

HOLD

TP: Rs 466 | ▲ 8%

**EMBASSY OFFICE
PARSKS REIT**

| Real Estate

| 06 November 2025

Efficient operations and debt management driving DPU growth

- EMBASSY delivered DPU of Rs 6.51 (+11.7% YoY), beating our expectations by +7.3% driven by higher rental revenue and dividends
- 1.5msf of gross leasing (-28.6% YoY) helped improve occupancy to 90% (+300bps YoY), pushing in-place rents to Rs 93psf/m (+4.5% YoY)
- Effective refinancing transactions pulled average cost of debt lower to 7.35% (-64bps YoY) even as LTV remained flat QoQ at ~31%

Yashas Gilganchi
Research Analyst
research@bobcaps.in

EMBASSY continues to benefit from high demand for space in its assets as evidenced by improved occupancy of 90% (+300bps YoY) and in-place rents of Rs 93psf/m (+4.5% YoY), achieving re-leasing spreads of 27% (27.8% 5Y avg.). Bengaluru remains EMBASSY's core growth market (~85% of the leasing deals signed in 2Q26) with GCCs being the driving force behind the demand for office space, making up 56% of total leasing. With limited developments in the pipeline, the pace of growth in rental revenues is likely to remain subdued. We believe DPU growth of +11.6% CAGR over FY26E-28E will be driven mostly by improved occupancy (90% as of 2Q26), driving leasing spreads (27% as of 2Q26) and in-place rents higher (93psf/m as of 2Q26).

As of 2Q26, ~7.3msf of base build projects (~5.3msf to be delivered through FY28) made-up EMBASSY's development pipeline. Despite management actively evaluating acquisition opportunities (both 3rd party and from the EMBASSY Group), details about any tangible project remain scant. We **believe EMBASSY's reliance on developments slows the pace of increase in area under management.**

Efficient debt management has enabled EMBASSY to lower average in-place debt cost by -64bps YoY to 7.35%. Over 2Q26, EMBASSY raised over Rs 240,000mn of debt via commercial papers and NCDs. We are highly encouraged by management's ability to secure financing at competitive costs, especially given LTV of 31% (~27% peer average).

Driven by higher occupancy and in-place rents, we expect EMBASSY to deliver average annualised DPU growth rate of +11.6% over FY26E-28E. Our revised 1Y TP of Rs 466 (Rs 451 previously) is based on a DPU multiple of 15.5x (15.8x previously) that has been adjusted for DPU growth and a positive correlation between DPU growth rates and stock price, applied to 5Q-8Q DPU estimates (3Q27E-2Q28E). In the absence of any near-term catalysts, we **retain a HOLD on EMBASSY.**

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EMBASSY IN/Rs 432
Market cap	US\$ 4.6bn
Free float	0%
3M ADV	US\$ 4.2mn
52wk high/low	Rs 437/Rs 342
Promoter/FPI/DII	0%/0%/0%

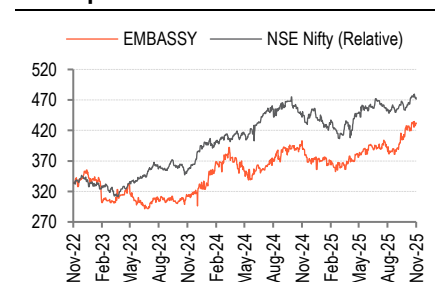
Source: NSE | Price as of 4 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	41,813	46,410	52,150
EBITDA (Rs mn)	31,888	36,934	40,452
Adj. net profit (Rs mn)	16,053	9,638	11,359
Adj. EPS (Rs)	16.9	10.2	12.0
Adj. ROAE (%)	7.1	4.5	5.8
Price/DPU	18.8	16.8	15.3
EV/EBITDA (x)	12.8	11.1	10.1
Adj. EPS growth (%)	66.5	(40.0)	17.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Operational Highlights

- 1.5msf of office space was leased (-28.6% YoY and -27.2% QoQ) as leasing momentum showed clear signs of deceleration. Discounting for the weak demand in certain micro-markets of Pune, we believe the drop in leasing momentum is mainly a result of limited leasable space available in EMBASSY's portfolio.
- Though lower than in 2Q25 (68%), releasing spreads of 27%, were flat QoQ and in-line with the 5Y average for EMBASSY. The REIT benefits from the location and quality of its assets, which helps the REIT achieve consistently higher leasing spreads than its peers
- Portfolio occupancy improved to 90% as demarcated SEZ spaces were leased up. Over the 2Q26 earnings call, management commented that the demarcation process has largely been standardised, with the process taking roughly 3 months post which, the space is marketed as non-SEZ space available for lease. We believe that outside of contractual escalations, the lease-up of demarcated SEZ space leading to improved occupancy, is the main lever for rental growth.

As leasing momentum slows and as EMBASSY's portfolio approaches full occupancy, we expect management to be more aggressive in evaluating acquisition deals. However, we incorporate no acquisitions in our estimates in the absence of any details of tangible projects.

Fig 1 – Lease-up of demarcated SEZ spaces driving occupancy improvements

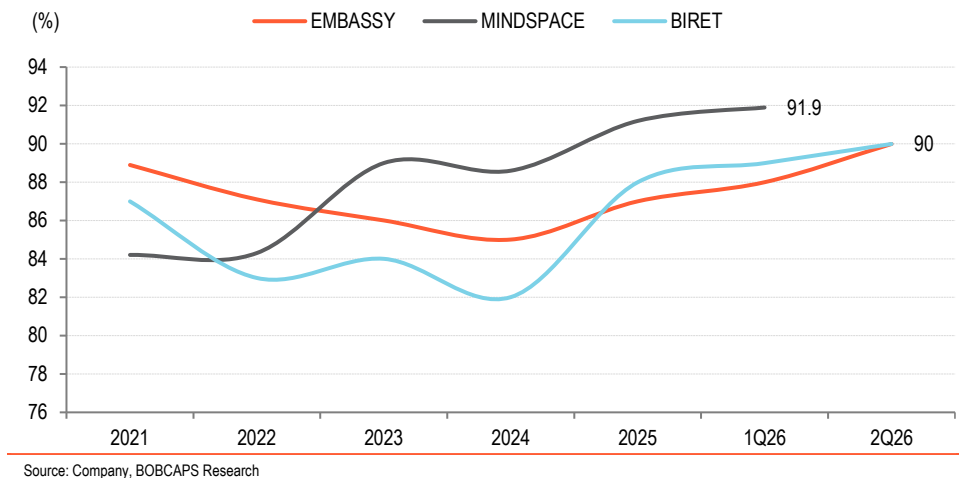
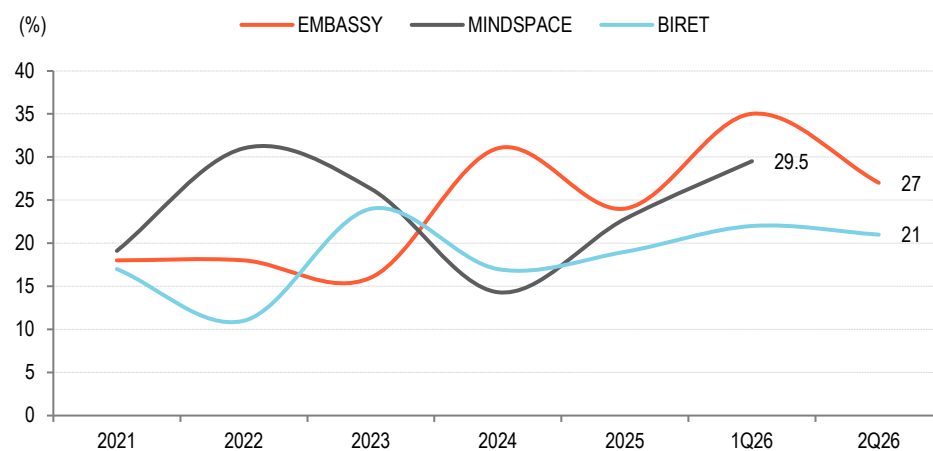
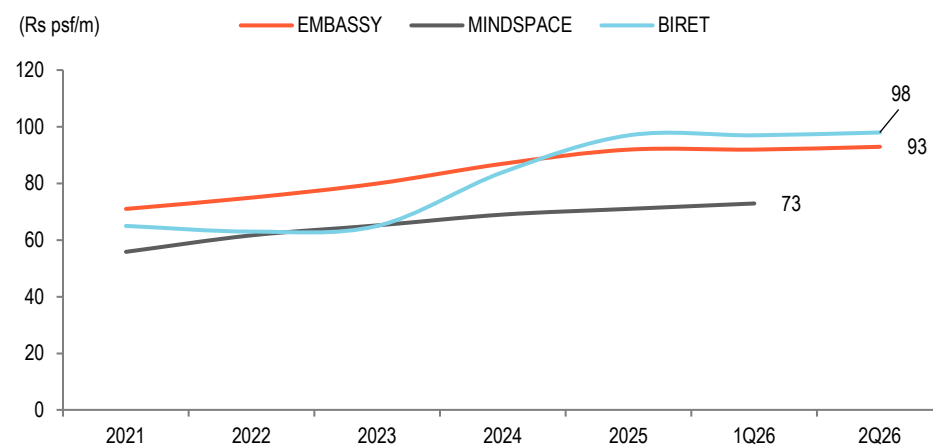


Fig 2 – Though lower vs. 2Q25, EMBASSY has consistently achieved higher leasing spreads



Source: Company, BOBCAPS Research

Fig 3 – In-place rents have improved consistently



Source: Company, BOBCAPS Research

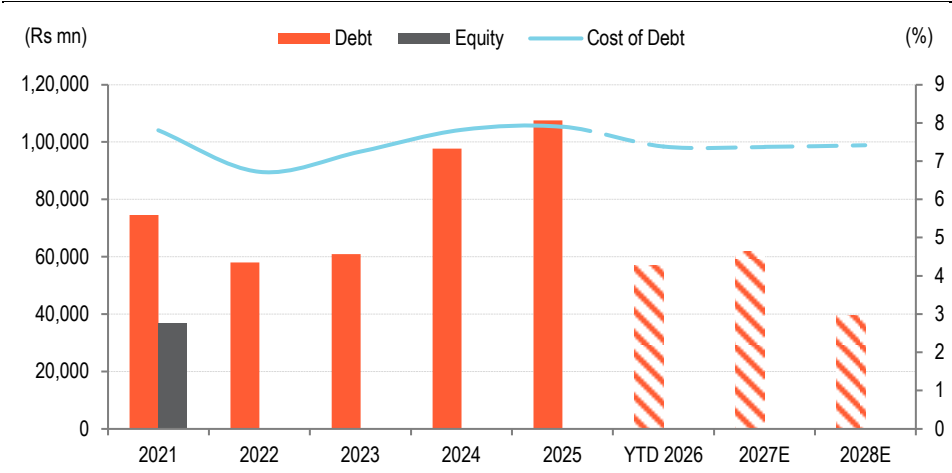
Funding

Despite having relatively higher leverage (31% LTV) vs peers, EMBASSY has successfully managed to bring down average cost of debt to 7.35% (-64bps YoY). Over 2Q26, EMBASSY:

- Raised Rs 20,000mn in NCDs paying a coupon of 7.25%
- Raised Rs 4,000mn in commercial papers at an average cost of ~6.44%

We believe management's successful track record of securing financing at competitive costs is a material advantage for EMBASSY, which should enable it to push avg. cost of debt down and translate growth in NOI into DPU growth.

Fig 4 – Prudent debt management driving down avg. cost of debt



Source: Company, BOBCAPS Research

Valuation methodology

Driven by higher occupancy and in-place rents, we expect EMBASSY to deliver average annualised DPU growth rate of +11.6% over FY26E-28E. Our revised 1Y TP of Rs 466 (Rs 451 previously) is based on a DPU multiple of 15.5x (15.8x previously) that has been adjusted for DPU growth and a positive correlation between DPU growth rates and stock price, applied to 5Q-8Q DPU estimates (3Q27E-2Q28E). In the absence of any near-term catalysts, we **retain HOLD on EMBASSY**.

Key Risks

- Stagnant or slower-than-expected recovery in occupancy and thus, in-place rents
- Slow pace of developments limiting upside from incremental income from projects
- Higher interest costs if expiring debt is re-financed at higher-than-expected rates

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	38,883	41,813	46,410	52,150	59,201
EBITDA	29,724	31,888	36,934	40,452	46,216
Depreciation	7,572	9,298	9,734	9,734	9,734
EBIT	22,152	22,590	27,200	30,718	36,482
Net interest inc./(exp.)	10,872	13,286	15,645	17,394	18,311
Other inc./(exp.)	1,582	2,122	1,819	1,818	2,033
Exceptional items	0	0	0	0	0
EBT	10,891	1,930	11,216	13,181	18,577
Income taxes	1,250	(14,123)	1,578	1,822	2,640
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	892	1,155	1,699	1,895	2,443
Reported net profit	9,640	16,053	9,638	11,359	15,937
Adjustments	0	0	0	0	0
Adjusted net profit	9,640	16,053	9,638	11,359	15,937

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	425	534	860	860	860
Other current liabilities	14,823	17,837	16,607	16,607	16,607
Provisions	17	17	2,023	2,023	2,023
Debt funds	1,68,080	1,98,073	2,25,560	2,43,260	2,52,398
Other liabilities	57,673	45,405	45,615	45,615	45,615
Equity capital	2,88,262	2,88,262	2,88,262	2,88,262	2,88,262
Reserves & surplus	0	0	0	0	0
Shareholders' fund	2,32,742	2,27,612	2,12,255	1,95,540	1,79,626
Total liab. and equities	4,73,759	4,89,478	5,03,352	5,04,338	4,97,562
Cash and cash eq.	10,114	6,630	9,674	8,804	9,354
Accounts receivables	348	820	866	866	866
Inventories	51	45	42	42	42
Other current assets	2,738	3,645	3,459	3,459	3,459
Investments	30	670	708	708	708
Net fixed assets	0	0	0	0	0
CWIP	1,512	3,129	4,485	4,485	4,485
Intangible assets	3,51,691	3,74,115	3,79,915	3,81,771	3,74,444
Deferred tax assets, net	162	121	142	142	142
Other assets	1,07,114	1,00,302	1,00,567	1,00,567	1,00,567
Total assets	4,73,759	4,89,478	5,03,352	5,04,338	4,97,562

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	25,866	30,793	35,086	38,148	43,410
Capital expenditures	(16,294)	(17,510)	(21,704)	(13,690)	(4,508)
Change in investments	1,945	(1,087)	403	0	0
Other investing cash flows	2,552	2,065	1,566	1,120	1,120
Cash flow from investing	(11,797)	(16,531)	(19,735)	(12,570)	(3,388)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	19,647	17,344	27,094	17,700	9,138
Interest expenses	(11,200)	(13,703)	(15,678)	(17,394)	(18,311)
Dividends paid	(20,590)	(21,374)	(23,616)	(26,754)	(30,299)
Other financing cash flows	15	(190)	(106)	0	0
Cash flow from financing	(12,128)	(17,923)	(12,308)	(26,448)	(39,471)
Chg in cash & cash eq.	1,940	(3,661)	3,044	(870)	550
Closing cash & cash eq.	10,114	6,630	9,674	8,804	9,354

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	10.2	16.9	10.2	12.0	16.8
Adjusted EPS	10.2	16.9	10.2	12.0	16.8
DPU	21.3	23.0	25.7	28.2	32.0
Book value per share	245.5	240.1	223.9	206.3	189.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	10.5	9.8	8.8	7.9	6.9
EV/EBITDA	13.8	12.8	11.1	10.1	8.9
P/DPU	20.2	18.8	16.8	15.3	13.5
P/BV	1.8	1.8	1.9	2.1	2.3

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	88.5	831.6	85.9	86.2	85.8
Interest burden (PBT/EBIT)	49.2	8.5	41.2	42.9	50.9
EBIT margin (EBIT/Revenue)	57.0	54.0	58.6	58.9	61.6
Asset turnover (Rev./Avg TA)	8.2	8.5	9.2	10.3	11.9
Leverage (Avg TA/Avg Equity)	2.0	2.2	2.4	2.6	2.8
Adjusted ROAE	4.1	7.1	4.5	5.8	8.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	9.1	7.5	11.0	12.4	13.5
EBITDA	10.6	7.3	15.8	9.5	14.2
Adjusted EPS	90.5	66.5	(40.0)	17.9	40.3
Profitability & Return ratios (%)					
EBITDA margin	76.4	76.3	79.6	77.6	78.1
EBIT margin	57.0	54.0	58.6	58.9	61.6
Adjusted profit margin	24.8	38.4	20.8	21.8	26.9
Adjusted ROAE	4.1	7.1	4.5	5.8	8.9
ROCE	2.6	3.2	3.5	3.9	4.2
Ratios (x)					
Gross asset turnover	0.1	0.1	0.1	0.1	0.1
Current ratio	0.3	0.2	0.3	0.3	0.3
Net interest coverage ratio	2.0	1.7	1.7	1.8	2.0
Adjusted debt/equity	1.0	1.2	1.4	1.6	1.8

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

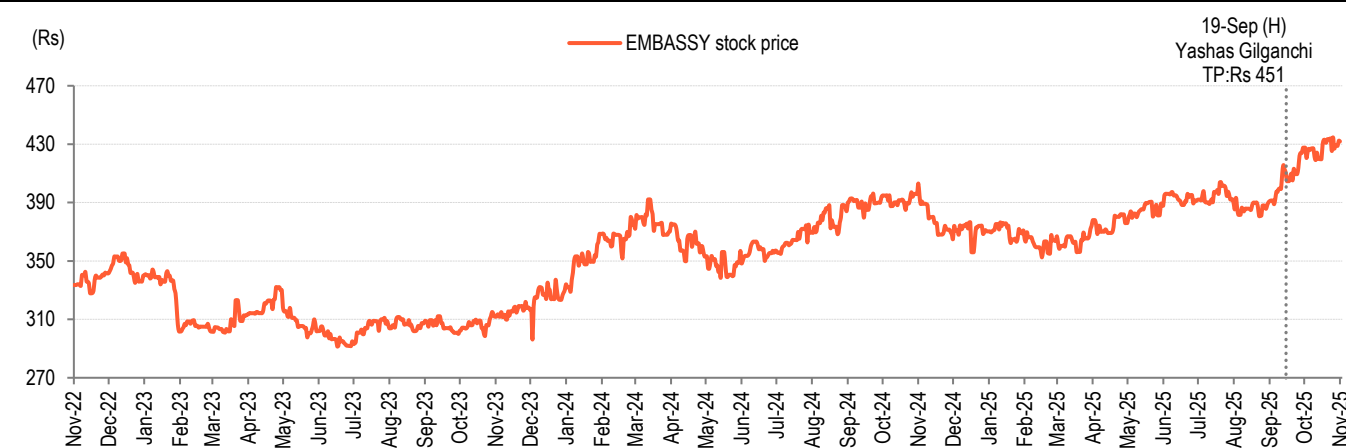
HOLD – Expected return from -6% to +15%

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 PARSKS REIT (EMBASSY IN)



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

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