

Nexus Select Trust | BUY



Muted quarter with expectations of a stronger 2H

Nexus Select Trust (NXST) reported a muted quarter as consumption at its malls was impacted by the heavy rains, no weddings and lack of blockbuster content release. However, NXST has witnessed strong rebound in Oct'24 with consumption increasing 18% YoY and management expects the momentum to continue in 2HFY25. Retail NOI grew 5% YoY to INR 3.7bn, aided by contractual escalations and higher contribution from ticketing income. NXST has announced a distribution of INR 2 per unit (in line with FY25E guidance), of which c.72% will be tax-exempt. Furthermore, the recently announced acquisition in Bengaluru is expected to be closed in next few weeks and NXST has 1.3msf of active inorganic pipeline across 4 malls. We estimate NXST's NOI to grow at 13% CAGR over FY24-27E (NDCF should also grow at a similar rate, w/o future acquisitions) and maintain a BUY rating with a Sep'25 TP of INR 158. Key risks are prolonged slowdown in consumption and higher interest rates.

- Consumption growth impacted by lower footfalls:** Consumption in 2QFY25 was recorded at INR 29.7bn (flat YoY/QoQ) majorly driven by categories like electronics and jewellery. We highlight that footfalls at the malls fell 2% during the quarter and the performance of certain segments like F&B and Cinema was muted. However, with a sharp uptick in consumption during October with 18% MoM growth, management has maintained the annual guidance as they expect a better performance in 2HFY25. NXST announced a distribution of INR 3.05bn, translating to INR 2.0 per unit. Of the total, 56% will be in the form of dividend, 15% as principal repayments (both tax-free) and 28% in form of interest.
- Leased occupancy increased 40bps YoY, stable lease expiry profile:** NXST leased 0.22msf across 121 deals and re-leased 0.19msf with a re-leasing spread of 20%. Consequently, retail leased occupancy improved 40 bps YoY to 97.4%. NXST has an average of 0.8msf expiring till FY27. Furthermore, it has an opportunity to improve its in-place rentals as the MTM potential on the upcoming expiries is c. 20%. Trading occupancy remained stable at 96% with majority of the malls close to 100% occupancy levels. Office portfolio was stable, while the hospitality segment performance was robust.
- Closing-in on acquisitions; comfortable leverage levels:** NXST has a strong balance sheet with a net debt of INR 36bn and a low LTV of 14%. Nexus will acquire 100% stake in Vega City Mall which has a leasable area ~0.45msf. The purchase consideration for this acquisition stands at INR 8.8bn (Enterprise Value) and company has raised the required funds to close the transaction and expects deal closure in the next few weeks. NXST is awaiting regulatory approvals for the acquisition of two Grade-A malls in Hyderabad. It has also concluded due diligence for 0.3msf mall in North India and documentation is underway. The company has enough leverage headroom to acquire assets worth ~USD 1bn and is looking to build a healthy pipeline for inorganic growth.
- Maintain BUY with a Sep'25 TP of INR 158:** We have reduced our FY25/FY26 NOI estimates by 3% and roll forward to Sep'25 with a slightly lower TP of INR 158.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	158
Upside/(Downside)	9.4%
Previous Price Target	160
Change	-1.6%

Key Data – NXST IN

Current Market Price	INR144
Market cap (bn)	INR218.0/US\$2.6
Free Float	100%
Shares in issue (mn)	1,515.0
Diluted share (mn)	1,515.0
3-mon avg daily val (mn)	INR184.9/US\$2.2
52-week range	156/106
Sensex/Nifty	78,675/23,883
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	0.6	8.1	11.1
Relative*	4.1	-0.2	-7.9

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

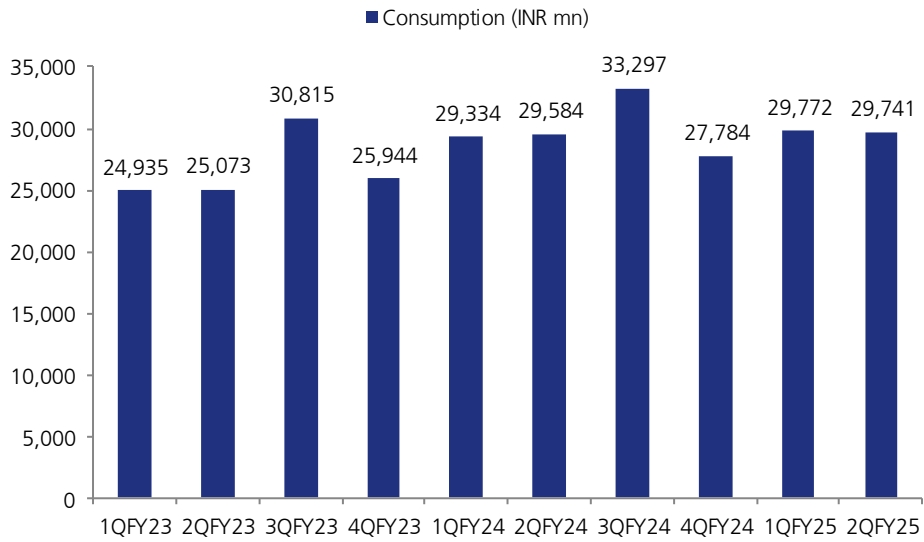
Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	19,120	19,164	23,257	24,844	26,902
Sales Growth (%)	45.0	0.2	21.4	6.8	8.3
EBITDA	13,039	12,842	16,455	17,881	19,194
EBITDA Margin (%)	68.2	67.0	70.8	72.0	71.3
Adjusted Net Profit	3,731	5,923	9,002	9,984	10,580
Diluted EPS (INR)	2.5	3.9	5.9	6.6	7.0
Diluted EPS Growth (%)	3,453.3	58.8	52.0	10.9	6.0
ROIC (%)	8.9	6.9	6.6	7.3	7.7
ROE (%)	19.5	7.0	6.1	6.9	7.5
P/E (x)	58.5	36.8	24.2	21.9	20.6
P/B (x)	10.4	1.5	1.5	1.5	1.6
EV/EBITDA (x)	21.1	20.3	15.7	14.3	13.2
Dividend Yield (%)	4.2	4.9	5.6	6.0	6.5

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2024

Key conference call takeaways:

- Economic activity was low during this quarter which was impacted, because of heavy rains across key cities like Navi, Mumbai, Delhi, Chandigarh, Shrad, lower wedding days coupled with no blockbuster movie releases
- However, consumption saw healthy rebound with malls recording their highest ever one day sales on 27th of October leading up to Diwali.
- October month saw 18% MoM growth in consumption with footfalls increasing 2% YoY and the growth was broad based across categories which were soft in 2Q.
- Company has also been generating additional income streams by optimally utilizing small open spaces. The ticketed events revenue has seen a jump of 6x in the first half of this year compared to last year
- Basis the uptick witnessed in October, management remains confident on meeting both the NOI and NDCF guidance
- Fast fashion players were sitting on old inventories which were impacting their performance. Now that inventory is refilled, expect the category performance to improve
- Marginal dip in NOI on sequential basis is on account of seasonality and higher cash tax.

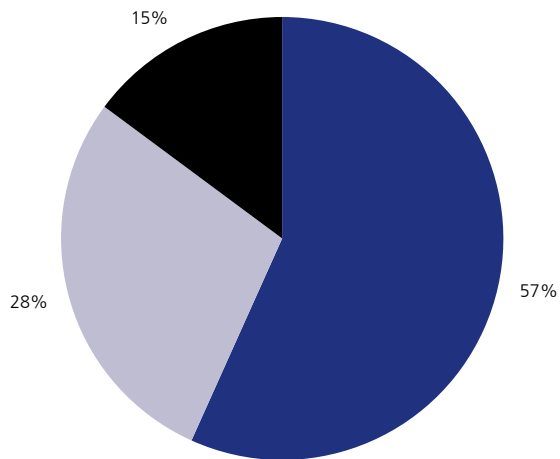
Exhibit 1. Healthy consumption trend



Source: Company, JM Financial

Exhibit 2. Distribution mix (as a % of source)

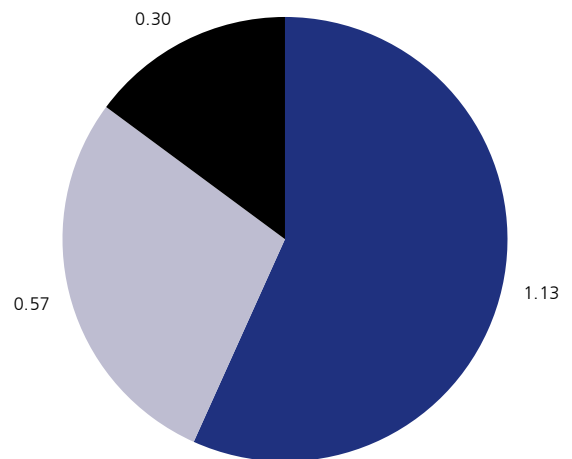
■ Dividend ■ Interest ■ Amortization of SPV Debt



Source: Company, JM Financial

Exhibit 3. Distribution mix (as a % of source)

■ Dividend ■ Interest ■ Amortization of SPV Debt



Source: Company, JM Financial

Exhibit 4. Top 7 Retail Mall Metrics

Nexus Operations Master	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Top 7 Retail Mall Metrics						
Select Citywalk						
Leasable Area (msf)	0.5	0.5	0.5	0.5	0.5	0.5
Leasing Occupancy (%)	99%	100%	100%	100%	99%	100%
Trading Occupancy (%)	98%	100%	100%	99%	98%	96%
In-place Rent (INR psf pm)	429	431	437	435	447	450
Tenant Sales (INR mn)	3,966	4,123	4,742	3,957	4,258	4,443
Trading Density (INR psf pm)	4,212	4,131	4,737	4,030	NA	NA
Nexus Elante						
Leasable Area (msf)	1.2	1.3	1.3	1.3	1.3	1.3
Leasing Occupancy (%)	99%	99%	99%	99%	99%	99%
Trading Occupancy (%)	99%	99%	99%	98%	98%	98%
In-place Rent (INR psf pm)	171	172	170	171	173	175
Tenant Sales (INR mn)	4,544	4,335	4,755	4,062	4,127	4,029
Trading Density (INR psf pm)	1,891	1,795	1,971	1,690	NA	NA
Nexus Seawoods						
Leasable Area (msf)	1.0	1.0	1.0	1.0	1.0	1.0
Leasing Occupancy (%)	98%	99%	98%	98%	97%	99%
Trading Occupancy (%)	98%	98%	98%	97%	96%	96%
In-place Rent (INR psf pm)	132	134	134	135	136	137
Tenant Sales (INR mn)	3,081	3,309	3,775	2,912	3,395	3,321
Trading Density (INR psf pm)	1,625	1,724	1,984	1,547	NA	NA
Nexus Ahmedabad One						
Leasable Area (msf)	0.9	0.9	0.9	0.9	0.9	0.9
Leasing Occupancy (%)	98%	98%	98%	98%	98%	98%
Trading Occupancy (%)	96%	96%	96%	98%	98%	97%
In-place Rent (INR psf pm)	116	114	114	114	114	115
Tenant Sales (INR mn)	2,300	2,252	2,797	2,113	2,177	2,037
Trading Density (INR psf pm)	1,345	1,320	1,641	1,230	NA	NA
Nexus Hyderabad						
Leasable Area (msf)	0.8	0.8	0.8	0.8	0.8	0.8
Leasing Occupancy (%)	99%	99%	99%	99%	99%	99%
Trading Occupancy (%)	99%	97%	98%	98%	99%	99%
In-place Rent (INR psf pm)	108	109	112	113	113	112
Tenant Sales (INR mn)	3,097	3,067	3,282	2,743	2,749	2,037
Trading Density (INR psf pm)	2,004	1,988	2,141	1,777	NA	NA
Nexus Vijaya						
Leasable Area (msf)	0.6	0.6	0.6	0.6	0.6	0.6
Leasing Occupancy (%)	99%	99%	100%	100%	100%	99%
Trading Occupancy (%)	90%	91%	100%	99%	100%	99%
In-place Rent (INR psf pm)	98	100	100	101	102	102
Tenant Sales (INR mn)	1,944	1,982	2,079	1,875	2,026	2,094
Trading Density (INR psf pm)	1,696	1,919	1,739	1,556	NA	NA
Nexus Shantiniketan						
Leasable Area (msf)	0.6	0.6	0.6	0.6	0.6	0.6
Leasing Occupancy (%)	95%	95%	99%	97%	97%	97%
Trading Occupancy (%)	95%	95%	95%	93%	96%	96%
In-place Rent (INR psf pm)	89	92	93	94	93	94
Tenant Sales (INR mn)	1,776	1,874	2,066	1,764	1,850	1,934
Trading Density (INR psf pm)	1,564	1,666	1,818	1,549	NA	NA

Source: Company, JM Financial

Exhibit 5. Financial snapshot

INR mn	2QFY25	2QFY24	YoY	1QFY25	QoQ	FY24	FY25E	FY24-25E YoY
Revenue from operations	5,544	5,331	4%	5,538	0%	19,164	23,257	21%
Cost of sales	45	37	21%	41	9%	156	172	10%
Gross margin (%)	99%	99%	-11bps	99%	-7bps	99%	99%	8bps
Employee expenses	225	217	4%	229	-2%	796	876	10%
Other expenses	1,520	1,585	-4%	1,533	-1%	5,370	5,754	7%
EBITDA	3,753	3,492	7%	3,735	0%	12,842	16,455	28%
EBITDA margin (%)	67.7%	65.5%	220bps	67.4%	26bps	67.0%	70.8%	374bps
Depreciation	1,471	1,472	0%	1,450	1%	5,202	5,618	8%
Interest costs	932	946	-1%	914	2%	3,371	3,334	-1%
Other income	219	243	-10%	251	-13%	816	833	2%
PBT	1,569	1,316	19%	1,622	-3%	5,085	8,335	64%
Tax	489	-1,180	NM	251	NM	-838	-667	-20%
Minority interest	0	0	NM	0	NM	0	0	NM
Share of profits from associates	22	19	NM	25	NM	0	0	NM
Adjusted PAT	1,102	2,515	-56%	1,396	-21%	5,923	9,002	52%
Extraordinary income	0	0	NM	0	NM	0	0	NM
PAT	1,102	2,515	-56%	1,396	-21%	5,923	9,002	52%

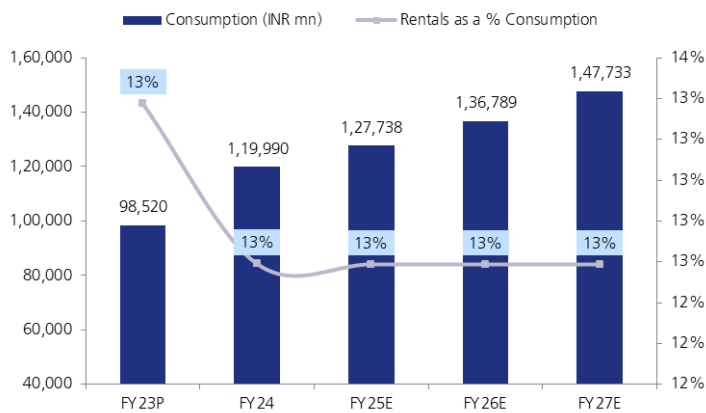
Source: Company, JM Financial

Exhibit 6. NDCF to grow at a CAGR of 10% over FY24-FY27E

Particulars	FY23P	FY24	FY25E	FY26E	FY27E
Revenue from Operations (INR mn)	19,120	19,164	23,257	24,844	26,902
YoY Growth (%) - RHS	45%	0%	21%	7%	8%
NOI (INR mn)	13,999	14,348	17,764	18,896	20,527
YoY Growth (%) - RHS	61%	2%	24%	6%	9%
EBITDA (INR mn)	13,039	12,842	16,455	17,881	19,194
EBITDA Margin (%) - RHS	68%	67%	71%	72%	71%
NDCF (INR mn)	9,107	10,719	12,143	13,156	14,263
DPU (INR p.u.) - RHS	6.0	7.1	8.0	8.7	9.4
Consumption (INR mn)	98,520	1,19,990	1,27,738	1,36,789	1,47,733
Rentals as a % Consumption	13%	13%	13%	13%	13%
PAT (INR mn)	3,731	5,923	9,420	10,253	10,777
PAT Margin (%)	20%	31%	41%	41%	40%

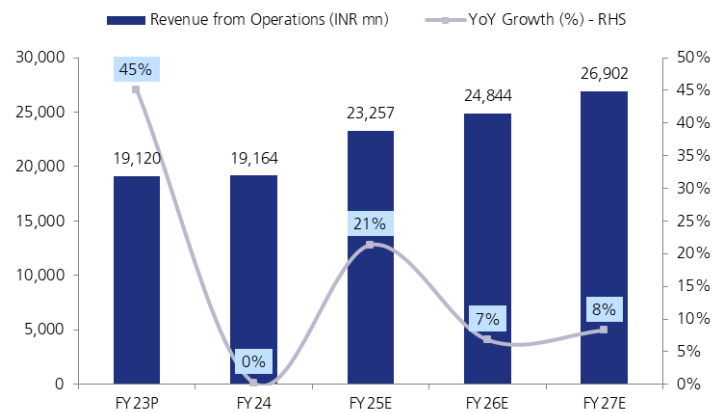
Source: Company, JM Financial

Exhibit 7. Quality portfolio with strong consumption trends



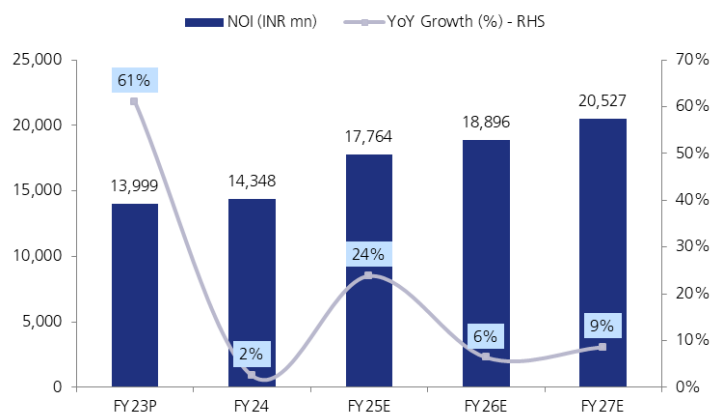
Source: Company, JM Financial

Exhibit 8. Revenue growth led by robust retail performance



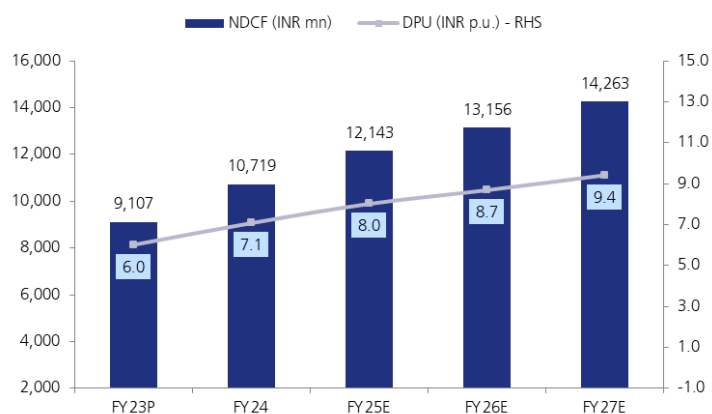
Source: Company, JM Financial

Exhibit 9. NOI to grow at a FY24-FY27E CAGR of 13%



Source: Company, JM Financial

Exhibit 10. Healthy distribution profile



Source: Company, JM Financial

Exhibit 11. Sept'25 SOTP of INR 158

Sep'25 TP	INR mn
Enterprise Value	2,72,266
Less: Net debt	38,473
Equity Value	2,33,792
Shares Outstanding (mn)	1,515
Target Price (INR)	158
CMP (INR)	144
Upside (%)	9.40%

Source: Company, JM Financial

Exhibit 12. Total potential return of 15.2%

Total Return	%
Capital appreciation	9.4%
Dividend Received	5.8%
Total Return	15.2%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	19,120	19,164	23,257	24,844	26,902	
Sales Growth	45.0%	0.2%	21.4%	6.8%	8.3%	
Other Operating Income	0	0	0	0	0	
Total Revenue	19,120	19,164	23,257	24,844	26,902	
Cost of Goods Sold/Op. Exp	429	156	172	189	208	
Personnel Cost	1,240	796	876	964	1,060	
Other Expenses	4,412	5,370	5,754	5,810	6,440	
EBITDA	13,039	12,842	16,455	17,881	19,194	
EBITDA Margin	68.2%	67.0%	70.8%	72.0%	71.3%	
EBITDA Growth	67.7%	-1.5%	28.1%	8.7%	7.3%	
Depn. & Amort.	4,372	5,202	5,618	6,067	6,553	
EBIT	8,667	7,640	10,837	11,814	12,642	
Other Income	819	816	833	849	866	
Finance Cost	4,822	3,371	3,334	3,155	2,928	
PBT before Excep. & Forex	4,664	5,085	8,335	9,508	10,580	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,664	5,085	8,335	9,508	10,580	
Taxes	933	-838	-667	-475	0	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	3,731	5,923	9,002	9,984	10,580	
Adjusted Net Profit	3,731	5,923	9,002	9,984	10,580	
Net Margin	19.5%	30.9%	38.7%	40.2%	39.3%	
Diluted Share Cap. (mn)	1,515.0	1,515.0	1,515.0	1,515.0	1,515.0	
Diluted EPS (INR)	2.5	3.9	5.9	6.6	7.0	
Diluted EPS Growth	3,453.3%	58.8%	52.0%	10.9%	6.0%	
Total Dividend + Tax	9,107	10,719	12,143	13,156	14,263	
Dividend Per Share (INR)	6.0	7.1	8.0	8.7	9.4	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	4,664	5,148	8,335	9,508	10,580	
Depn. & Amort.	4,372	5,202	5,618	6,067	6,553	
Net Interest Exp. / Inc. (-)	4,003	3,122	2,502	2,306	2,061	
Inc (-) / Dec in WCap.	-80	290	3	3	3	
Others	700	-799	0	0	0	
Taxes Paid	-933	-789	667	475	0	
Operating Cash Flow	12,727	12,173	17,124	18,360	19,197	
Capex	-5,947	-5,415	0	0	0	
Free Cash Flow	6,780	6,759	17,124	18,360	19,197	
Inc (-) / Dec in Investments	-15	2,171	-106	-111	-116	
Others	819	-732	833	849	866	
Investing Cash Flow	-5,143	-3,976	727	738	750	
Inc / Dec (-) in Capital	0	13,450	0	0	0	
Dividend + Tax thereon	0	-7,551	-12,143	-13,156	-14,263	
Inc / Dec (-) in Loans	-1,584	-10,514	-135	0	0	
Others	-4,822	-3,189	-3,334	-3,155	-2,928	
Financing Cash Flow	-6,406	-7,804	-15,612	-16,311	-17,190	
Inc / Dec (-) in Cash	1,178	394	2,239	2,787	2,757	
Opening Cash Balance	2,896	0	394	2,633	5,420	
Closing Cash Balance	4,074	394	2,633	5,420	8,177	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	20,970	149,349	146,208	143,036	139,353	
Share Capital	3,249	150,950	150,950	150,950	150,950	
Reserves & Surplus	17,721	-1,602	-4,743	-7,914	-11,597	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	61,500	42,635	42,500	42,500	42,500	
Def. Tax Liab. / Assets (-)	1,974	-4,185	-4,506	-4,732	-4,968	
Total - Equity & Liab.	84,443	187,799	184,201	180,804	176,885	
Net Fixed Assets	73,919	179,499	173,882	167,814	161,262	
Gross Fixed Assets	83,587	161,677	161,677	161,677	161,677	
Intangible Assets	2,260	34,646	34,646	34,646	34,646	
Less: Depn. & Amort.	11,928	17,130	22,748	28,815	35,367	
Capital WIP	0	307	307	307	307	
Investments	308	11,845	11,951	12,062	12,178	
Current Assets	14,637	5,468	6,278	8,647	11,142	
Inventories	1,309	28	29	31	32	
Sundry Debtors	1,219	656	689	723	760	
Cash & Bank Balances	4,074	394	2,633	5,420	8,177	
Loans & Advances	2,765	150	150	150	150	
Other Current Assets	5,270	4,240	2,777	2,322	2,023	
Current Liab. & Prov.	4,420	9,014	7,909	7,719	7,697	
Current Liabilities	2,116	2,154	2,262	2,375	2,493	
Provisions & Others	2,304	6,860	5,647	5,344	5,204	
Net Current Assets	10,217	-3,545	-1,631	928	3,445	
Total - Assets	84,443	187,799	184,201	180,804	176,885	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	19.5%	30.9%	38.7%	40.2%	39.3%	
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	
Leverage Factor (x)	4.5	1.6	1.3	1.3	1.3	
RoE	19.5%	7.0%	6.1%	6.9%	7.5%	

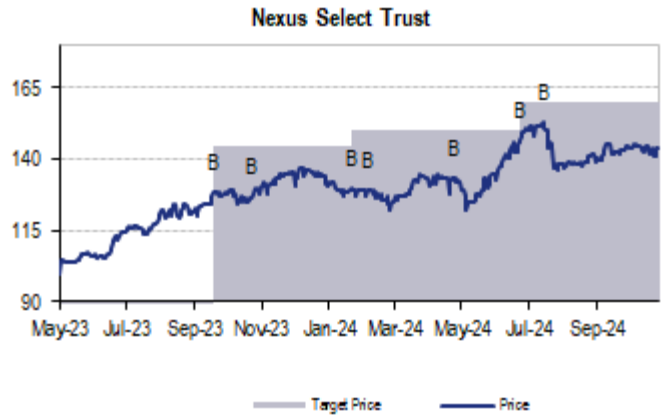
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	13.8	98.6	96.5	94.4	92.0	
ROIC	8.9%	6.9%	6.6%	7.3%	7.7%	
ROE	19.5%	7.0%	6.1%	6.9%	7.5%	
Net Debt/Equity (x)	2.7	0.3	0.3	0.3	0.2	
P/E (x)	58.5	36.8	24.2	21.9	20.6	
P/B (x)	10.4	1.5	1.5	1.5	1.6	
EV/EBITDA (x)	21.1	20.3	15.7	14.3	13.2	
EV/Sales (x)	14.4	13.6	11.1	10.3	9.4	
Debtor days	23	12	11	11	10	
Inventory days	25	1	0	0	0	
Creditor days	51	43	42	43	41	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Oct-23	Buy	145	
9-Nov-23	Buy	145	0.0
7-Feb-24	Buy	150	3.7
22-Feb-24	Buy	150	0.0
10-May-24	Buy	150	0.0
10-Jul-24	Buy	160	6.7
31-Jul-24	Buy	160	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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