

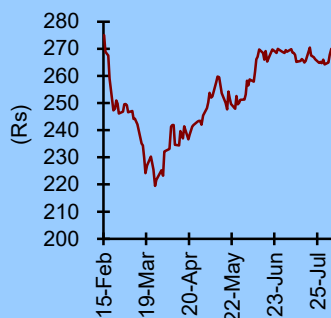
Q1FY22 result review  
and reco / target price  
change

## Real Estate

Target price Rs293

Target price revision  
Rs293 from Rs296

Price chart



INDIA



# Brookfield India REIT

**ADD**

**Downgrade from BUY  
Rs267**

## Resilient performance

The Brookfield India REIT (BREIT) delivered a resilient Q1FY22 performance with over 99% of rental collections and flattish NOI of Rs1.7bn on YoY basis with same-store occupancy remaining healthy at 89% (down 2% QoQ on fresh expiries). We cut our rating on BREIT to ADD from BUY with a revised March 2022 DCF based target price of Rs293/unit (earlier Rs296) as we incorporate further expiries in FY22E. At CMP of Rs267, we expect BREIT to deliver NDCF distribution yield of 7.5% in FY22E, 8.5% in FY23E and 8.9% in FY24E. We expect over 30% of the distribution to be in the form of tax-free dividend and capital return with balance returns from interest. Key risks to our thesis are the large-scale adoption of Work-from-Home by occupiers over the long term and rising interest rates globally.

- **Resilient Q1FY22 performance:** The BREIT which listed on exchanges on February 16, 2021 achieved a resilient Q1FY22 performance in its operational portfolio with rental collections of over 99% and operating lease rentals grew 7.3% YoY to Rs1.6bn while overall operating revenue (including CAM) remained flat owing to a YoY reduction of Rs1.1bn in CAM revenue owing to Covid and mid-year termination of CIOP operating services with identified assets. Comparable Q1FY22 Net Operating Income (NOI) was flat YoY at Rs1.7bn. The operating portfolio of 10.3msf is stabilized with 89% Same-Store Occupancy and a Weighted Average Lease Expiry (WALE) of 6.3 years.
- **Renewals of remaining FY22E expiries a key monitorable:** In FY21, of the 1.0msf of scheduled expiries, the REIT manager had achieved 54% renewals on term expiries while discussion on balance FY21 expiries of 0.40msf had been postponed to FY22E. As a result, the REIT had 1.1msf of area expiring in FY22E (including FY21 rollover) of which the REIT manager was expecting to renew at least 40-50% of the area based on conservative estimates. y monitorable. In Q1FY22, the REIT manager was able to renew 0.2msf of space but an additional 0.2msf of fresh exits led to same-store occupancy declining by 200bps QoQ to 89%. With another 0.9msf of exits/expiry in the remainder of FY22E, renewals of these expiries remain key. As per the REIT manager, while near-term pain may persist for another one to two quarters, leasing momentum should pick up from Q4FY22 resulting in occupancies recovering again.
- **On track to meet H1FY22 NDCF DPU guidance:** At the end of Q4FY21, the REIT manager had given a NDCF DPU guidance of Rs12.75/unit for H1FY22 and has declared a Q1FY22 NDCF DPU of Rs6.0/unit or 93% of the Q1FY22 NDCF of Rs6.42/unit. Factoring in lower occupancies across assets owing to fresh exits, we lower our FY22 NOI/NDCF estimates by 6%/8% to Rs7.0bn and Rs6.0bn, respectively and retain our FY23-24E estimates. We expect the REIT manager to meet its implied Q2FY22 NDCF DPU guidance of Rs6.75/unit.

Market Cap	Rs75.3bn/US\$1.0bn	Year to Mar	FY21	FY22E	FY23E	FY24E
Bloomberg	BIRET IN	Revenue (Rs bn)	1.3	9.3	11.0	11.4
Shares Outstanding (mn)	302.8	Adjusted PAT (Rs bn)	0.3	4.2	4.7	5.0
52-week Range (Rs)	280/215	EPU (Rs)	4.3	13.9	15.4	16.6
Free Float (%)	NA	NDCF (Rs bn)	4.9	6.0	6.9	7.2
FII (%)	NA	P/E (x)	62.7	19.2	17.4	16.1
Daily Volume (US\$'000)	NA	P/B (x)	1.0	1.0	1.0	1.1
Absolute Return 3m (%)	(3.6)	Net D/E (x)	0.2	0.2	0.3	0.3
Absolute Return 12m (%)	NA	Distribution yield (%)	6.1	7.5	8.5	8.9
Sensex Return 3m (%)	(0.6)	RoCE (%)	NM	5.6	6.1	6.7
Sensex Return 12m (%)	65.2	RoE (%)	NM	5.2	5.9	6.5

\*For representation purposes only

Research Analyst:

**Adhidev Chattopadhyay**

adhidev.chattopadhyay@icicisecurities.com  
+91 22 6637 7451

## Overview of Assets

**Table 1: Brookfield India REIT Initial Asset Portfolio and Call Option Properties**

Portfolio (as of June 30, 2021)	Initial Portfolio				Call Option Properties	
Details	Kensington	Candor Techspace G2	Candor Techspace N1	Candor Techspace K1	Candor Techspace G1	Candor Techspace N2
SPV	Festus Properties Private Limited	Candor Kolkata One Hi-Tech Structures Private Limited	Shantiniketan Properties Private Limited	Candor Kolkata One Hi-Tech Structures Private Limited	Candor Gurgaon One Realty Projects Private Limited	Seaview Developers Private Limited
Interest Proposed to be owned by the REIT	100%	100%	100%	100%	NA	NA
Year of Commencement/Acquisition	2019	2015	2015	2015	2015	2015
Asset Type	SEZ	SEZ	SEZ	SEZ and mixed use	SEZ	SEZ
Micro-market	Powai, Mumbai	Sector 21, Gurugram	Sector 62, Noida	Rajarhat, Kolkata	Sector 48, Gurugram	Sector 135, Noida
Site Area (Acres)	8.96	28.53	19.25	48.38	25.18	29.65
Freehold/ Leasehold	Freehold	JD with GIL	Leasehold (90 Years)	Freehold	Freehold	Leasehold (90 Years)
Completed Area (msf)	1.5	3.9	1.9	3.1	3.7	3.6
Under Construction Area (msf)	0.0	0.0	0.1	0.0	0.0	0.0
Future Development Portfolio	0.0	0.1	0.9	2.7	0.0	0.9
<b>Total Area (msf)</b>	<b>1.5</b>	<b>4.0</b>	<b>2.8</b>	<b>5.7</b>	<b>3.7</b>	<b>4.5</b>
Leased Area (msf) (%)	1.3	3.4	1.3	2.8	2.6	3.0
Same-store Occupancy (%)*	82%	89%	94%	91%	93%	85%
WALE (Years)	2.4	7.1	6.9	7.0	8.0	8.6
In-Place Rent (Rs/psf/month)	93	80	46	43	70	52

Source: Company, I-sec research, WALE = Weighted Average Lease Expiry, \*Excluding N1 Tower 5 (481 KSF) completed in September 2020

**Table 2: Q1FY22 Property Income Walkdown**

MILLIONS	Q1 FY22	Q1 FY21	KEY DRIVERS
Income from Operating Lease Rentals (OLR)	Rs 1,616	Rs 1,507	• Rs 109 million / 7.3% YOY increase primarily driven by contractual escalations
(+) CAM / Other Revenue	575	690	• Rs 56 million / 8.1% YOY decrease primarily due to mid-year termination of CIOP's operating services arrangement with Identified Assets • Rs 58 million / 8.5% YOY decrease primarily due to new vacancies and reduction in CAM expenses (cost-plus contracts)
Revenue from Operations	Rs 2,191	Rs 2,196	
(-) CAM / Other Direct Expenses	(494)	(533)	• Rs 27 million / 5.1% YOY decrease due to mid-year termination of CIOP's operating services arrangement with Identified Assets • Rs 11 million / 2.1% YOY decrease due to reduced utilization due to COVID-19 outbreak
Net Operating Income (NOI)	Rs 1,696	Rs 1,663	
(-) Net income in CIOP attributable from Identified Assets		(29)	• Mid-year termination of CIOP's operating services arrangement with Identified Assets
Comparable NOI	Rs 1,696	Rs 1,634	
% Margin on OLR	105%	108%	

Source: Company, I-Sec research

**Table 3: Q1FY22 Asset Wise Property Income Walkdown**

MILLIONS	INCOME FROM OPERATING LEASE RENTALS (OLR)		REVENUE FROM OPERATIONS		NET OPERATING INCOME (NOI) <sup>(1)</sup>			
	Q1 FY22	Q1 FY21	Q1 FY22	Q1 FY21	Q1 FY22	% OLR	Q1 FY21	% OLR
Kensington	Rs 435	Rs 350	Rs 463	Rs 387	Rs 402	92%	Rs 324	92%
G2	632	637	889	925	675	107%	690	108%
N1	184	176	299	293	197	107%	204	115%
K1	364	343	540	534	385	106%	368	107%
CIOP			73	146	37		78	
Intercompany Eliminations <sup>(2)</sup>			(73)	(89)				
<b>Total</b>	<b>Rs 1,616</b>	<b>Rs 1,507</b>	<b>Rs 2,191</b>	<b>Rs 2,196</b>	<b>Rs 1,696</b>	<b>105%</b>	<b>Rs 1,663</b>	<b>110%</b>
Less: amount attributable from Identified Assets <sup>(3)</sup>			-	(56)			(29)	
<b>Comparable Total</b>	<b>Rs 1,616</b>	<b>Rs 1,507</b>	<b>Rs 2,191</b>	<b>Rs 2,140</b>	<b>Rs 1,696</b>	<b>105%</b>	<b>Rs 1,634</b>	<b>108%</b>

Source: Company, I-Sec research, (1) The NOI at SPV level is presented without intercompany eliminations, (2) Revenue earned by CIOP gets eliminated with corresponding operating and maintenance expenses at SPV level, (3) CIOP captures the revenue and NOI attributable from Identified Assets until termination of contract on August 31, 2020.

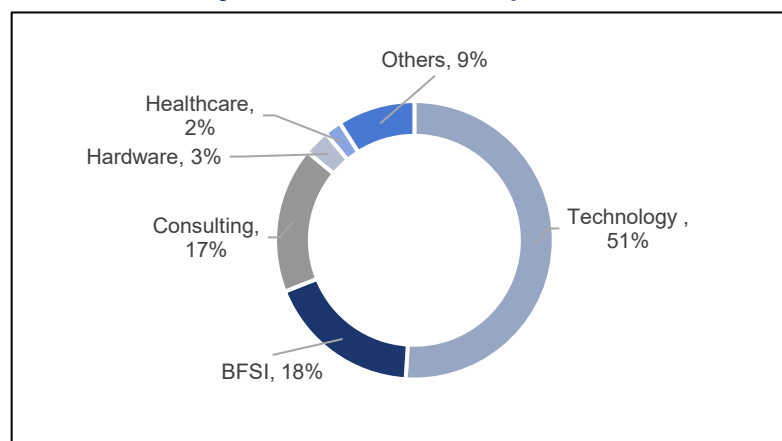
**Table 4: Q1FY22 NDCF Buildup (period from February 8, 2021 to June 30, 2021)***(Rs mn, year ending Mar 31)*

Particulars	Rs mn
Income from Operating Lease Rentals	2,559
CAM / Other Revenue	941
<b>Revenue from Operations</b>	<b>3,500</b>
CAM / Other Direct Expenses	(787)
<b>NOI</b>	<b>2,713</b>
Property Management Fees	(53)
Net Other Expenses	(1,199)
<b>EBITDA</b>	<b>1,461</b>
Cash Taxes (Net of Refund)	470
Working Capital and Ind AS adjustments	967
<b>Cashflow from Operations</b>	<b>2,898</b>
Capex	(272)
Net Debt (Repayment) / Drawdown	90
Interest Cost on External Debt	(784)
<b>NDCF (SPV Level)</b>	<b>1,932</b>
NDCF - Interest	1,529
NDCF - Dividends	150
NDCF - Repayment of Shareholder Debt	297
REIT Expenses	(31)
<b>NDCF (REIT Level)</b>	<b>1,901</b>

Source: Company, I-Sec research

## Strong tenant base across sectors

As of June 2021, BREIT has a well-diversified tenant portfolio across sectors with the technology sector (51%) and BFSI (18%) accounting for majority of the tenants across its office properties. The Initial Portfolio houses a diverse base of marquee tenants with 75% of Leased Area contracted with the top 10 tenants.

**Chart 1: Industry Wise Tenant Breakup**

Source: Company, I-Sec Research

**Table 5: Top 10 clients form 75% of leased area**

Tenant	# Parks	% Leased Area	Growth since Mar'15 <sup>(1)</sup>
TCS	2	18%	-
Accenture	2	16%	+123%
Cognizant	2	14%	+93%
Sapient	1	6%	+138%
RBS	1	5%	+7%
Barclays	1	5%	+60%
BA Continuum	1	3%	(52%)
Capgemini	1	3%	+30%
Amdocs	1	2%	+33%
E&Y	1	2%	(1%)
<b>Total</b>		<b>75%</b>	<b>+35%</b>

Source: Company, I-Sec Research, 1 - Adjusted for areas in Kensington, which were inherited in 2017 when the property management was taken over

**Table 6: BREIT Q1FY22 leasing trends****SIGNED LEASES / RENEWALS**

Tenant / Industry	Industry	Assets / Area
TCS	Technology	K1
Artech Infosystem	HR Services	N1
BlueChip Hospitality	F&B	N1
<b>Total</b>		<b>169,000 SF</b>
<b>Ongoing Discussions</b>		<b>462,000 SF</b>
<b>LOI Executed in N1</b>		<b>38,000 SF</b>

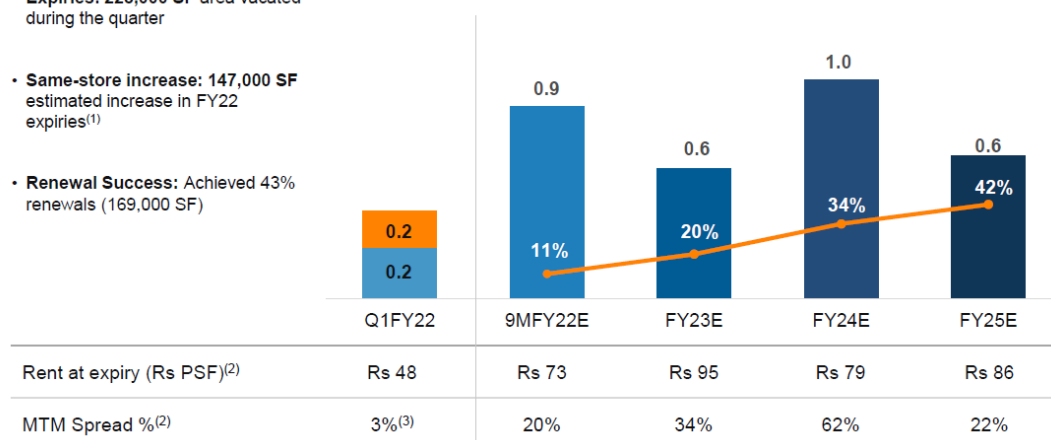
Source: Company, I-Sec Research

**Table 7: BREIT Portfolio lease expiry profile****KEY HIGHLIGHTS**

- **Expiries: 228,000 SF** area vacated during the quarter
- **Same-store increase: 147,000 SF** estimated increase in FY22 expiries<sup>(1)</sup>
- **Renewal Success:** Achieved 43% renewals (169,000 SF)

**LEASE EXPIRY SCHEDULE**

■ Area Expiring (MSF) ■ Renewed — Cumulative Expiry (% of Rentals)



Source: Company, I-Sec Research, (1) Based on on-going discussions with occupiers. BREIT will provide updated renewal guidance as and when it concludes its ongoing discussions, (2) Excludes amenity areas and area vacated in Q1FY22, (3) Re-leasing spread on renewed area, lower primarily due to large share being contributed by K1.

**Table 8: BREIT Asset wise lease expiry schedule**

Year / Asset	Area Expiring ('000 SF)	% of Gross Rentals <sup>(1)</sup>	In-place rent at Expiry (INR PSF) <sup>(1)</sup>
<b>9M FY22E</b>			
Kensington	-	-	-
G2	561	18%	90
N1	32	3%	44
K1	272	10%	43
<b>Total – REIT</b>	<b>865</b>	<b>11%</b>	<b>Rs 73</b>
<b>FY23E</b>			
Kensington	373	33%	Rs 104
G2	90	3%	90
N1	15	2%	-
K1	106	3%	50
<b>Total – REIT</b>	<b>584</b>	<b>9%</b>	<b>Rs 95</b>
<b>FY24E</b>			
Kensington	745	57%	Rs 91
G2	6	0%	-
N1	233	16%	40
K1	1	0%	-
<b>Total – REIT</b>	<b>986</b>	<b>14%</b>	<b>Rs 79</b>
<b>FY25E</b>			
Kensington	145	18%	Rs 148
G2	230	6%	96
N1	265	18%	44
K1	3	0%	-
<b>Total – REIT</b>	<b>643</b>	<b>9%</b>	<b>Rs 86</b>

Source: Company, I-Sec Research, (1) Excludes amenity area

## Valuation

REITs derive cash flows in the form of interest, debt repayment and dividend payments from owned assets which have differing cash flow profiles. Unlike assets in Infrastructure Trusts like toll/annuity roads or power transmission assets which have a fixed tenure of operations, the underlying assets in REITs which consist of offices, malls and hotels are perpetual in nature and carry an element of capital appreciation as well through escalation in rentals, addition of new assets and ramp up in occupancies.

Hence, the total return offered by a REIT should be measured as a mix of annual distributions and capital appreciation of the units of the REIT. Hence, we prefer a DCF based approach which captures the upside from uptick in rental income along with the annual distribution of at least 90% of the Net Distributable Cash Flow (NDCF) to REIT unitholders.

### Our key assumptions for Brookfield India REIT include:

- 4% annual increase in rentals from FY23E onwards
- 3% increase in market rentals for FY22E
- 4% terminal growth rate from FY30E
- Cap rate of 8% on Net Operation Income (NOI) of each asset
- Maximum stabilised long-term occupancy of 95% across assets
- WACC of 10.9% assuming 0.25x debt/equity with cost of equity of 12% and cost of debt of 7.5%.
- We have not assumed any injection of Call Option Properties and ROFO assets into the REIT

We cut our rating on Brookfield India REIT (BREIT) to ADD from BUY with a revised March 2022 DCF based target price of Rs293/unit owing to lower FY22E occupancies across assets.

At CMP of Rs267, we expect the BREIT to deliver NDCF distribution yield of 7.5% in FY22E, 8.5% in FY23E and 8.9% in FY24E. We expect over 30% of the distribution to be in the form of dividend and capital return with balance returns from interest post the conversion of CCDs in Candor Kolkata (G2+K1 SPV) to equity shares effective April 1, 2021.

We believe that upsides from addition of call option/ROFO assets, mark-to-market opportunity and rental appreciation beyond FY22E may enable the REIT to deliver annual REIT unit capital appreciation of 5-6% over and above the distribution yield.

Key downside risks to our thesis are the large-scale adoption of Work-from-Home by occupiers over the long term and rising interest rates globally.

**Table 9: Return profile of Brookfield India REIT**

Brookfield India REIT Cash Flows	FY22E	FY23E	FY24E
Revenue from Operations	9,267	11,022	11,359
<b>Net Operating Income (NOI)</b>	<b>7,036</b>	<b>7,826</b>	<b>8,364</b>
EBITDA	6,678	7,309	7,820
NDCF at SPV level	6,639	6,945	7,246
<b>NDCF at REIT level*</b>	<b>6,030</b>	<b>6,873</b>	<b>7,171</b>
NDCF Distribution Payout (%)	100%	100%	100%
<b>NDCF Distribution by REIT*</b>	<b>6,030</b>	<b>6,873</b>	<b>7,171</b>
Distribution per Unit*	19.9	22.7	23.7
Distribution Yield (%) *	7.5	8.5	8.9
<b>NDCF % Breakup</b>			
Interest	67.1%	60.8%	54.5%
Dividend	5.1%	7.2%	14.8%
Principal Repayment	27.7%	31.9%	30.6%
<b>Total Distribution</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Isec research estimates, \*FY21E for illustration purposes only

**Table 10: Valuation of Brookfield India REIT**

<b>Enterprise Value (Rs mn)</b>	<b>113,297</b>
Less: FY22E REIT level net debt (Rs mn)	20,005
Less: Deposits (Rs mn)	4,514
<b>Equity Value (Rs mn)</b>	<b>88,779</b>
<b>Equity Value per Unit (Rs)</b>	<b>293</b>

Source: Isec research estimates

**Table 11: Sensitivity of Target Price to Cap Rate and Cost of Equity**

NAV	293	Cost of Equity (%)				
		10%	11%	12%	13%	14%
<b>Cap Rate (%)</b>	<b>6%</b>	416	393	372	351	332
	<b>7%</b>	366	346	327	309	292
	<b>8%</b>	329	310	<b>293</b>	277	262
	<b>9%</b>	299	283	267	252	238
	<b>10%</b>	276	261	246	232	219
	<b>11%</b>	257	243	229	216	204

Source: I-Sec research estimates



## Financial summary (Consolidated)

**Table 12: Profit and Loss statement**

(Rs mn, year ending Mar 31)

Year ending March	FY21*	FY22E	FY23E	FY24E
<b>Revenue from operations</b>	<b>1,309</b>	<b>9,267</b>	<b>11,022</b>	<b>11,359</b>
Operating expenses	NM	2,231	3,196	2,995
<b>Net Operating Income (NOI)</b>	<b>NM</b>	<b>7,036</b>	<b>7,826</b>	<b>8,364</b>
NOI margin (%)	NM	75.9%	71.0%	73.6%
<b>Other expenses/REIT expenses</b>	<b>484</b>	<b>358</b>	<b>517</b>	<b>544</b>
<b>EBITDA</b>	<b>825</b>	<b>6,678</b>	<b>7,309</b>	<b>7,820</b>
% margins	63.0%	72.1%	66.3%	68.8%
Depreciation & Amortisation	317	1,059	1,124	1,169
Interest expenses	411	1,417	1,539	1,649
Other Income	52	54	57	60
Exceptional items	-	-	-	-
<b>PBT</b>	<b>149</b>	<b>4,256</b>	<b>4,703</b>	<b>5,062</b>
Less: Taxes	(104)	49	44	51
<b>PAT before Minority/Associate</b>	<b>253</b>	<b>4,207</b>	<b>4,659</b>	<b>5,011</b>
Minority Interest	-	-	-	-
<b>Net Income (Adjusted)</b>	<b>253</b>	<b>4,207</b>	<b>4,659</b>	<b>5,011</b>

Source: Company data, I-Sec research, \*FY21E numbers for illustration purposes

**Table 13: Balance sheet**

(Rs mn, year ending Mar 31)

As at March	FY21*	FY22E	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	3,831	4,582	4,004	2,460
of which cash & cash eqv.	3,155	4,055	3,476	1,929
Total Current Liabilities & Provisions	6,747	6,827	6,911	7,081
<b>Net Current Assets</b>	<b>(2,916)</b>	<b>(2,244)</b>	<b>(2,906)</b>	<b>(4,621)</b>
Other non-current assets/Investments	2,245	2,245	2,244	2,244
Net Fixed Assets	1,00,281	99,222	98,098	96,929
Capital WIP	792	2,401	3,974	5,698
<b>Total Assets</b>	<b>1,00,401</b>	<b>1,01,623</b>	<b>1,01,410</b>	<b>1,00,250</b>
<b>Liabilities</b>				
Borrowings	21,015	24,060	26,060	27,060
<b>Net Worth</b>	<b>82,028</b>	<b>80,204</b>	<b>77,991</b>	<b>75,831</b>
Minority Interest	-	-	-	-
Deferred Taxes	(2,641)	(2,641)	(2,641)	(2,641)
<b>Total Liabilities</b>	<b>1,00,401</b>	<b>1,01,623</b>	<b>1,01,410</b>	<b>1,00,250</b>

Source: Company data, I-Sec research, \*FY21E numbers for illustration purposes

**Table 14: Cashflow statement***(Rs mn, year ending Mar 31)*

<b>Year ending March</b>	<b>FY21*</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>PBT</b>	<b>149</b>	<b>4,256</b>	<b>4,703</b>	<b>5,062</b>
Interest income	(24)	78	82	168
Finance costs	411	1,417	1,539	1,649
Depreciation and amortisation expense	317	1,059	1,124	1,169
Others	24	-	-	-
<b>Operating cash flows before working capital changes</b>	<b>876</b>	<b>6,810</b>	<b>7,448</b>	<b>8,048</b>
Changes in Working Capital	(54)	-	-	-
Cash generated from operations	<b>823</b>	<b>6,810</b>	<b>7,448</b>	<b>8,048</b>
Income taxes paid, net	574	(49)	(44)	(51)
<b>Operating Cashflow</b>	<b>1,396</b>	<b>6,761</b>	<b>7,405</b>	<b>7,997</b>
Capital Commitments	(137)	(1,609)	(1,572)	(1,724)
<b>Free Cashflow</b>	<b>1,259</b>	<b>5,152</b>	<b>5,832</b>	<b>6,273</b>
Investments	(346)	-	-	-
Others	2	-	-	-
<b>Cashflow from Investing Activities</b>	<b>(481)</b>	<b>(1,609)</b>	<b>(1,572)</b>	<b>(1,724)</b>
Issue of Share Capital/(Distribution)	37,732	(6,030)	(6,873)	(7,171)
Inc (Dec) in Borrowings	(35,676)	3,045	2,000	1,000
Finance costs	(593)	(1,417)	(1,539)	(1,649)
Others	-	-	-	-
<b>Cashflow from Financing activities</b>	<b>1,463</b>	<b>(4,402)</b>	<b>(6,412)</b>	<b>(7,820)</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>2,378</b>	<b>749</b>	<b>(580)</b>	<b>(1,547)</b>

Source: Company data, I-Sec research, \*FY21E numbers for illustration purposes

**Table 15: Key ratios***(Year ending Mar 31)*

	<b>FY21*</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Per Share Data (Rs)</b>				
Earnings per Unit	4.3	13.9	15.4	16.6
Distribution per unit (DPU)	16.2	19.9	22.7	23.7
Book Value per Unit (BV)	270.9	264.9	257.6	250.4
<b>Growth (%)</b>				
Net Sales	(86.3)	607.7	18.9	3.1
Net Operating Income	NA	NA	11.2	6.9
EBITDA	(86.1)	709.2	9.5	7.0
PAT	NM	1,562.6	10.7	7.6
<b>Valuation Ratios (x)</b>				
P/E	62.7	19.2	17.4	16.1
P/BV	1.0	1.0	1.0	1.1
Distribution Yield	6.1	7.5	8.5	8.9
<b>Operating Ratios</b>				
Debt/EBITDA (x)	25.5	3.6	3.6	3.5
Net D/E	0.2	0.2	0.3	0.3
<b>Profitability/Return Ratios (%)</b>				
RoE	NM	5.2	5.9	6.5
RoCE	NM	5.6	6.1	6.7
EBITDA Margins	63.0	72.1	66.3	68.8
Net Income Margins	19.3	45.4	42.3	44.1

Source: Company data, I-Sec research, \*FY21E numbers for illustration purposes

*This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.*

*"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."*

*New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return*

#### ANALYST CERTIFICATION

I/We, *Adhidev Chattopadhyay, MBA (Finance)* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.