

Resilient Growth Backed by Record Leasing; Strong Fundamentals

Changes in Estimates post Q1FY26

FY26E/FY27E: Revenue: 1%/(0.3)%; **EBITDA:** 1%/(0.3)%; **PAT:** 0.3%/(10.4)%

Recommendation Rationale

- Strong Operating Metrics; High Quality Tenant base:** Embassy REIT reported a 13% YoY increase in revenue to Rs 1,060 Cr, supported by a 7% growth in leasable area and a 100 bps improvement in occupancy. Net operating income (NOI) rose 15% YoY to Rs 872 Cr. Distribution per unit (DPU) came in at Rs 5.8, marking a 4% YoY increase led by robust leasing and contributions from Embassy Splendid Techzone. It continues to demonstrate robust leasing momentum, backed by demand from GCCs, healthcare, and technology firms. With 2 Mn sq. ft. leased in Q1—its best-ever start to a fiscal year—the REIT has shown resilience amid global uncertainties. The high re-leasing spread (38%) indicates strong pricing power, especially in core markets like Bangalore and Chennai.
- Strong Leasing Performance and Strategic Divestment:** The REIT recorded gross leasing of 2 Mn sq. ft. in Q1FY26, across 25 deals. Embassy recorded its best-ever Q1 leasing, comprising 1 Mn sq. ft. at a healthy 38% re-leasing spread, 0.4 Mn sq. ft. of renewals and 0.7 Mn sq. ft. in pre-commitments. Occupancy improved to 88% by area, and 91% by value, with 10 out of 14 properties now above 90%. Embassy's strategic divestment of ~0.37 Mn sq. ft. of strata-owned blocks at Embassy Manyata executed at a 2.2% premium to independent valuation, not only eliminating operational inefficiencies but also freeing up capital for higher-yielding opportunities or debt repayment. Financially, the transaction supports portfolio quality enhancement with minimal income loss (only ~Rs 8 Cr in annual rents) while strengthening the REIT's already solid balance sheet, reflected in its low leverage ratio of 33% and declining cost of debt, now at 7.6% post-refinancing.
- 13% NOI Growth Target for FY26E from Vacancy Lease-Up and Expansion:** For FY26, Embassy REIT has reaffirmed its guidance, projecting Net Operating Income (NOI) in the range of Rs 3,589–3,811 Cr, representing a 13% YoY growth at the midpoint, and a DPU of Rs 24.5–26, implying a 10% annual increase. The REIT expects portfolio occupancy to reach 90–91% by area and 93–94% excluding the underperforming Quadron asset in Pune. As of Q1FY26, it has already made strong progress toward this goal, achieving record leasing of 2 Mn sq. ft., with 84% of its 3.2 Mn sq. ft. scheduled FY26 completions already pre-leased. Key assets like Block 10 in Chennai (430,000 sq. ft.) have been fully pre-leased, and Embassy Manyata's Block D1 and D2 (Q4 delivery) have reached 80% pre-commitment, reinforcing visibility on upcoming income streams and positioning the REIT well to meet its full-year targets.

Sector Outlook: Positive

Company Outlook & Guidance: We remain positive about the company's long-term prospects.

Current Valuation: 28x FY27E EPS (Earlier: 28X FY27 EPS)

Current TP: Rs 450/share (Earlier TP: Rs 450 /share).

Recommendation: With a 14% upside from the CMP, we maintain our long-term BUY rating on the stock.

Key Financials (Consolidated)

(Rs Cr)	Q1FY25	Q4FY25	Q1FY26	QoQ (%)	YoY (%)
Net Sales	934	1,086	1,060	-2.4	13.4
EBITDA	704	829	821	-1.0	16.5
EBITDA Margin (%)	75.4%	76.4%	77.4%	1.4	2.7
Net Profit	179	-243	155	-163.9	-13.3
EPS (Rs)	1.9	-2.6	1.6	-163.9	-13.3

Source: Company, Axis Securities Research

(CMP as of 31st July, 2025)

CMP (Rs)	396
Upside /Downside (%)	14%
High/Low (Rs)	433/342
Market cap (Cr)	37,442
Avg. daily vol. (1m)Shrs	15,58,239
No. of shares (Cr)	94.8

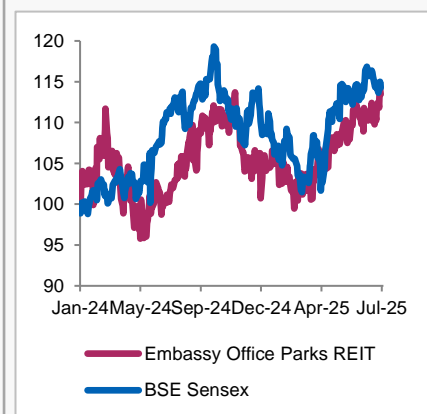
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	4,039	4,503	5,640
EBITDA	3,046	3,395	4,253
Net Profit	1,625	924	1,520
EPS, Rs	17.1	9.7	16.0
PER, x	22.3	39.2	23.8
EV/EBITDA, x	18.2	17.1	13.8
ROE, %	1.6	1.7	1.7

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1.0	(0.3)
EBITDA	1.0	(0.3)
PAT	0.3	(10.4)

Relative Performance



Source: Ace Equity, Axis Securities Research

Eesha Shah

Research Analyst

email: eesha.shah@axissecurities.in

Financial Performance

The company reported revenue of Rs 1,060 Cr for the Q1FY26, up 13% YoY. EBITDA stood at Rs 821 Cr, and margins stood at 77.4%. PAT was recorded at Rs 155 Cr. Distribution was at Rs 550 Cr, DPU of Rs 5.8/unit. Record leasing activity with 2 Mn sqft leased across 25 deals, marking the highest ever Q1 leasing volume.

Outlook

Embassy enters FY26 with strong momentum, driven by record leasing activity, robust operating metrics, and a high-quality tenant base. The REIT's best-ever Q1 leasing performance, combined with a 38% re-leasing spread and rising occupancy, shows sustained demand across its core markets. Strategic asset divestments have further strengthened the balance sheet while unlocking capital for future growth. With over 80% of upcoming completions already pre-leased and NOI guided to grow 13% YoY, Embassy is well-positioned to deliver on its FY26 targets. Overall, the outlook remains resilient and growth-oriented, even amid global macro uncertainties.

Valuation & Recommendation

- We continue to value the company by applying a 28X multiple to FY27E EPS of 16.1, arriving at a TP of Rs 450, implying an upside of 14%.
- **Key Highlights**
- **Asset Recycling:** Divesting 0.37 Mn sq. ft. in Embassy Manyata (strata-owned blocks) at 2.2% above independent valuation due to high capex and vacancy.
- **SEZ De-notification:** Total of 7.8 Mn sq. ft. de-notified so far; 74% of which is leased. Further 3.2 Mn sq. ft. under the de-notification pipeline.
- **Macro Outlook:** Market leasing momentum remained strong at 20 Mn sq. ft. pan-India absorption in Q1. Rental rates are growing by 5–7%, supported by an active leasing pipeline of 1.5 Mn sq. ft. Chennai and Bangalore remain key leasing drivers.
- **Debt Raised:** Company raised Rs 4,225 Cr debt at 7.18% coupon, Rs 750 Cr NCD at 6.97% – lowest in 4 years. Net debt stands at Rs 20,183 Cr and leverage at 33%.

Key Risks to Our Estimates and TP

- Economic slowdown may impact the company's profitability.
- Low rental yields going forward will result in a fall in occupancies.
- An increase in debt levels may impact the company's profitability.

Change in Estimates

Rs Cr	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	4,503	5,640	4,460	5,659	1.0	(0.3)
EBITDA	3,395	4,253	3,363	4,267	1.0	(0.3)
PAT	924	1,520	921	1,696	0.3	(10.4)

Source: Company, Axis Securities Research

Results Review

Y/E Mar (Rs Cr)	Q1FY25	Q4FY25	Q1FY26	YoY growth %	QoQ growth %
Revenues	934	1,086	1,060	13.4	-2.4
Growth (%)	2.3%	14.8%	13.2%		
Direct expenses	177	193	188		
NOI	758	892	872	15.1	-2.3
NOI margins	81.1%	82.2%	81.0%	-0	-1
Indirect expenses	53	63	51		
EBITDA	704	829	821	16.5	-1.0
EBITDAM (%)	75.4%	76.4%	77.4%	3	1
Other income	47	14	21		
Depreciation	266	302	290	8.7	-4.2
Finance costs	309	347	372	20.4	7.0
Impairment loss	0	519	0		
PBT before Ass.	176	-326	180	2.3	155.3
Profit from associates	24	31	27		
Profit before tax	200	-295	207	3.3	170.1
Tax	22	-53	52		
Tax (%)	10.8%	17.8%	13.0%		
Net profit	179	-243	155	-13.3	-
PAT margins	19.1%	-22.4%	14.6%		

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	4,039	4,503	5,640
Growth (%)	9.6%	11.5%	25.3%
Total Expenditure	993	1,108	1,388
Employee Expenses	63	63	79
% of sales	1.4%	1.4%	1.4%
Other Expenses	929	1,045	1,309
% of sales	23.0%	23.2%	23.2%
EBIDTA	3,046	3,395	4,253
EBITDAM (%)	75.4%	75.4%	75.4%
Interest	1,329	1,559	1,630
EBIT	1,718	1,837	2,623
EBITM (%)	42.5%	40.8%	46.5%
Depreciation	1,783	932	934
Other Income	142	220	220
Share of P/L	116	91	91
Exceptional items, net	0	0	0
PBT	193	1,215	2,000
Tax Rate (%)	-741.1%	24.0%	24.0%
Tax	-1,431	292	480
Reported PAT	1,625	924	1,520

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Share Capital	28,826	28,826	28,826
Reserves & Surplus	-6,065	-7,166	-7,671
Shareholders Fund	22,761	21,660	21,155
- Long Term Borrowings	14,263	16,263	17,263
- Deferred Tax	3,610	3,610	3,610
- Other Long-Term Liabilities	786	555	695
- Other Current Liabilities	1,777	1,789	2,241
TOTAL EQUITY & LIABILITIES	48,948	49,626	50,726
Net Block	2,923	2,923	2,923
CWIP	313	313	313
Investment property	32,440	32,540	32,640
Investment property	1,774	1,774	1,774
Goodwill	6,154	6,154	6,154
Other intangible assets	639	639	639
Equity accounted investee	2,271	2,271	2,271
- Fixed Assets	46,513	46,613	46,713
- Other Non-Current Assets	1,253	2,468	3,091
- Inventories	5	7	9
- Trade Receivables	82	52	65
- Cash & Cash Equivalents	677	148	442
- Other Current Assets	351	270	338
TOTAL ASSETS	48,948	49,626	50,726

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
PBT	193	1,215	2,000
Add: depreciation	1,783	932	934
Add: Interest	1,329	1,559	1,630
Cash flow from operations	3,304	3,706	4,564
Change in working capital	-1,268	1,327	101
Taxes	-1,431	292	480
Miscellaneous expenses	0	0	0
Net cash from operations	6,004	2,087	3,983
Capital expenditure	-4,257	-1,032	-1,034
Change in Investments	-64	0	0
Net cash from investing	-4,321	-1,032	-1,034
Increase/Decrease in debt	2,998	2,000	1,000
Dividends	-2,025	-2,025	-2,025
Proceedings from equity	0	0	0
Interest	-1,329	-1,559	-1,630
Others	-1,679	0	0
Net cash from financing	-2,034	-1,584	-2,655
Net Inc./(Dec.) in Cash	-351	-528	294
Opening cash balance	1,027	677	148
Closing cash balance	676	148	442

Source: Company, Axis Securities Research

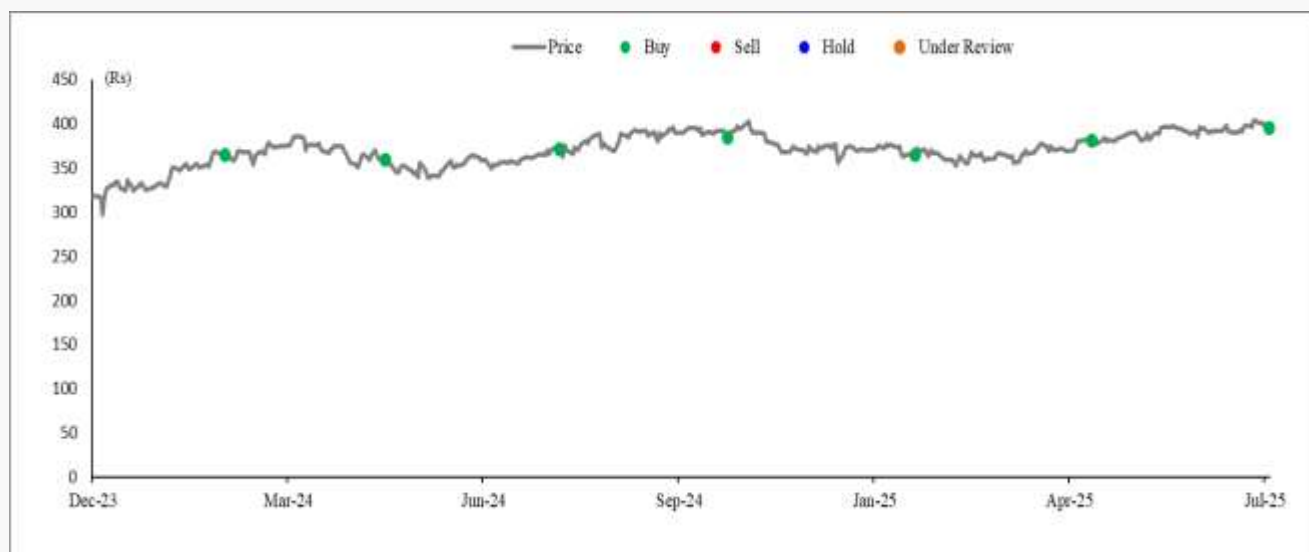
Ratio Analysis

(%)

Y/E Mar	FY25	FY26E	FY27E
Sales growth	9.6	11.5	25.3
OPM	75.4	75.4	75.4
Oper. profit growth	10.0	11.5	25.3
COGS / Net sales	0.0	0.0	0.0
Overheads/Net sales	-	-	-
Depreciation / G. block	2.0	2.0	2.0
Effective interest rate	(741.1)	24.0	24.0
Net wkg.cap / Net sales	-	-	-
Net sales / Gr block (x)	0.1	0.1	0.2
RoCE	3.6	3.7	5.2
Debt / equity (x)	0.9	1.0	1.1
Effective tax rate	(741.1)	24.0	24.0
RoE	7.1	4.3	7.2
Payout ratio (Div/NP)	124.6	219.2	133.2
EPS (Rs.)	17.1	9.7	16.0
EPS Growth	68.5	(43.1)	64.5
CEPS (Rs.)	10.6	19.5	14.8
DPS (Rs.)	21.4	21.4	21.4

Source: Company, Axis Securities Research

Embassy Office Parks REIT Price Chart and Recommendation History



Date	Reco	TP	Research
02-Aug-23	BUY	350	Result Update
31-Oct-23	BUY	332	Result Update
08-Feb-24	BUY	400	Result Update
02-May-24	BUY	400	Result Update
30-Jul-24	BUY	410	Result Update
25-Oct-24	BUY	424	Result Update
30-Jan-25	BUY	405	Result Update
02-May-25	BUY	450	Result Update
31-Jul-25	BUY	450	Result Update

Source: Axis Securities Research

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE, MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Paré, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis 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 Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis 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 Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith 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. Axis 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. Axis 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. Axis 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. Axis 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. Axis 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. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis 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 Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an

arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

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

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities 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 Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.