16% of GAV	**Mumbai 33% of GAV**	↑ (Diversification)
WALE	6.8 Years	**7.9 Years**	↑ (Stability)
Physical Occupancy	52%	**63%**	↑ (Recovery)
Cost of Debt	7.95%	**8.20%**	↓ (Headwind)
Tenant Concentration	Top 5 at 52%	**Top 5 at 32% (Pro-forma)**	↑ (De-risking)
In-place Rent	₹64 PSF	**₹80 PSF (Pro-forma)**	↑ (Yield)

Investor Notes: * **Thesis Impact:** The fundamental long-term thesis is significantly strengthened. By shifting the portfolio weight toward Mumbai and partnering with GIC, BIRET has reduced its reliance on the "SEZ/Noida" narrative and entered the premier Institutional Asset Manager league. * **Earnings Quality:** The 4.5% accretion is supported by "Income Support" of ₹200 Cr for G1 from the sponsor, ensuring day-one cash flow stability while the 908k sf vacant area at G1 is leased. * **CFO/NDCF Divergence:** SPV level NDCF (₹778 Cr) is higher than REIT level NDCF (₹678.6 Cr) due to investments of shareholder debt into SPVs (₹69.5 Cr) and REIT management fees. This is standard REIT accounting. * **The "Floating" Risk:** Despite the massive acquisition news, the REIT remains 100% floating rate. A 50 bps unexpected hike by the RBI would shave off a material portion of the 4.5% accretion.

STOP HERE.