RESULT REVIEW

BUY
TP: Rs 521 | 19%

EMBASSY OFFICE PARKS REIT

| Real Estate (REITs) | 31 July 2026

Efficient utilisation driving DPU growth

- **Reported Q1FY27 DPU of Rs 6.31, missing our estimates by -2.9%, mainly because of lower occupancy (-50bps vs expectations)**
- **Leasable area expanded to 43.5msf (+7.7% YoY), in-place rents rose to Rs 96psf/m (+4.4% YoY) and occupancy improved +200bps YoY**
- **Improved utilisation to drive rents but higher interest expense to weigh on DPU growth. EMBASSY to trade at DPUx of 16.4x; Maintain BUY**

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Over Q1FY27, **EMBASSY (Embassy Office Parks REIT) leased 1.3msf (-36.9% YoY) across 17 deals** that included 0.7msf (-30.0% YoY) of new leases signed at releasing spreads of 11% (-2,700 bps YoY) and 0.6msf (+66.7% YoY) of renewals at spreads of 9% (-1800bps YoY). GCCs accounted for ~81% of the leasing volumes over the quarter; **Bengaluru drove absorption (68% of total absorption) as space was leased mainly to Telecom (39%), Engineering & Manufacturing (23%) and Technology (18%) tenants**.

Leasable area was flat 43.5msf (+0.0% QoQ, +7.7% YoY), as no new office space was delivered or acquired over Q1FY27. Despite robust leasing, occupancy remained flat at 90.0% (+00bps QoQ and +200bps YoY) weighed down by tenant vacancies. However, **utilisation improved, with higher in-place rents of Rs 96psf/m (+1.1% QoQ and +4.3% YoY), pushing NOI to Rs 10,210mn (+4.6% QoQ and +17.1% YoY)**.

Over Q1FY27, EMBASSY launched a 211 key hotel asset (Hilton Garden Inn); an incremental 318 key hotel asset (5 start Hilton) is scheduled to open in H2FY27. As of Q1FY27, **EMBASSY had a development pipeline of ~6.2msf (+31.1% QoQ and +1.6% YoY) of which ~60% was pre-leased**. The REIT also had access to potential inorganic growth opportunities of ~12.6msf (flat QoQ), but did not communicate any material progress towards the expansion of leasable area via acquisitions. Average cost of debt increased to 7.32% (+7bps QoQ and -23bps YoY), with fixed-rate debt making up 59% of total outstanding debt and Net Debt/GAV deteriorated to 31% (30% as of Q4FY26).

We expect higher occupancy, in-place rents and contributions from incremental leasable area — to drive revenue from operations and NOI at an annualised rate of +10.5% and +11.2% respectively (vs +13.5% and +12.9% respectively, over FY21-FY26) resulting in annualised DPU growth of +10.5% over FY27E-FY29E. **We expect the stock to trade at an unchanged DPU multiple of 16.4x Q2FY28E-Q1FY29E DPU estimates, implying an updated 1Y TP of Rs 521 (+3.2% from Rs 505 previously). Maintain BUY**.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EMBASSY IN/Rs 438
Market cap	US$ 4.4bn
Free float	92%
3M ADV	US$ 2.3mn
52wk high/low	Rs 462/Rs 377
Promoter/FPI/DII	8%/42%/28%

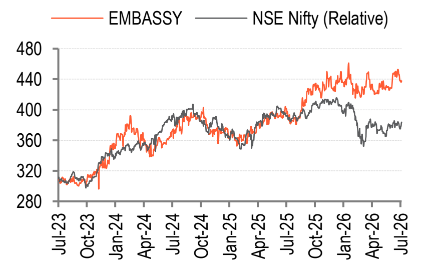
Source: NSE | Price as of 30 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	46,758	53,205	59,286
EBITDA (Rs mn)	37,843	41,991	44,233
Adj. net profit (Rs mn)	5,206	10,911	11,696
DPU (Rs)	25.3	27.7	31.0
Consensus DPU (Rs)	25.5	28.0	30.7
Adj. ROAE (%)	2.4	5.5	6.4
Price/DPU	17.3	15.8	14.1
EV/EBITDA (x)	11.0	9.9	9.4
Adj. EPS growth (%)	(67.6)	109.6	7.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Lower occupancy and higher interest expense drove DPU miss

Over Q1FY27, EMBASSY reported robust leasing momentum but with spreads under pressure and no incremental expansion in leasable area (office). Occupancy remained flat QoQ at 90.0% coming in ~-50bps below our expectations. However utilisation improved on the back of higher in-place rents of Rs 96psf/m (+1.1% QoQ and +4.3% YoY). Higher interest expense (~+2.2% vs expectations) weighed on DPU growth as EMBASSY reported DPU of Rs 6.31 (-2.9% QoQ and +8.8% YoY), missing our estimates by -2.9%.

Fig 1 – Lower Occupancy and higher interest expense drove DPU miss

	1Q27A	1Q26A	YoY (%)	4Q26A	QoQ (%)	1Q27E	Deviation (%)
Revenue from operations (Rs mn)	12,408	10,598	17.1	12,047	3.0	12,190	1.8
NOI (Rs mn)	10,210	8,718	17.1	9,760	4.6	9,948	2.6
EBITDA (Rs mn)	10,140	8,736	16.1	9,586	5.8	9,915	2.3
EBITDA Margin (%)	81.72	82.43	(71bps)	79.57	215bps	81.34	38bps
NDCF (Rs mn)	6,000	5,510	8.9	6,184	(3.0)	6,165	(2.7)
Distribution (Rs mn)	5,980	5,498	8.8	6,161	(2.9)	6,161	(2.9)
DPU (Rs)	6.31	5.80	8.8	6.50	(2.9)	6.50	(2.9)

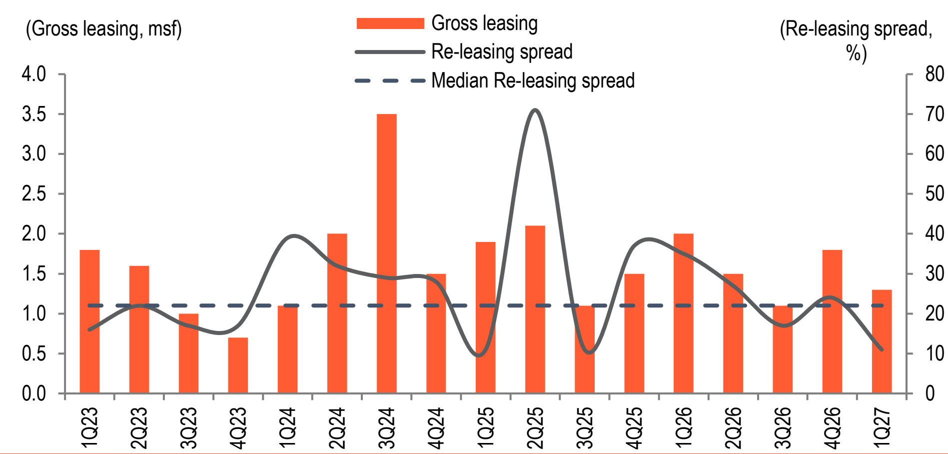
Source: Company, BOBCAPS Research

Fig 2 – EMBASSY Snapshot

	2021	2022	2023	2024	2025	2026	1Q27
Leasable Area (msf)	32.30	33.80	34.30	36.50	40.30	43.50	43.50
Occupancy (%)	88.9	87.1	86.0	85.0	87.0	90.0	90.0
in-place Rent (₹psf/m)	71.00	75.00	80.00	87.00	92.00	95.00	96.00
re-leasing Spreads (%)	18.0	18.0	16.0	31.0	24.0	24.0	11.0
WALE (Y)	7.0	7.0	6.6	6.8	8.4	8.5	8.4
DPU	21.48	21.76	21.71	21.33	23.01	25.28	6.31
LTV (%)	22.0	24.0	28.0	29.0	32.0	30.0	31.0
Average Cost of Debt (%)	7.8	6.7	7.3	7.8	7.9	6.7	7.3

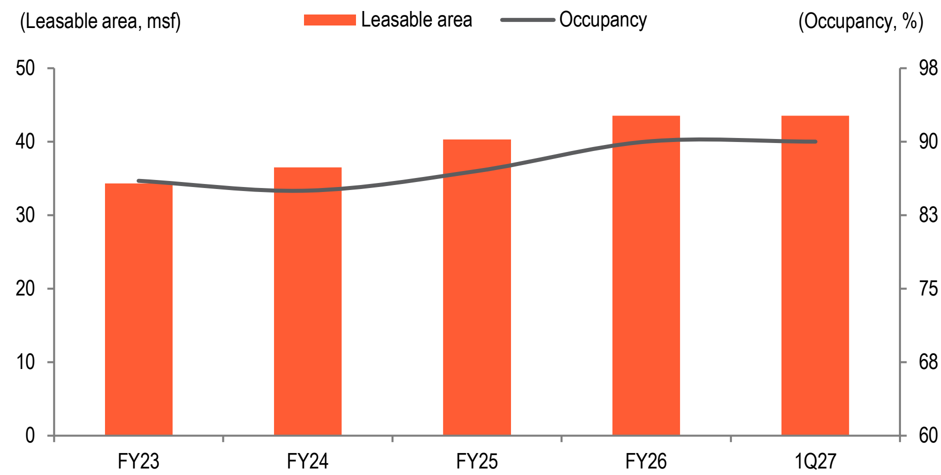
Source: Company, BOBCAPS Research

Fig 3 – Robust leasing; spreads under pressure



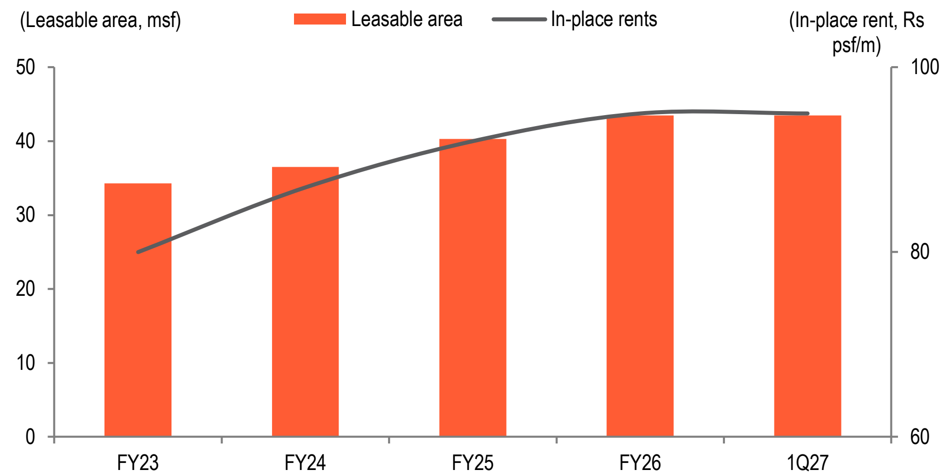
Source: Company, BOBCAPS Research

Fig 4 – Leasable Area (43.5msf) and Occupancy (90.0%) flat QoQ



Source: Company, BOBCAPS Research

Fig 5 – Higher in-place rents (+1.1% QoQ and +4.3% YoY) improving utilisation



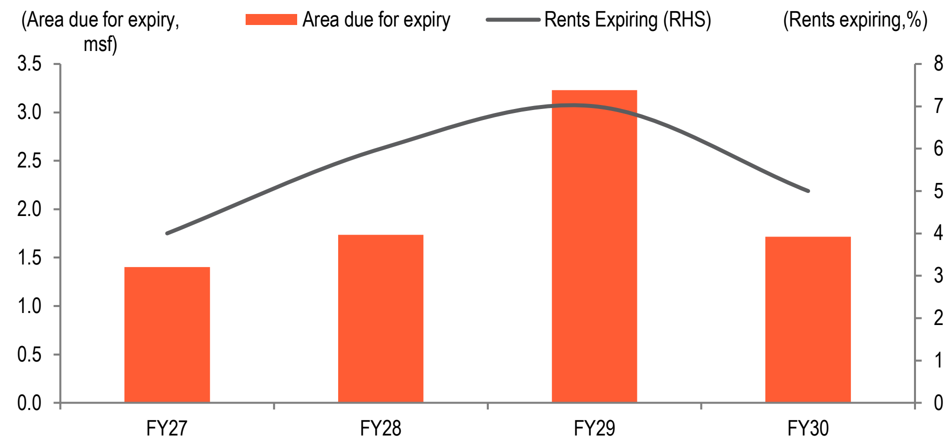
Source: Company, BOBCAPS Research

Absorption of vacant space to drive utilisation

As of Q1FY27, EMBASSY reported a development pipeline that is expected to add ~2.9msf of new supply through FY29E — which will result in incremental NOI of ~Rs 7,029mn to flow through over FY27E-29E. Management remained open to acquiring 3rd party assets, and had access to a potential pipeline of ~12.6msf. Based on the REIT's past performance, we remain optimistic about possible acquisitions over the period; but in the absence of any concrete timelines, we do not build in any upside from the acquisitions in our estimates

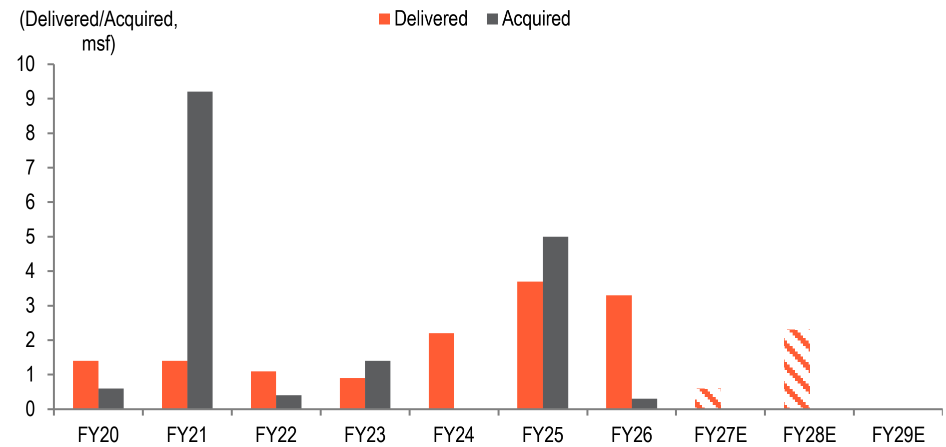
Over FY27E-29E, we expect contractual rent escalations (+4.5% CAGR), the lease-up of incremental leasable area (~2.9msf) and the re-leasing of ~6.4msf expiring through FY29, to push NOI growth to +11.2% CAGR. Additionally, over the period, we believe improved occupancy, especially driven by infrastructure upgrades in Pune, will help improve overall occupancy by ~+140bps.

Fig 6 – ~6.4msf of leasable area expiring through FY29



Source: Company, BOBCAPS Research

Fig 7 – Limited expansion of leasable area

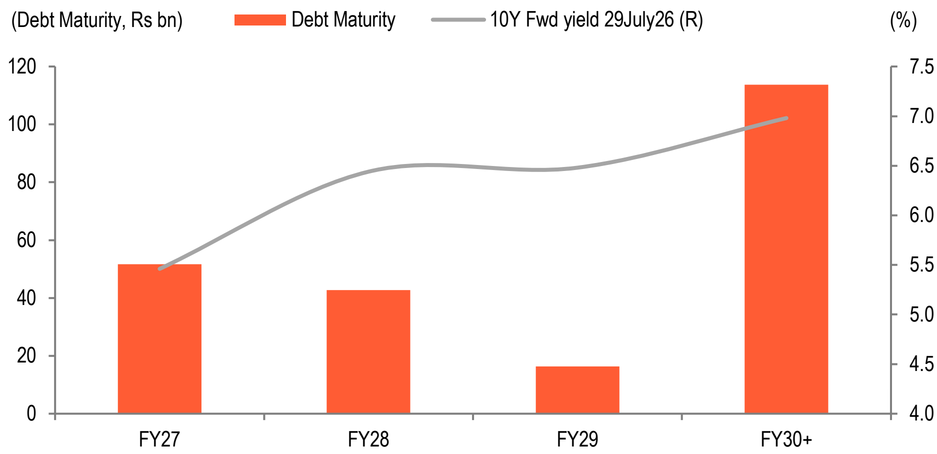


Source: Company, BOBCAPS Research

Higher interest expense likely to put DPU growth under pressure

~44% of outstanding debt is scheduled to expire over FY27E-29E. Despite ~59% of outstanding debt being marked to fixed interest rates, and given expectations of higher rates, we believe that EMBASSY is unlikely to report any further reduction in its avg. cost of debt over FY27, as the REIT refinances substantial debt in a rising interest rate environment. Management intends to lock in a bigger portion of their debt with fixed rates, should interest rates move higher. Given the prevalent volatility and expectations of higher interest rates, we believe higher interest expense is likely to weigh on DPU growth over the period.

Fig 8 – ~44% of outstanding debt maturing through FY29



Source: Company, BOBCAPS Research

Efficient utilisation to drive DPU growth and support valuations

EMBASSY manages the largest Grade A office portfolio concentrated in Bengaluru (~64% of completed leasable area). The quality and location of its assets enables the REIT to capture quality leasing demand, especially from GCCs. We believe **EMBASSY is well placed to drive DPU growth on the back of higher utilisation, but continue to expect higher interest costs to weigh on cash flows, limiting growth in DPU**. We adjust our estimates to reflect higher in-place rents, offset slightly by higher a slower pick-up in occupancy and higher interest expense.

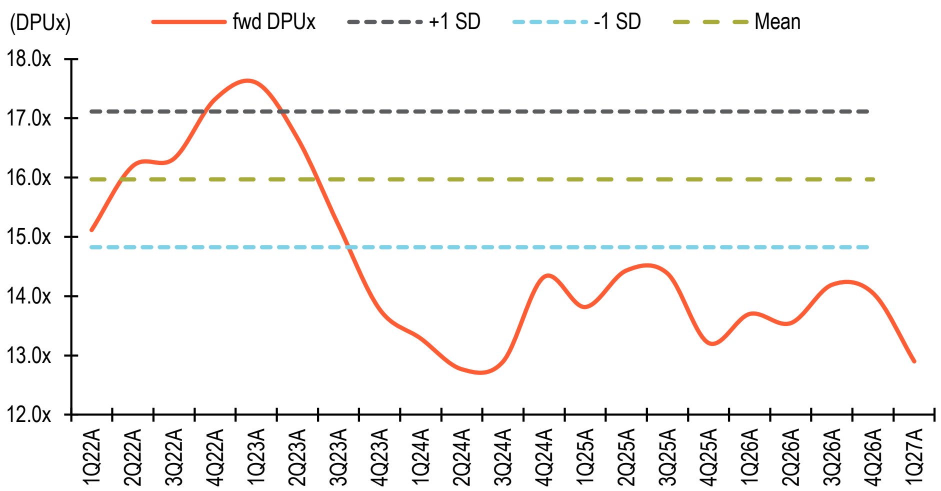
We expect higher occupancy, in-place rents and contributions from incremental leasable area added to the portfolio — to drive revenue from operations and NOI at an annualised rate of +10.5% and +11.2% respectively (vs +13.5% and +12.9% respectively, over FY21-FY26) resulting in annualised DPU growth of +10.5% over FY27E-FY29E. We expect the stock to trade at an unchanged DPU multiple of 16.4x Q2FY28E-Q1FY29E DPU estimates, implying an updated 1Y TP of Rs 521 (+3.2% from Rs 505 previously). The DPU multiple has been adjusted for a positive correlation between DPU growth rates and the stock price.

Fig 9 – Revised estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
DPU (Rs)	27.7	31.0	34.1	27.7	30.9	34.0	0.2	0.3	0.4
NDCF (Rs mn)	26,298.8	29,377.9	32,384.7	26,256.7	29,283.4	32,237.6	0.2	0.3	0.5
Occupancy (%)	91.5	93.5	95.5	92.0	94.0	96.0	(50bps)	(50bps)	(50bps)
In-place rents (Rs psf/m)	95.3	96.4	97.4	94.6	95.6	96.7	0.8	0.8	0.8
DPU (Rs)	27.7	31.0	34.1	27.7	30.9	34.0	0.2	0.3	0.4

Source: BOBCAPS Research

Fig 10 – EMBASSY trading at discount



Source: Company, BOBCAPS Research

Key downside risks

- Stagnant or slower-than-expected recovery in occupancy and thus, in-place rents could limit NOI growth
- Slower-than-expected pace of developments, could limit upside from incremental rental income
- Higher interest costs if expiring debt is re-financed at higher-than-expected rates

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**41,813**	**46,758**	**53,205**	**59,286**	**62,655**
EBITDA	31,888	37,843	41,991	44,233	47,115
Depreciation	(17,826)	(12,658)	(12,658)	(12,658)	(12,658)
EBIT	14,061	25,185	29,333	31,575	34,457
Net interest inc./(exp.)	(13,286)	(14,950)	(16,905)	(18,403)	(19,091)
Other inc./(exp.)	1,155	1,152	1,804	1,903	2,285
Exceptional items	0	0	0	0	0
EBT	1,930	13,156	14,232	15,075	17,651
Income taxes	14,123	(7,950)	(3,321)	(3,379)	(3,983)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**16,053**	**5,206**	**10,911**	**11,696**	**13,668**
Adjustments	0	0	0	0	0
Adjusted net profit	**16,053**	**5,206**	**10,911**	**11,696**	**13,668**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	534	1,083	1,083	1,083	1,083
Other current liabilities	17,854	18,929	18,929	18,929	18,929
Provisions	4	11	11	11	11
Debt funds	1,98,073	2,23,848	2,38,764	2,51,588	2,57,212
Other liabilities	45,402	52,310	52,310	52,310	52,310
Equity capital	2,88,262	2,88,262	2,88,262	2,88,262	2,88,262
Reserves & surplus	(60,651)	(80,460)	(97,218)	(1,15,123)	(1,33,794)
Shareholders' fund	2,27,612	2,07,802	1,91,044	1,73,139	1,54,469
Total liab. and equities	**4,89,478**	**5,03,982**	**5,02,140**	**4,97,060**	**4,84,013**
Cash and cash eq.	6,630	9,697	(7,332)	(8,804)	(15,303)
Accounts receivables	820	990	990	990	990
Inventories	45	40	40	40	40
Other current assets	3,645	3,971	3,971	3,971	3,971
Investments	670	736	736	736	736
Net fixed assets	0	0	0	0	0
CWIP	3,129	5,835	5,835	5,835	5,835
Intangible assets	3,74,115	3,81,777	3,96,964	3,93,355	3,86,807
Deferred tax assets, net	121	160	160	160	160
Other assets	1,00,302	1,00,777	1,00,777	1,00,777	1,00,777
Total assets	**4,89,478**	**5,03,982**	**5,02,140**	**4,97,060**	**4,84,013**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**30,793**	**35,217**	**37,685**	**41,092**	**44,027**
Capital expenditures	(17,510)	(18,796)	(27,559)	(8,764)	(5,825)
Change in investments	(1,087)	456	0	0	0
Other investing cash flows	2,065	1,829	1,120	1,120	1,120
Cash flow from investing	**(16,531)**	**(16,511)**	**(26,439)**	**(7,644)**	**(4,705)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	17,344	22,516	14,916	12,824	5,624
Interest expenses	(13,703)	(14,793)	(16,905)	(18,403)	(19,091)
Dividends paid	(21,374)	(23,186)	(26,285)	(29,341)	(32,355)
Other financing cash flows	(190)	(202)	0	0	0
Cash flow from financing	**(17,923)**	**(15,665)**	**(28,275)**	**(34,920)**	**(45,821)**
Chg in cash & cash eq.	**(3,661)**	**3,041**	**(17,029)**	**(1,472)**	**(6,499)**
Closing cash & cash eq.	**6,630**	**9,697**	**(7,332)**	**(8,804)**	**(15,303)**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	16.9	5.5	11.5	12.3	14.4
Adjusted EPS	16.9	5.5	11.5	12.3	14.4
DPU	23.0	25.3	27.7	31.0	34.1
Book value per share	240.1	219.2	201.5	182.7	163.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	9.9	8.9	7.8	7.0	6.6
EV/EBITDA	13.0	11.0	9.9	9.4	8.8
P/DPU	19.0	17.3	15.8	14.1	12.8
P/BV	1.8	2.0	2.2	2.4	2.7

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	831.6	39.6	76.7	77.6	77.4
Interest burden (PBT/EBIT)	13.7	52.2	48.5	47.7	51.2
EBIT margin (EBIT/Revenue)	33.6	53.9	55.1	53.3	55.0
Asset turnover (Rev./Avg TA)	8.7	9.4	10.6	11.9	12.8
Leverage (Avg TA/Avg Equity)	2.1	2.3	2.5	2.7	3.0
Adjusted ROAE	7.0	2.4	5.5	6.4	8.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.5	11.8	13.8	11.4	5.7
EBITDA	7.3	18.7	11.0	5.3	6.5
Adjusted EPS	66.5	(67.6)	109.6	7.2	16.9
Profitability & Return ratios (%)					
EBITDA margin	76.3	80.9	78.9	74.6	75.2
EBIT margin	33.6	53.9	55.1	53.3	55.0
Adjusted profit margin	38.4	11.1	20.5	19.7	21.8
Adjusted ROAE	7.0	2.4	5.5	6.4	8.3
ROCE	3.4	5.8	6.8	7.4	8.4
Ratios (x)					
Gross asset turnover	0.1	0.1	0.1	0.1	0.1
Current ratio	0.2	0.2	0.0	0.0	(0.1)
Net interest coverage ratio	1.1	1.7	1.7	1.7	1.8
Adjusted debt/equity	1.2	1.4	1.6	1.9	2.1

Source: Company, BOBCAPS Research

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

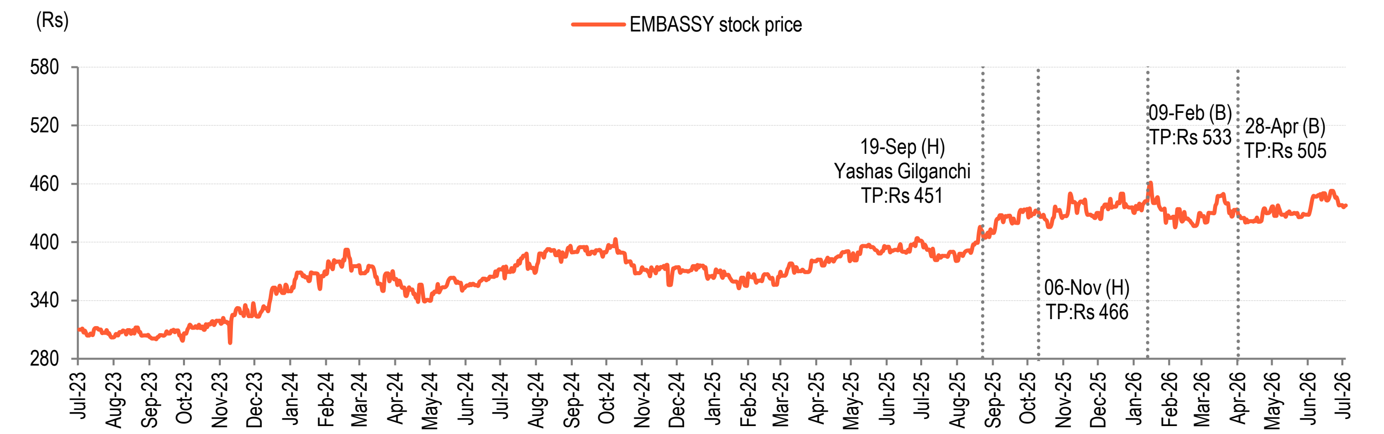
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): EMBASSY OFFICE PARKS REIT (EMBASSY IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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