

Singapore Company Update

Ascendas India Trust

Bloomberg: AIT SP | Reuters: AINT.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

29 Jan 2021

BUY

Last Traded Price (28 Jan 2021): S\$1.55 (STI : 2,920.30)
Price Target 12-mth: S\$1.85 (19% upside) (Prev S\$1.85)

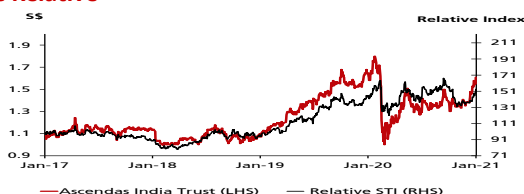
Analyst

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What's New

- Robust operational metrics despite COVID-19
- Acquisition momentum to restart; ample debt-funded capacity to acquire
- Potential entry into the exciting datacenter space
- BUY, TP S\$1.85 maintained

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2019A	2020A	2021F	2022F
Gross Revenue	150	192	224	286
Net Property Inc	113	148	166	212
Total Return	178	131	110	133
Distribution Inc	75.5	113	122	146
EPU (S cts)	0.36	5.67	9.53	10.5
EPU Gth (%)	(81)	1,465	68	10
DPU (S cts)	6.44	8.84	9.49	10.3
DPU Gth (%)	(12)	37	7	9
NAV per shr (S cts)	107	107	107	110
PE (X)	427.5	27.3	16.3	14.8
Distribution Yield (%)	4.2	5.7	6.1	6.7
P/NAV (x)	1.4	1.5	1.5	1.4
Aggregate Leverage (%)	28.9	30.8	35.2	35.3
ROAE (%)	0.3	5.2	8.9	10.0

Distn. Inc Chng (%)		(5)	(15)
Consensus DPU (S cts):		8.8	9.2
Other Broker Recs:	B: 4	S: 0	H: 0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Emerging "digital real estate" play

Investment Thesis

Sprinting ahead of its S-REIT peers. We maintain our BUY call on Ascendas India Trust (AIT) with TP unchanged at S\$1.85, implying 1.25x P/adjusted NAV. Despite the COVID-19 outbreak, AIT continued to deliver resilient results and we anticipate DPU CAGR to accelerate to 8% in FY21-22F, driven by acquisitions.

Where we differ: Above-consensus growth. We see a myriad of robust growth opportunities for the Trust. Its expansion into the modern Indian warehouse sector should boost AIT's near- and medium-term DPU outlook. We anticipate AIT to complete the construction of its pipeline of committed forward purchase projects progressively, supported by over S\$1.0bn in debt funded capacity (up to 50% gearing).

Potential nascent datacenter player. The Manager has alluded to the possibility of an investment in the datacenter space, which will add a third asset class within its portfolio of future ready real estate assets. While we have not factored in any such acquisitions of data-centers yet, any potential deals in this space will be watched closely.

Valuation:

Our DDM-based TP is maintained at S\$1.85.

Where we differ:

Our estimates are higher than consensus driven by acquisitions.

Key Risks to Our View:

The key risk to our bullish stance on AIT is a significant depreciation of the INR or delay in acquisitions and development projects.

At A Glance

Issued Capital (m shrs)	1,148
Mkt. Cap (S\$m/US\$m)	1,780 / 1,339
Major Shareholders (%)	
CapitaLand	16.0
Kabouter Management LLC	10.0
JPMorgan Chase & Co	6.4
Free Float (%)	51.3
3m Avg. Daily Val (US\$m)	2.3
GIC Industry : Real Estate / Equity Real Estate Investment (REITs)	



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WHAT'S NEW

Resilient performance during COVID-19

Key Highlights:

(+) A commendable performance despite COVID-19.

FY20 revenues and net property income in INR terms were 1% and 3% higher y-o-y at INR 10,249m and INR 7,910m, in line with our projections.

The strong performance was on the back of: (i) contribution from Anchor building at IT Park Bangalore (ITPB), (ii) higher portfolio rental reversions (ranging 7% to 28%), slightly offset by (iii) lower utilities and car park income due to COVID-19 lockdown.

As a result, distributable income rose by 23% to INR 5,423m. DPU was up 12% to INR 4.73.

In SGD terms, due to the depreciation of the INR-SGD rate, distributable income rose by 18% to S\$101.3m, translating to a DPU of 8.83 Scts (+8%).

(+) Improved financial metrics; low gearing of 30% empower the Trust with significant acquisition capacity.

Ascendas India Trust (AIT) reported a valuation gain of 5.1% (SGD terms: +0.2%) due to stronger cashflows across its portfolio, led by increases from IT Park Bangalore (+78.1%), IT Park Chennai (+7.4%) and IT Park Hyderabad (+4.3%). This translates to a NAV of S\$1.08/unit.

Gearing remains low at 30%, which empowers the Trust with up to S\$700m (45% gearing) – S\$1bn (50% gearing) for potential acquisitions.

Financial metrics remain stable : ICR (FY20) was 4.0x, 86% of its debt is fixed, effective cost of debt is 5.3% (-0.2% ppt q-o-q).

Our thoughts and recommendation

(+/-) Resilient portfolio performance through the COVID-19 pandemic

Portfolio occupancy rates dipped slightly to 94% (vs 96% in 3Q20) due to slight dips in occupancy rates at ITPC and Cyberpearl due to tenants rationalising their space requirements. We note that while physical occupancy rate at ITPB was 81% affected by ongoing works at Endeavour building (MTB5) which is 100% pre-leased to TCS, committed occupancy for the Park remains high at 94%. While the Park's physical tenant population remains <10%, collections have remained high at 94%-99% throughout the quarter, implying that tenants are still committed to the space for the length of the lease.

Looking ahead, leases representing approximately 23% of the income is expiring in FY21. While there is potential risk of tenants looking to rationalise their space requirements (or return space) when leases fall due, the Manager is confident that half of the space would be renewed, and is taking steps to engage the remaining tenants to reduce the risk of non-renewals.

We understand that leasing enquiries have returned in recent months, implying that leasing momentum should improve after the stalemate during the COVID-19 pandemic. However, we expect some weakness in occupancy rates in the coming months.

(+) Trio of real estate classes to support the "digital economy"

We remain excited on the myriad of growth opportunities for AIT. Organic growth remains on an upward trend, and coupled with a robust balance sheet, AIT is on the hunt for growth drivers.

The Manager remains committed to developing a new avenue to grow within the data-center space in India. This will complete its trio of future-ready real estate including IT Business Parks and warehouses. Opportunities may come from a potential greenfield project in collaboration with Sponsor CapitaLand and any deal is likely to be consummated within 1H21. We remain excited on this potential development.

The pivot towards the data-center space, where the group is looking to tap an "under-served" segment of Tier-3 datacenters, should be well received. In fact, with development yields in excess of 10%, we see good accretion when executed upon.

(+) Development project in ITPB – contributing from 1Q21; more acquisitions through the year.

The 0.68m sqft development project in Bangalore for TCS, already 100% pre-leased prior to completion, was handed over in 4Q20 and should start contributing in 1Q21. This will add to earnings growth momentum going forward. The Manager also plans to acquire these assets in phases during the year: (i) aVance 6 in Hyderabad and Arshiya warehouse in 1H21; (ii) Advance 5 and Aurum IT SEZ (building 1 and 2) sometime during the year. Total commitments for these investments range S\$200m-

Ascendas India Trust

\$250m with the Trust having ample capacity to debt-fund these acquisitions.

(+) Potential project in Bangalore – deal likely to be concluded soon.

The Manager had previously highlighted about a potential forward purchase agreement in Bangalore and we expect the Manager to unveil more details soon.

Given the vast changes to the operating climate post COVID-19 within the micro market, the Manager is revisiting the terms of the deal to address these issues. Negotiations are close to conclusion.

Revision of estimates.

We have revised down our estimates by pushing back the completion assumptions for various forward purchases

towards 1H21 and the end of 2022, and reduced our SGD/INR forecast from 51 to 53. This results in a 5% p.a. reduction in our FY21/22F earnings estimates.

Company Background

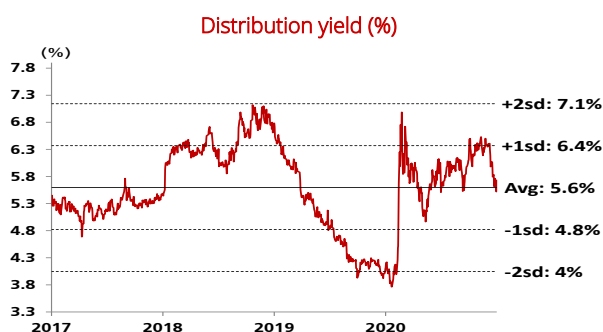
Ascendas India Trust ("AIT") was listed in August 2007 as the first Indian property trust in Asia. Its principal objective is to own income-producing real estate used primarily as business space in India. AIT may also develop and acquire land or uncompleted developments to be used primarily as business space, with the objective of holding the properties upon completion.

Interim Income Statement (\$m)

FY Dec	1H2020	2H2020	% chg h-o-h
Gross revenue	100.0	92.7	(7.3)
Property expenses	(26.5)	(18.3)	(31.0)
Net Property Income	73.5	74.4	1.2
Other Operating expenses	(10.0)	(13.3)	32.9
Other Non Opg (Exp)/Inc	3.35	(7.8)	nm
Associates & JV Inc	0.0	0.0	-
Net Interest (Exp)/Inc	3.27	4.22	29.2
Exceptional Gain/(Loss)	0.0	0.0	-
Net Income	70.2	57.5	(18.0)
Tax	(10.1)	(40.4)	302.0
Minority Interest	(4.4)	(7.8)	78.6
Net Income after Tax	55.8	9.33	(83.3)
Total Return	55.8	75.0	34.5
Non-tax deductible Items	(6.9)	(1.4)	(79.5)
Net Inc available for Dist.	59.0	53.6	(9.3)
Ratio (%)			
Net Prop Inc Margin	73.5	80.3	
Dist. Payout Ratio	90.0	90.0	

Source of all data: Company, DBS Bank

Historical Dividend yield and PB band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

Income Statement (\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Gross revenue	182	150	192	224	286
Property expenses	(46.3)	(37.0)	(43.8)	(58.3)	(74.4)
Net Property Income	136	113	148	166	212
Other Operating expenses	(14.6)	(16.9)	(34.7)	(20.9)	(22.1)
Other Non Opg (Exp)/Inc	3.36	(5.1)	6.90	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(8.4)	(3.2)	7.49	(3.1)	(18.7)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Net Income	116	88.3	128	142	171
Tax	(84.2)	(73.3)	(50.5)	(28.4)	(34.2)
Minority Interest	(12.4)	(11.2)	(12.1)	(3.1)	(3.2)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	19.5	3.82	65.1	110	133
Total Return	204	178	131	110	133
Non-tax deductible Items	9.43	(18.5)	(8.4)	11.7	12.9
Net Inc available for Dist.	84.5	75.5	113	122	146
Growth & Ratio					
Revenue Gth (%)	(3.3)	(17.4)	27.5	16.9	27.6
N Property Inc Gth (%)	5.9	(16.4)	30.5	12.1	27.6
Net Inc Gth (%)	nm	(80.4)	1,602.7	69.4	21.0
Dist. Payout Ratio (%)	90.0	90.0	90.0	90.0	90.0
Net Prop Inc Margins (%)	74.6	75.4	77.2	74.0	74.0
Net Income Margins (%)	10.7	2.5	34.0	49.2	46.7
Dist to revenue (%)	46.5	50.2	58.8	54.4	51.2
Managers & Trustee's fees	8.0	11.2	18.1	9.3	7.7
ROAE (%)	2.0	0.3	5.2	8.9	10.0
ROA (%)	0.9	0.2	2.5	4.0	4.5
ROCE (%)	1.6	0.7	2.7	4.4	5.3
Int. Cover (x)	14.4	30.5	NM	46.5	10.1

Source: Company, DBS Bank

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Balance Sheet (\$\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Investment Properties	5.50	5.24	5.18	5.03	4.88
Other LT Assets	2,166	2,425	2,465	2,651	2,897
Cash & ST Invt	108	79.6	101	116	134
Inventory	0.41	0.48	0.45	0.45	0.45
Debtors	28.7	34.2	57.9	57.9	57.9
Other Current Assets	9.51	32.9	22.2	22.2	22.2
Total Assets	2,319	2,577	2,651	2,853	3,117
ST Debt	223	180	119	119	119
Creditor	95.5	103	108	108	108
Other Current Liab	0.43	1.30	2.27	2.27	2.27
LT Debt	501	564	698	884	981
Other LT Liabilities	362	397	401	401	401
Unit holders' funds	1,057	1,245	1,236	1,248	1,413
Minority Interests	79.7	88.1	87.3	90.4	93.6
Total Funds & Liabilities	2,319	2,577	2,651	2,853	3,117
Non-Cash Wkg. Capital	(57.4)	(36.3)	(29.8)	(29.8)	(29.8)
Net Cash/(Debt)	(616)	(664)	(716)	(887)	(965)
Ratio					
Current Ratio (x)	0.5	0.5	0.8	0.9	0.9
Quick Ratio (x)	0.4	0.4	0.7	0.8	0.8
Aggregate Leverage (%)	31.2	28.9	30.8	35.2	35.3
Z-Score (X)	0.7	0.6	0.6	0.7	0.8

Ample gearing headroom.

Source: Company, DBS Bank

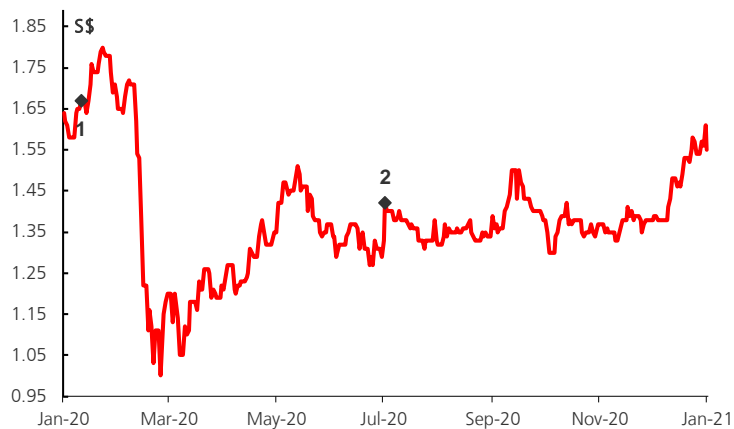
Cash Flow Statement (\$\$m)

FY Dec	2018A	2019A	2020A	2021F	2022F
Pre-Tax Income	116	189	128	142	171
Dep. & Amort.	0.15	0.36	0.44	0.15	0.15
Tax Paid	(84.2)	54.4	(50.5)	(28.4)	(34.2)
Associates & JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	23.4	2.06	3.42	0.0	0.0
Other Operating CF	93.1	(144)	59.5	11.6	12.7
Net Operating CF	149	102	141	125	150
Net Invt in Properties	(57.5)	(139)	(87.5)	(187)	(246)
Other Invt (net)	(224)	(20.0)	19.8	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	5.45	0.0	0.0	0.0	0.0
Net Investing CF	(276)	(159)	(67.8)	(187)	(246)
Distribution Paid	(46.0)	(99.7)	(69.3)	(110)	(132)
Chg in Gross Debt	213	12.1	66.8	187	96.0
New units issued	0.0	153	0.0	0.0	150
Other Financing CF	(36.9)	(33.5)	(46.1)	0.0	0.0
Net Financing CF	130	31.9	(48.6)	77.0	114
Currency Adjustments	(3.3)	(3.5)	(2.7)	0.0	0.0
Chg in Cash	(1.3)	(28.9)	21.5	15.3	17.8
Operating CFPS (S cts)	12.0	9.47	12.0	10.8	11.7
Free CFPS (S cts)	8.77	(3.5)	4.62	(5.3)	(7.6)

Source: Company, DBS Bank

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Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	07 Feb 20	1.67	1.85	BUY
2:	29 Jul 20	1.42	1.85	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Derek TAN

Dale LAI

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 29 Jan 2021 07:22:46 (SGT)

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