



KARNATAKA UNIVERSITY, DHARWAD
UNIVERSITY WITH POTENTIAL FOR EXCELLENCE



GOVERNMENT FIRST GRADE COLLEGE YELLAPUR
Uttara Kannada - 581359

A FINANCIAL ANALYSIS REPORT ON
**“FINANCIAL ANALYSIS OF REITs WITH SPECIAL REFERENCE TO
EMBASSY OFFICE PARKS”**

SUBMITTED TO

KARNATAKA UNIVERSITY, DHARWAD
IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE
DEGREE OF BACHELOR OF COMMERCE

SUBMITTED BY

Ms. SAVITRI MAHABALESHWARA BHAT
Reg. No. U02IU21C0020

UNDER THE GUIDANCE OF
Mr. SHARATH KUMAR
ASSISTANT PROFESSOR
DEPARTMENT OF COMMERCE
GOVERNMENT FIRST GRADE COLLEGE YELLAPUR

2023-2024



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Government of Karnataka

Department of Collegiate Education

GOVERNMENT FIRST GRADE COLLEGE, YELLAPUR

(ACCREDITED BY NAAC 'B' GRADE)

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Ltr. No. GFGCY/UG/2023-24/

Date: 02/06/2024



This is to certify that **Ms. Savitri Mahabaleshwara Bhat** bearing **Reg. No. U02IU21C0020** of B.Com 6th semester is a bona-fide student of Government First Grade College Yellapur, has undertaken financial analysis research during sixth semester of Bachelor of Commerce course and prepared the financial analysis report titled “**Financial Analysis of REITs with Special Reference to Embassy Office Parks**” under the guidance, **Mr. Sharath Kumar, Assistant Professor**, Department of Commerce, as internal guide in partial fulfillment of the requirements for the award of the Degree of Bachelor of Commerce (B.Com) of Karnataka University, Dharwad.

Signature of Principal

Dr. R. D. Janardhan

G. F. G. C. Yellapur



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Ltr. No. GFGCY/UG/2023-24/

Date: 02/06/2024



This is to certify that financial analysis report entitled “**Financial Analysis of REITs with Special Reference to Embassy Office Parks**” has been prepared by **Ms. Savitri Mahabaleshwara Bhat** bearing **Reg. No. U02IU21C0020** under my supervision towards the partial fulfillment of requirements for the award of Bachelor of Commerce degree of Karnataka University, Dharwad has not been previously formed the basis for the award of any academic credential or title at any other university or institution, this research report is recorded as an original work of the candidate.

Mr. Sharath Kumar

Assistant Professor

Department of Commerce

G. F. G. C. Yellapur

DECLARATION

Ms. **Savitri Mahabaleshwara Bhat** bearing **Reg. No.: U02IU21C0020** hereby declare that this financial analysis report entitled, “**Financial Analysis of REITs with Special Reference to Embassy Office Parks**” has been prepared by me towards the partial fulfillment of requirements for the award of Bachelor of Commerce Degree of Karnataka University, Dharwad under the valuable guidance of **Mr. Sharath Kumar**, Assistant Professor, Department of Commerce, G. F. G. C. Yellapur.

I also declare that this research report is my original work and has not been previously submitted or used as the basis for the award of any academic credential or title at any other university or institution. This work is entirely my own.

Date:

Place:

Ms. Savitri Mahabaleshwara Bhat

Reg. No. U02IU21C0020

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Ms. Savitri Mahabaleshwara Bhat

Reg. No. U02IU21C0020

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EXECUTIVE SUMMARY

This research report provides an insightful overview of Real Estate Investment Trusts (REITs), particularly in the context of their introduction to the Indian market in 2019 with the Embassy Office Parks REIT. REITs offer individual investors a convenient way to access real estate assets through the stock market, yet there exists a notable lack of awareness among the public, including students and professionals in commerce background. This report aims to fill this gap by simplifying the complexities surrounding REIT investments and highlighting key financial metrics essential for evaluating their performance.

The ease of trading REITs in dematerialized form contrasts sharply with the challenge of understanding their advantages and risks, especially when compared to more traditional investment options like fixed deposits or less secure alternatives. By focusing on fundamental metrics such as Funds from Operations (FFO), Adjusted Funds from Operations (AFFO), Net Asset Value (NAV) per unit and Net Operating Income (NOI), this report aims to empower investors to make informed decisions. Metrics like Debt-to-Equity Ratio, Occupancy rate, Earnings per share and others provide insights into financial health, tenant occupancy and operational stability.

This report serves as a comprehensive guide for investors of all backgrounds, advocating for financial literacy and practical decision-making. By understanding these metrics, investors can navigate the complexities of REIT investments with confidence, potentially benefiting from stable income streams and competitive returns.

CHAPTER – I

INTRODUCTION

- 1.1 AN OVERVIEW OF THE STUDY**
 - 1.2 TITLE OF THE STUDY**
 - 1.3 STATEMENT OF THE PROBLEM**
 - 1.4 OBJECTIVES OF THE STUDY**
 - 1.5 SCOPE OF THE STUDY**
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 - 1.7 LITERATURE REVIEW**
 - 1.8 CHAPTER SCHEME**
 - 1.9 LIMITATIONS OF THE STUDY**
-

CHAPTER – I

INTRODUCTION

1.1 AN OVERVIEW OF THE STUDY

In today's dematerialized secondary market, trading shares has become accessible, transforming savings into investments and aiming for returns through active participation in financial markets. Real Estate Investment Trusts (REITs), established globally since 1960 and introduced to India in 2019 with Embassy Office Parks REIT, offer investors a new avenue to access income-generating real estate assets through publicly traded securities.

Despite the potential benefits of REITs such as diversification, regular income streams and professional management of real estate portfolios, there remains widespread unfamiliarity among individual investors, including students, professionals from non-commerce backgrounds and the general public. This report aims to bridge this gap by providing a comprehensive analysis of REITs, empowering investors with the knowledge needed to navigate this evolving investment landscape.

Based on discussions with professionals across different age groups, the report identifies complexities that hinder larger adoption of REIT investments. While trading REITs is straightforward in dematerialized markets, understanding their advantages, disadvantages and financial workings is crucial for informed decision-making. Many investors, seeking stable income or returns, often opt for conventional options like fixed deposits, mutual funds or less reliable alternatives, which may not yield optimal results.

The report simplifies these complexities by focusing on critical financial metrics like Funds from Operations (FFO), Net Asset Value (NAV) per unit, Occupancy Rates and Debt-to-Equity Ratios. By analyzing these metrics, it equips investors with essential tools to evaluate REIT investments effectively.

Additionally, the report examines recent market trends, regulatory frameworks and the evolving landscape of REITs in India, offering a forward-looking perspective on the sector's growth and investment potential. Ultimately, the goal is to clarify REIT investments, enhance financial literacy and empower a diverse range of investors to confidently engage in the promising area of REIT.

1.2 TITLE OF THE STUDY

“Financial Analysis of REITs with Special Reference to Embassy Office Parks”

1.3 STATEMENT OF THE PROBLEM

Investing in Real Estate Investment Trusts (REITs) presents several challenges for investors and savers alike, often leading them to opt for fixed deposits instead. Despite being introduced globally in 1960 and arriving in the Indian market in 2019 with Embassy Office Parks as the pioneer, awareness about REITs remains low among commerce students and professionals, especially among the public.

Many potential investors, typically those with modest savings, are drawn to real estate investments due to their apparent stability and income potential, which traditional avenues like fixed deposits promise but often fail to deliver substantial returns. This lack of awareness is compounded by the complexity of financial statements and the overwhelming amount of financial advice from various sources, which can intimidate small investors.

Moreover, the ease of trading REITs electronically doesn't mitigate the challenges of understanding their advantages and disadvantages, further discouraging potential investors. Consequently, individuals seeking stable returns might unknowingly settle for fixed deposits or riskier alternatives like unreliable chit funds, only to find themselves disappointed or even financially compromised. Therefore, bridging the knowledge gap through comprehensive financial analysis and accessible education is crucial to empower all individuals, regardless of their background, to confidently invest in REITs and make informed financial decisions.

1.4 OBJECTIVES OF THE STUDY

- To highlight REITs as accessible to investors and educate them with financial statement analysis.
- To justify the statement “REITs provide income, diversification and potential growth in retirement portfolios.”

1.5 SCOPE OF THE STUDY

This Financial research report will not only help the investors investing in equity shares of REITs but also,

- Provides awareness, understanding and confidence among potential investors regarding REIT investments in the Indian market. The information surrounding Real Estate Investment Trusts (REITs) and the challenges investors face with them extends beyond just those looking to invest.

- Financial advisors and consultants can utilize this knowledge to better guide their clients, offering informed advice on diversifying portfolios and navigating modern investment options.
- Educators and academics in finance and economics can update their curriculum to include discussions on REITs, providing students with practical insights into contemporary investment means and their implications.
- For regulators and policymakers involved in financial oversight, understanding these challenges helps in formulating policies that promote transparency, investor education and market efficiency.
- Media professionals covering financial markets can enhance their reporting by providing balanced coverage on REITs, thereby educating the broader public and potential investors alike.
- Business leaders and entrepreneurs in real estate or related sectors can benefit from insights into investor perceptions and challenges, informing strategic decisions regarding financing and investment strategies.
- Students and researchers can leverage this information for academic purposes, studying investor behavior or analyzing the impact of REIT investments on portfolio performance.

Collectively, addressing these challenges fosters a better understanding of financial markets and investment literacy, contributing to a more informed and resilient financial environment overall.

1.6 RESEARCH METHODOLOGY

The systematic collection of data for research reports, utilizing both theoretical and practical approaches is known as research methodology. This particular research is done with the help of both primary data and secondary data.

Primary data

First-hand information is gained through personal experiences and discussions with other investors. As an active equity trader and an equity shareholder of Embassy Office Park REIT, it was easy to obtain data directly.

Secondary data

Secondary data is the data which is already collected. In this case the sources are books, journals and websites. Most importantly annual reports of Embassy Office Park REIT are used for complete analysis to support the study.

1.7 LITERATURE REVIEW

Some research reports similar to this financial research report will aid in understanding this report.

1. “REIT: A Potential Investment Window from Indian Perspective” By Anshu Gupta, Nirmal Kumar and Research Ethics: Journal of Multidisciplinary Studies. (February 2024)

The research paper examines Real Estate Investment Trusts (REITs) in India, discussing their structure, benefits, challenges and growth potential. It identifies issues like limited quality assets, regulatory complexities and low investor awareness. Recent SEBI regulatory amendments aim to enhance operational efficiency and investor appeal. REITs are seen as a promising investment avenue in India, offering diversification, stable income and growth opportunities. The paper underscores the importance of investor education and regulatory enhancements to maximize REITs' potential in the Indian market.

2. “A Comparative Study of Financial Performance of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd After Real Estate Regulation and Development Act, 2016” By Ranjit Karsan Modhvadiya and Dr. Nirmalsinh D Zala (January 2022)

The report assesses the impact of RERA on Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd in India from 2017-18 to 2020-21. It analyzes their financial performance across profitability, liquidity, debt equity and interest coverage ratios. Mindspace consistently outperformed Embassy in gross and net profit ratios, while Embassy demonstrated stronger liquidity metrics. Debt equity ratios favored Mindspace, indicating varying financial leverage. Mindspace also showed better ability to cover interest expenses with higher interest coverage ratios. The study underscores RERA's role in enhancing transparency and accountability in the real estate sector, influencing financial performance and investor confidence in Indian REITs.

3. “REIT: The Rise of Alternative Form of Real Estate Investing in India” By VIJAYA KITTU MANDA And DR. HARMEET MATHARU (August 2020)

As REITs were new in Indian stock market, this report explores the emergence and potential of Real Estate Investment Trusts (REITs) in the Indian market, noting their benefits such as liquidity, diversification and stable dividend payouts. It reviews

Financial Analysis of REITs with Special Reference to Embassy Office Parks

global and Indian contexts, discussing the risk-return profile of REIT investments, including stable returns amid risks like economic downturns affecting occupancy and rentals. The study analyzes successful Indian REITs like Embassy Office Parks and Mindspace Business Parks, detailing their financial performance, investor interest and market dynamics. Despite challenges, the report concludes that REITs offer significant growth potential in India, bolstered by upcoming IPOs and rising investor interest.

4. “Embassy Office Parks REIT” by ICICI Securities Limited (April 2024)

Embassy Office Parks REIT reported stable Q4FY24 results with NOI of INR 7.7bn, a marginal increase QoQ and NDCF of INR 4.9bn or INR 5.2/unit. FY24 witnessed robust gross leasing of 8.1msf, supported by pre-leasing commitments at Manyata and Tech Village. Portfolio occupancy improved to 85% by March'24. The REIT expects 5.4msf of leasing in FY25, targeting 10% NOI and 7% DPU growth. FY25 DPU is projected at INR 22.7/unit, with a significant increase expected in FY26 to INR 26.9/unit due to strong pre-leasing momentum.

5. “REIT way is the right way” by Ankith Suchanthi (December 2019)

The report on Embassy REIT highlights its strong foundation in the commercial real estate sector, anchored by a diverse tenant base predominantly from technology and financial services sectors. While tenant concentration and property dependency pose risks, the REIT's strategic initiatives like Right of First Offer (ROFO) acquisitions and focus on value-added services such as hotels and solar power enhance revenue stability and growth prospects. With a robust tenant retention rate and long lease expiries, Embassy REIT demonstrates resilience amid market fluctuations.

1.8 CHAPTER SCHEME

Chapter - I Introduction

Introduction - Topic of The Study - Statement of The Problem - Objective of The Study - Scope of The Study - Research Methodology - Literature Review - Chapter Scheme - Limitation of The Study

CHAPTER - II Conceptual and Theoretical Framework

Introduction - Concept of REITs - Concept of Fixed Deposit - Meaning, Definition and Types of Financial Statements - Meaning and Definition of Financial Analysis - Role of REITs In a Retirement Portfolio - Purpose of Financial Performance

Financial Analysis of REITs with Special Reference to Embassy Office Parks

Analysis - Techniques to Measure Financial Performance - Concept of Financial Performance.

CHAPTER - III Company Profile

Introduction - History - Vision - Operations and Services Offered - Award and Recognitions - Board of Directors - Listing and Shareholding - SWOT analysis

CHAPTER - IV Data Analysis and Interpretation

Data Analysis - Table - Chart - Interpretation

CHAPTER - V Findings, Suggestions and Conclusion

Findings - Suggestions - Conclusion

1.9 LIMITATION OF THE STUDY

- This report is narrow by nature of research.
- Effective analysis involves both top-down and bottom-up perspectives. This report does not analyze top-down factors which include population growth, job markets and economic trends.
- The quality of the annual report (FRQ) directly affects data reliability and comprehensiveness, because the accounting framework cannot prevent manipulation.
- There might be errors in the data collected, which will affect drawn conclusions. Investors have diverse objectives. This research may complicate a unified understanding of the findings, suggestions and conclusions.

CHAPTER – II

CONCEPTUAL AND THEORETICAL FRAMEWORK

- 2.1 INTRODUCTION**
 - 2.2 CONCEPT OF REITs**
 - 2.3 MEANING, DEFINITION AND TYPES OF FINANCIAL STATEMENTS**
 - 2.4 MEANING AND DEFINITION OF FINANCIAL ANALYSIS**
 - 2.5 ROLE OF REITS IN A RETIREMENT PORTFOLIO**
 - 2.6 PURPOSE OF FINANCIAL PERFORMANCE ANALYSIS**
 - 2.7 TYPES OF FINANCIAL STATEMENT ANALYSIS**
 - 2.8 TECHNIQUES TO MEASURE FINANCIAL PERFORMANCE**
 - 2.9 CONCEPT OF FINANCIAL PERFORMANCE**
 - 2.10 WHY IS TREND ANALYSIS IMPORTANT?**
-

CHAPTER – II

CONCEPTUAL AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

This report covers an investment class that is very popular in advanced economies but is still in the initial stages in India. This is an asset class that provides all the benefits of owning real estate without actually owning actual real estate. Real Estate Investment Trusts (REITs) operate by pooling funds from multiple investors to purchase and manage income-producing properties. REITs offer individual investors an opportunity to invest in real estate without the need for large capital outlays, while benefiting from income generation, diversification and liquidity in their investments.

2.2 CONCEPT OF REITs

Meaning of REIT

A real estate investment trust (REIT) is a type of company that owns, operates, or finances income-generating real estate. REITs pool capital investors who earn dividends from real estate investments. Investors do not individually buy, manage or finance any properties.

How REITs work?

In 1960, Congress established Real Estate Investment Trusts (REITs) as an amendment to the Cigar Excise Tax Extension. REITs allow investors to purchase shares in commercial real estate portfolios. These portfolios can include various property types such as apartment complexes, data centers, healthcare facilities, hotels, office buildings, retail centers and warehouses. While some REITs specialize in specific real estate sectors, diversified and specialty REITs may hold a mix of property types in their portfolios.

REITs are mostly formed by real estate companies who act as the sponsor for the REIT when it is formed. The sponsor is like the majority shareholder or promoter of the newly formed company or trust. The sponsor appoints a trustee responsible for holding the trust's real estate assets so that he doesn't have any direct control over assets. Now the Trustee appoints a manager who is responsible for managing the assets and making the investment decisions for the trust. Now the REIT can be floated in the market to attract retail shareholders who act as unitholders of the trust. REITs earn

mostly through rental income from working properties and capital appreciation on the sale of assets.

There are many regulations that SEBI has put in place for REITs in India. Below few important regulations.

- REITs have to distribute 90% of their distributable cash flows in the form of dividends or interest.
- At least 80% of the REIT's assets must be finished or income-generating properties.
- The entity needs to be structured as a business trust or a corporation.
- Extends fully transferable shares.
- Should be managed by a team of trustees or a board of directors.
- Must have a minimum of 100 shareholders.
- Less than 5 individuals should not have held 50% of its share during each taxable year.
- Accrue a minimum 75% of gross income from mortgage interest or rents.
- A maximum of 20% of the corporation's assets comprises stock under taxable REIT subsidiaries.

Types of REITs

REITs can be classified on two bases.

- The types of business REITs are involved with tend to help classify them better.
- The methods devised to sell and purchase shares further help classify REITs.

1. Equity

It is concerned with operating and managing income-generating commercial properties. These REITs generally invest in “non-traditional” assets such as wireless and cellular towers, single family residential, timber, infrastructure and data centers. The common source of income here is rents.

2. Mortgage

Mortgage Real Estate Investment Trusts (MREITs) specialize in lending money to property owners and providing mortgage financing. They typically invest in mortgage-backed securities. Unlike equity REITs, which primarily own and manage physical properties, mortgage REITs operate with higher leverage. This increased

leverage exposes them to significant market and interest rate risks. To mitigate these risks, many mortgage REITs employ complex derivatives and hedging strategies.

3. Hybrid

This option allows investors to diversify their portfolio by parking their funds in both mortgage REITs and equity REITs. Hence, both rent and interest are the sources of income for this particular kind of REIT.

4. Private REITs

It operates as exclusive placements, targeting a select group of investors. Private REITs are not listed on national securities exchanges and are not registered with regulatory bodies like the SEBI (Securities and Exchange Board of India) or the SEC (U.S. Securities and Exchange Commission). Consequently, assessing their value and trading them can be challenging. Additionally, private REITs do not submit regular reports to the SEC, making it harder for investors to stay informed about their investments. Private REIT offerings occur through private placements, leveraging exemptions from SEC registration requirements.

5. Publicly traded REITs

Publicly traded Real Estate Investment Trusts (REITs) issue shares listed on national securities exchanges and are regulated by SEBI. Individual investors can buy and sell these shares through exchanges like the NSE. Publicly traded REITs are listed on major stock exchanges such as NYSE, NASDAQ (dealer market) and NYSE MKT (auction market) and they trade similarly to stocks. Investing in an exchange-traded REIT is usually considered a liquid investment.

6. Publicly non-traded REITs

Publicly non-traded REITs are registered with the SEBI but are not listed on the National Stock Exchange. Unlike publicly traded non-traded REITs, these options are less liquid. They tend to be more stable because they are not subject to market fluctuations. Non-traded REITs are also registered with the U.S. Securities and Exchange Commission (SEC), but their shares do not trade on national stock exchanges. Investors in non-traded REITs typically face longer holding periods and redemption options may be limited. Since these REITs lack public trading, there may be no readily available market for their securities, resulting in different risks compared to exchange-traded REITs.

Advantages of REITs

- Investing in REITs is said to provide substantial dividend income and also allows steady capital appreciation over the long term.
- Most REITs are traded frequently on the stock exchanges, it provides investors with an opportunity to diversify their portfolio.
- Being regulated by the SEBI, it provides investors with an opportunity to avail information on aspects like taxation, ownership and zoning, hence making the entire process transparent.
- Most REITs trade on public stock exchanges and hence are easy to buy and sell, which adds on to their liquidity aspect.
- Investing in REITs offers individuals risk-adjusted returns and helps generate steady cash flow. It enables investors to have a steady source of income to rely on even when the rate of inflation is high.
- REITs are managed by experienced professionals who handle property acquisition, leasing and maintenance. Investors can benefit from this expertise without directly managing properties.
- REITs enjoy tax benefits, such as not paying corporate income tax if they distribute at least 90% of their taxable income to shareholders.

Limitations of REITs

- The interest earned from REIT companies are subjected to taxation.
- One of the major risks associated with REITs is that it is vulnerable to market-linked fluctuations. This is why investors with weak risk appetite should weigh in the return generating capacity of this investment beforehand.
- The prospect of capital appreciation is quite low in the case of REITs. It is mainly because they return as much as 90% of their earnings to the investors and reinvest just the remaining 10% into their venture.

In India, there are three Real Estate Investment Trusts (REITs) that is publicly traded.

1. Embassy Business Park REIT

This REIT focuses on office properties.

2. Mindspace Business Parks REIT

It also specializes in office spaces.

3. Brookfield India REIT

This REIT owns income-generating properties.

2.3 MEANING, DEFINITION AND TYPES OF FINANCIAL STATEMENTS

Meaning:

Financial statements are like mirror which reflects the financial position and operating strength or weakness of the concern. It means to know the financial **strength** identify **weakness** explore the **opportunities** and meet the **threats**.

Definition:

The American institute of certified public accountants (AICPA) define, “Financial statements are prepared for the purposes of presenting a periodical review or report by the management and deal with status of the investment in the business and the results achieved during the period under review”.

Types Of Financial Statements as Per Generally Accepted Accounting Principles

1. Profit and loss account (i.e. Income statement)
2. Balance sheet (i.e. financial statement).
3. Cash and Fund flow statements.

2.4 MEANING AND DEFINITION OF FINANCIAL ANALYSIS

Meaning:

Analysis of a financial statement is a study of relationships among different components of financial activities of a business enterprise as has been disclosed in financial statements.

Definition:

According to stock exchange official directory, “The first step in the analysis is to re-organise the data in these financial statements and make it more understandable and meaningful by simplification, re-grouping and rearrangement”.

2.5 ROLE OF REITS IN A RETIREMENT PORTFOLIO

Including REITs in one’s retirement portfolio tends to prove beneficial for investments in several ways. The following pointers help gain valuable insight into the same.

- Exposes portfolio to a diverse mix of properties

By including real estate, one can diversify his/her asset classes significantly and does not require managing them personally. Additionally, with diversification, price

fluctuation of other investment options would not have an impact on REITs. Rather, it can be said that in a falling market, the value of REITs does not drop as fast as stocks.

- Opportunity to generate earnings

When the value of REIT appreciates, investors tend to earn substantial returns. Also, these companies are required to distribute as much as 90% of their taxable earnings to their shareholders, serving as an avenue to generate steady income.

- Suitable for the long run

Unlike stocks and bonds which follow a business cycle of 6 years, REITs are more in sync with the movement of the real estate market. Notably, such movement tends to last for over a decade and hence further suitable for investors who are looking for a long-term investment horizon. In turn, it proves to be a profitable investment avenue for retirement planning.

- Helps hedge inflation

As per research, REITs enables investors to hedge the effects of inflation in the long run. For instance, by staying invested for a term of five years, investors can protect their funds from inflationary effects more effectively as compared to stock options.

2.6 PURPOSE OF FINANCIAL PERFORMANCE ANALYSIS

While analyzing the financial performance of Real Estate Investment Trusts (REITs), several key purposes come into play. Investors assess the stability and income generated by REITs. These trusts are known for providing stable income through dividends and analyzing their financial performance helps investors determine if this recurring income remains stable or trends upward over the long term.

Evaluating specific metrics is crucial. Traditional book value ratios are less useful for REITs. Instead, metrics like net asset value (NAV) are better indicators. NAV considers the value of the underlying real estate assets and provides a more accurate picture of a REIT's financial health. Effective analysis involves both top-down and bottom-up perspectives. Top-down factors include population growth, job markets and economic trends. Bottom-up aspects focus on rental income, funds from operations and property-specific details. By understanding these aspects, investors can make informed decisions about REIT investments.

By pinpointing areas for improvement, optimizing resource allocation and identifying avenues for expansion, companies can enhance competitiveness and drive sustainable growth.

2.7 TYPES OF FINANCIAL STATEMENT ANALYSIS

Financial Statement analysis can be classified into different categories on different basis. Following two bases are considered. As this report is in the perspective of investors.

External analysis

This analysis is undertaken by the outsiders of the business namely investors, credit agencies, government agencies and other creditors who have no access to the internal records of the company. They mainly use published financial statements for the analysis and it serves limited purposes.

Internal analysis

This analysis is undertaken by the persons namely executives and employees of the organization or by the officers appointed by government or court who have access to the books of accounts and other information related to the business.

Short-term analysis

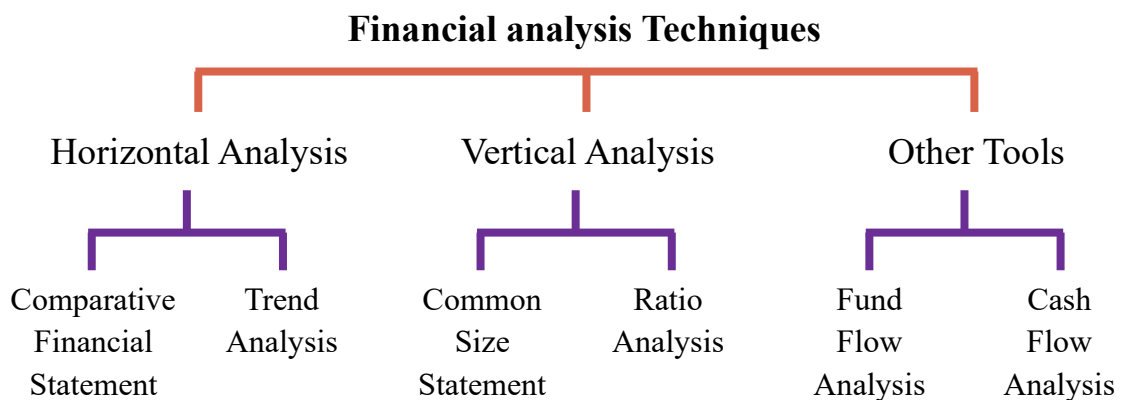
This analysis is made to determine the short-term solvency of the business. Ratio analysis is the main tool employed for short term analysis.

Long-term analysis

This analysis is made to determine the long-term solvency and financial stability of the business. This analysis helps the management and investors to prepare long term financial and investment plan.

2.8 TECHNIQUES TO MEASURE FINANCIAL PERFORMANCE

Some of the techniques used for analyzing financial statement are as follows.



1. Comparative Financial Statement

Comparative financial statements are statements which help in determining the profitability of the business by comparing financial data from two or more accounting periods.

2. Trend Analysis

Comparison of past data over a period of time with a base year is known as trend analysis. Each item in the base year is taken as 100 and, on that basis, trend analysis for the corresponding items in the other years are calculated. They provide a horizontal analysis of comparative statements and reflect the behavior of various items with the passage of time.

3. Common Size financial statements

Common size financial statements are those in which figures reported are converted into percentages to some common base. For this, items in the financial statements are presented as percentages or ratios to total of the items and a common base for comparison is provided. Each percentage shows the relation of the individual item to its respective total.

4. Ratio analysis

The relationship between two accounting figures expressed mathematically is known as a financial ratio. An analysis of financial statements with the help of 'ratio' is called Ratio Analysis. Ratio analysis is an instrument of diagnosis for the financial health of an enterprise, that is efficiency of the enterprise.

5. Fund flow statement

The fund flow statement describes the sources from which additional funds were derived and the uses to which these funds were put.

6. Cash flow Statement

Cash flow means actual movement of cash in and out of an enterprise. A statement of changes in the financial position of firm on cash basis is called a cash flow statement. Cash flow statement is analysis of movement of cash i.e. inflows and outflows of cash into and from a firm in a given period of time. This shows changes in cash position.

2.9 CONCEPT OF FINANCIAL PERFORMANCE

Financial performance reflects the effectiveness of management in utilizing resources, generating revenue, controlling costs and maximizing shareholder value. It

provides insights into the company's competitive position, growth potential and ability to adapt to changing market conditions.

Ultimately, it serves as a crucial barometer of the company's overall health and success in achieving its financial goals. When it comes to Real Estate Investment Trusts (REITs), assessing their financial performance involves considering specific metrics and factors.

Below are some of the factors and metrics which an investor should consider while buying the shares of publicly traded REITs.

1. Funds from Operations (FFO)
2. Adjusted Funds from Operations (AFFO)
3. Net Asset Value (NAV) per unit
4. Net Operating Income (NOI)
5. Leverage ratio
6. Debt to Equity Ratio
7. Cash flow from operations
8. Earnings per share
9. Annualized total returns
10. Operating expenses
11. Distribution per share
12. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)
13. Revenue from operations

1. Funds from Operations (FFO)

It represents the cash flow generated by a REIT from its core operations. FFO is a critical metric for REITs because it reflects their ability to generate income from real estate assets. Investors use FFO to evaluate the REIT's ability to generate cash from its properties. Increasing FFO suggests stronger operational efficiency and potential for higher dividends.

2. Adjusted Funds from Operations (AFFO)

It goes beyond FFO by accounting for recurring capital expenditures and other non-operating expenses. It provides a clearer picture of a REIT's cash flow available for distribution to shareholders. By considering ongoing expenses and maintenance costs, AFFO offers a more accurate assessment of a REIT's financial health and ability to sustain dividends.

3. Net Asset Value (NAV) per unit

NAV per unit represents the estimated value of a REIT's underlying assets (which are primarily properties) minus its liabilities. This value is then divided by the total number of outstanding units (shares) in the REIT. NAV per unit provides insights into whether a REIT's stock price accurately reflects its underlying property values.

4. Net Operating Income (NOI)

A growing NOI indicates positive financial performance, making it an essential factor for investors evaluating real estate opportunities. By focusing on NOI, investors can gauge the property's potential profitability before accounting for interest, taxes and depreciation.

5. Leverage ratio

Investors assess leverage to understand the REIT's financial risk. Higher leverage ratios indicate higher financial risk but potentially higher returns. It helps investors evaluate the REIT's ability to manage debt and its impact on profitability.

6. Debt-to-Equity Ratio

Evaluates a REIT's leverage by comparing its debt (borrowings) to equity (shareholders' funds). Lower ratios are generally preferable. A lower ratio indicates less reliance on debt financing, which is generally preferable for financial stability.

7. Cash flow from operations

Indicates the cash generated by a REIT's core business activities. Increasing CFO indicates the REIT's ability to generate cash internally. It helps investors assess financial stability, dividend potential and capacity for reinvestment.

8. Earnings per share

Earnings Per Share indicates how much money a company makes for each share of its stock. Higher EPS indicates better profitability per share. Investors track EPS to assess profitability trends. Despite its volatility, EPS trends help investors gauge the REIT's ability to generate earnings and potential for future dividends.

9. Annualized total returns

Annualized total returns encompass both dividend income and capital appreciation of the REIT's shares over a specific period, typically on an annual basis. Investors use this metric to evaluate the REIT's performance relative to other investments. Declining total returns may signal challenges or changing market conditions that investors need to consider.

10. Operating expenses

Refers to the costs associated with managing and maintaining the real estate properties. Increasing operating expenses can impact profitability and dividend stability. Investors analyze this metric to assess management's ability to control costs and maintain financial health.

11. Distribution per share (DPS)

Similar to dividends, it reflects income for investors, represents the portion of income generated by the REIT and distributed to its shareholders in the form of dividends and interest.

12. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

A broader measure of profitability that includes non-cash expenses. Increasing EBITDA suggests operational efficiency and potential for profitability. Investors use it to assess the REIT's ability to generate cash flow from operations.

13. Revenue from operations

Total income from rent and other operating activities. Investors use this metric to assess growth and competitiveness. Increasing revenue suggests effective property management and potential for higher occupancy rates and rental income.

2.10 WHY IS TREND ANALYSIS IMPORTANT?

Trend analysis is a vital statistical technique used to identify and analyze patterns in data over time. It plays a crucial role in strategic planning by uncovering emerging opportunities and threats, guiding resource allocation and enabling informed decision-making. By evaluating historical data, organizations can assess performance, forecast future trends and optimize operations, thereby gaining a competitive advantage. Trend analysis supports continuous improvement by helping organizations adapt strategies based on past trends and anticipate changes in market conditions, ensuring they stay relevant and successful in a dynamic environment.

In this report trend analysis is used to compare few financial figures with past years, moreover absolute values are not enough to understand the financial figures.

Trend can be calculated with the help of the formula

$$\text{Percentage of trend} = \frac{\text{Value of a particular item other statement}}{\text{Value of a same item in base}}$$

CHAPTER – 3

COMPANY PROFILE

- 3.1 INTRODUCTION**
 - 3.2 HISTORY**
 - 3.3 VISION**
 - 3.4 OPERATIONS AND SERVICES OFFERED**
 - 3.5 AWARD AND RECOGNITIONS**
 - 3.6 BOARD OF DIRECTORS**
 - 3.7 LISTING AND SHAREHOLDING**
 - 3.9 SWOT ANALYSIS**
-

CHAPTER – 3

COMPANY PROFILE



3.1 INTRODUCTION

Real Estate Investment Trusts (REITs) have emerged as a transformative financial instrument democratizing access to income-generating real estate assets worldwide. Originating in the United States in 1960, REITs have evolved into a globally recognized investment avenue, offering retail investors an opportunity to participate in large-scale commercial properties without the burdens of direct ownership. The concept gained significant traction in India with the launch of Embassy Office Parks REIT in 2019, marking an essential moment in the country's financial markets.

According to the recent developments the SEBI Chairperson Madhabi Puri Buch said “The objective of the Small and Medium Real Estate Investment Trusts is to help expand the market significantly so that more retail investors can have fractional ownership in REIT units.” She also said “The regulator is open to looking at creating more such products”. This event enabled small investors to engage in professionally managed portfolios of commercial real estate.

3.2 HISTORY

Embassy REIT is India’s pioneering Real Estate Investment Trust (REIT) and the largest office REIT in Asia by area. It boasts a substantial portfolio comprising 14 office parks strategically located in Bengaluru, Mumbai, Pune, National Capital Region (NCR) and Chennai. The total portfolio spans an impressive 50.5 million square feet, with 36.5 million square feet already completed and operational.

The REIT houses 255 of the world’s leading companies within its properties, solidifying its status as a preferred choice in India’s top-performing office markets. Embassy REIT enhances its offerings with strategic amenities, including four operational business hotels and a 100 MW solar park. This solar park exemplifies the

Financial Analysis of REITs with Special Reference to Embassy Office Parks

REIT's commitment to sustainability, providing renewable energy to its tenants. Recognized for its exemplary Environmental, Social and Governance (ESG) practices, Embassy REIT has garnered acclaim from global institutions and recognition in the Dow Jones Sustainability Indices.

Founded in 1993, Embassy Group, the parent company, is a major player in India's real estate sector with a diversified portfolio exceeding 85 million square feet across commercial, residential, retail, hospitality and educational spaces. The Group is known for its unwavering commitment to quality, service excellence, environmental stewardship and safety standards across all its ventures.

Embassy Group extends its impact beyond business by actively participating in community development initiatives. Through its Community Outreach program, the Group supports over 42,000 children across more than 143 schools, aiming to foster positive social change and empower future generations.

3.3 VISION

“To Create World-Class Urban Infrastructure”



HEAD OFFICE

12th Floor Pinnacle
Tower, Embassy One
8, Bellary Road,
Ganganagar
Bengaluru,
Karnataka - 560 032
+91 80 6935 4857

3.4 OPERATIONS AND SERVICES OFFERED

Embassy Office Park REIT distinguishes itself by offering a comprehensive suite of services aimed at optimizing tenant experience and operational efficiency within its office parks. Their leasing and tenant relations services are tailored to accommodate the diverse needs of occupiers, featuring flexible leasing options, proactive tenant management and ongoing support to ensure high levels of satisfaction and tenant retention. Property management is a cornerstone, where the REIT maintains rigorous standards in cleanliness, security and maintenance to foster a safe and conducive working environment.

Investments in amenities such as food courts, fitness centers, recreational areas and conference facilities enrich the workplace experience, catering to the varied requirements of tenants. The REIT prioritizes infrastructure and technology advancements, ensuring robust IT infrastructure, high-speed internet connectivity, digital communication systems and smart building technologies that support modern business operations.

Environmental sustainability is integral to their ethos, with initiatives spanning energy-efficient building designs, comprehensive waste management programs and efforts to reduce carbon footprint. These measures align with global sustainability standards, appealing particularly to environmentally conscious tenants.

Emphasis on community engagement further enhances their office parks, fostering a sense of belonging among tenants through curated events, networking opportunities and collaborative initiatives. This holistic approach by Embassy Office Park REIT aims to create a premium office environment that not only boosts tenant productivity but also fosters long-term occupancy and satisfaction.

3.6 AWARD AND RECOGNITIONS

Embassy REIT is recognized for being a market leader in creating revolutionary and sustainable workspaces. The company has received several awards over the years for achieving excellence in the field of commercial real estate. These are some of the major awards Embassy office Park REIT has received over the years.

- Well Health Safety Rating for 100% Operational Portfolio
- Ranked #1 in India for Public Disclosures
- ‘Well at scale’ Score and 18 Buildings WELL Gold Certified
- Certification for 100% Operational Portfolio
- 5-star Rating, Global Sector Leader for Office Developments

3.7 BOARD OF DIRECTORS

1. Mr. Jitendra Virwani. Non-Executive Director, Chairman
2. Mr. Aditya Virwani. Non-Executive Director
3. Mr. Arvind Kathpalia. Non-Executive Director
4. Mr. Vivek Mehra. Independent Director
5. Dr. Anoop Kumar Mittal. Independent Director
6. Dr. Punita Kumar Sinha. Independent Director

7. Dr. Ranjan Pai. Independent Director

3.8 LISTING AND SHAREHOLDING

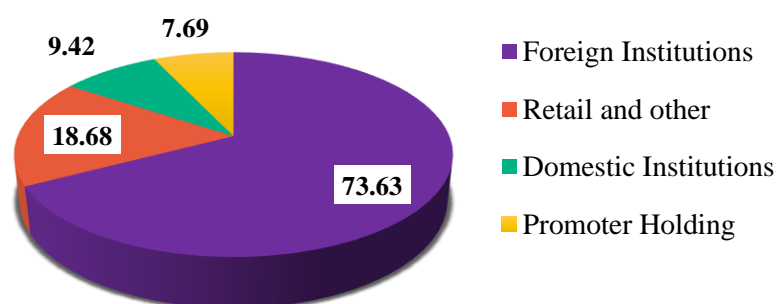
Embassy Office Park REIT IPO Issue Period was Mar 18 - Mar 20, 2019. Issue Price Band was Rs.300 Per Equity Shares, 400 shares per lot. Total IPO Size was Rs.4750 Cr. Minimum Order Quantity was 800 Shares. IPO Issue Type was Book Building Issue. 15,83,33,200 shares were offered with a face value of Rs.10 per equity shares. Listed in both BSE and NSE. No of Times Subscribed - 2.57.

Listing Code

Equity

- BSE Code 542602
- NSE Code EMBASSY

Shareholding pattern 2024 (In %)



3.9 SWOT ANALYSIS

Strengths

- Relative Outperformance versus Industry over 1 Year.
- Company with high Trailing Twelve Months EPS Growth.
- Dividend yield greater than sector dividend yield.
- Companies with rising net profit margins - quarterly as well as Trailing Twelve Months basis.
- Growth in Net Profit with increasing Profit Margin (QoQ).
- Increasing Revenue every quarter for the past 2 quarters.
- Increasing profits every quarter for the past 2 quarters.
- Company with Zero Promoter Pledge.
- Growth in Operating Profit with increase in operating margins (YoY).

Weakness

- PE higher than Industry PE. (Price to Earnings Ratio)
- Stocks Underperforming their Industry Price Change in the Quarter.

Opportunity

- 30 Day SMA crossing over 200 Day SMA and current price greater than open. (Simple Moving Average)
- Mid-range Performer (Durability, Valuation, Momentum).
- Relative Outperformance versus Industry over 1 Month.
- PEG lower than Industry PEG. (Price/Earnings to Growth ratio)
- High Momentum Scores (Technical Scores greater than 50).
- Relative Outperformance versus Industry over 1 Month.
- Top Gainers.
- Volume Shockers.
- Insiders bought stocks.

Threats

- Insiders sold stocks.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1 DATA ANALYSIS

4.2 TABLE

4.3 CHART

4.4 INTERPRETATION

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1.1. Funds from Operations (FFO) Trend

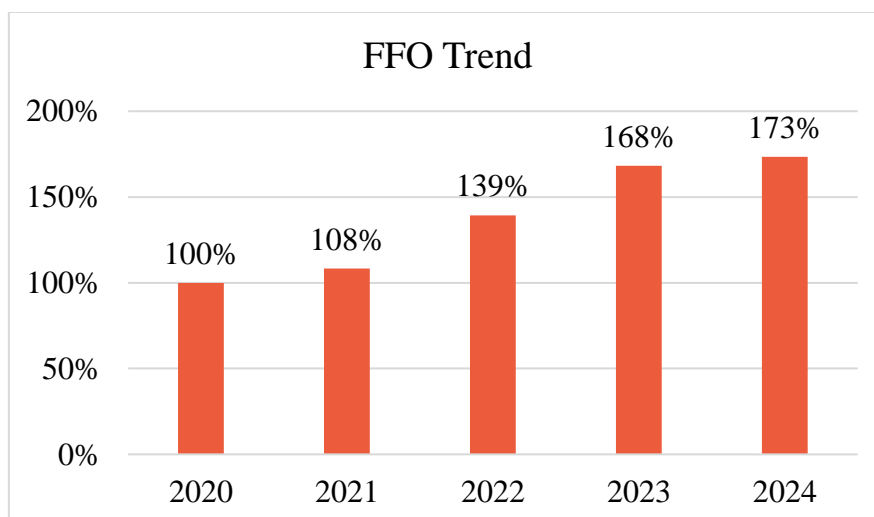
FFO = (Net Income + Depreciation + Amortization + Property Sales Losses) –
(Property Sales Gains - Interest Income)

Table 4.2.1: Funds from Operations (FFO) (base year 2020)

Year	FFO (₹ in millions)	Trend
2020	27243.46	100%
2021	29524.23	108%
2022	37957.82	139%
2023	45797.46	168%
2024	47266.95	173%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.1



Interpretation:

The increasing trend of Funds from Operations (FFO) over five years indicates robust and consistent cash flow generation from core operations for the REIT. This growth reflects strong operational efficiency, potentially leading to higher dividends and reinvestment in properties.

4.1.2. Adjusted Funds from Operations (AFFO) Trend

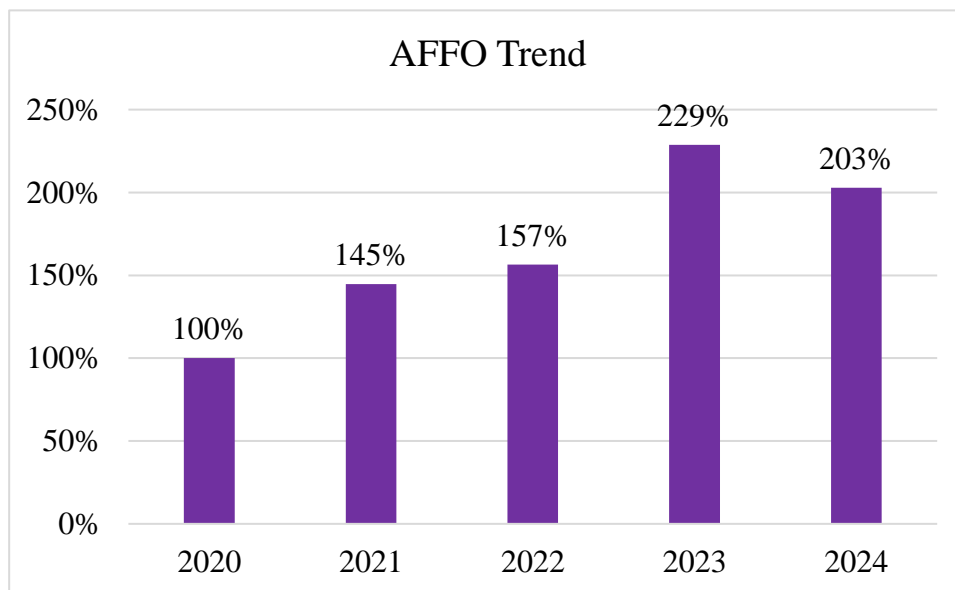
$AFFO = FFO + \text{Rent Increases} - \text{Capital Expenditures} - \text{Routine Maintenance Amounts}$

Table 4.2.2: Adjusted Funds from Operations (AFFO) (base year 2020)

Year	AFFO (₹ in millions)	Trend
2020	14818.19	100%
2021	21438.51	145%
2022	23192.46	157%
2023	33908.64	229%
2024	30062.49	203%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.2



Interpretation:

The trend of increasing Adjusted Funds from Operations (AFFO) over five years indicates substantial growth in cash flow adjusted for operational expenses. This reflects strong operational efficiency and effective cost management by the company, potentially leading to increased dividends and reinvestment in properties.

4.1.3. Net Asset Value (NAV) per unit Trend

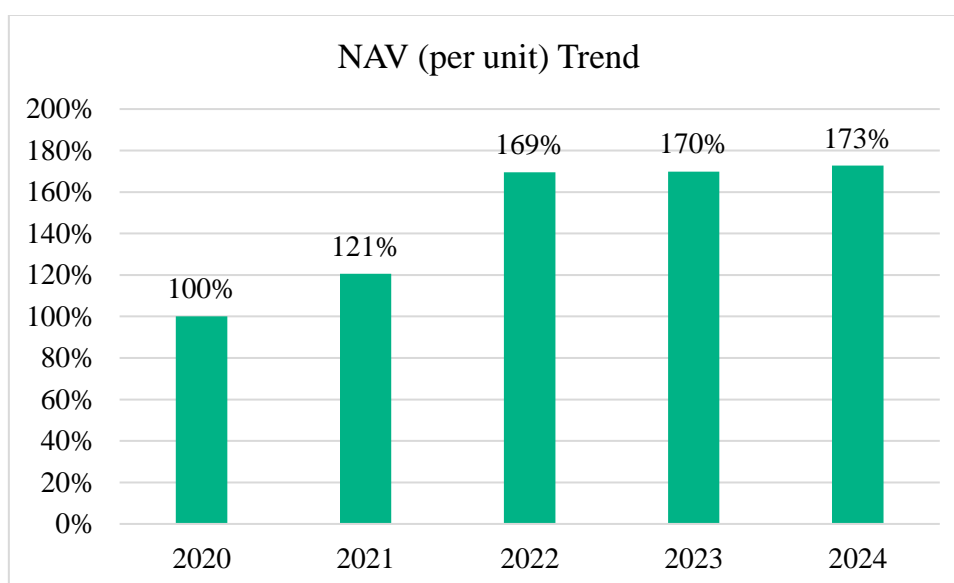
NAV per unit = $\frac{\text{Assets} - \text{Liabilities}}{\text{Number of Units Outstanding}}$

Table 4.2.3: Net Asset Value (NAV) per unit (base year 2020)

Year	NAV per unit (₹)	Trend
2020	232.45	100%
2021	280.18	121%
2022	393.90	169%
2023	394.88	170%
2024	401.59	173%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.3



Interpretation:

The Net Asset Value (NAV) per unit has shown steady growth over the past five years, increasing from 100% to 173%. This indicates consistent appreciation in the value of the Embassy Office Parks REIT underlying assets per unit. The trend suggests effective asset management, potential for increased investor equity and positive market perception due to asset value appreciation.

4.1.4. Net Operating Income (NOI) Trend

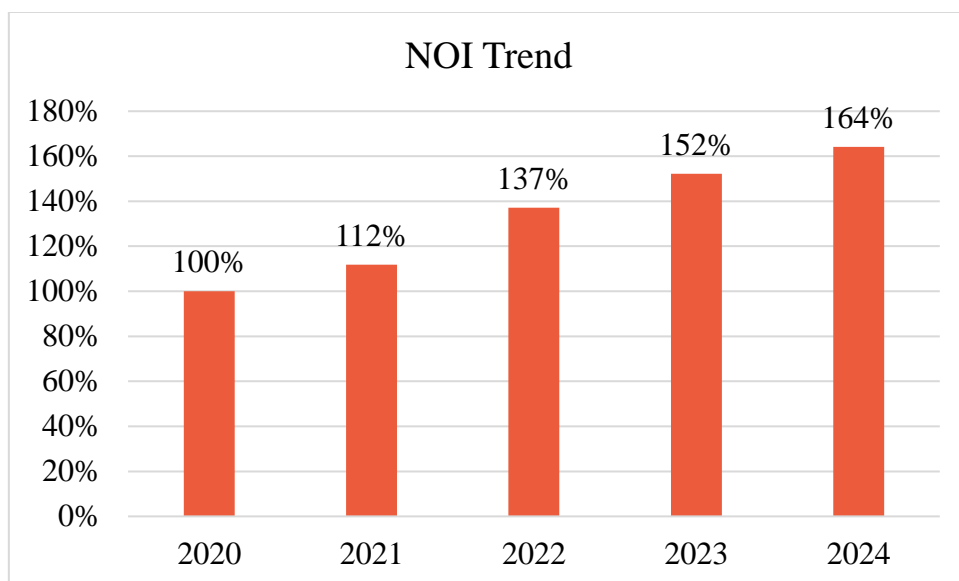
$\text{NOI} = \text{Rental Income} + \text{Ancillary Income} - \text{Direct Operating Expenses}$

Table 4.2.4: Net Operating Income (NOI) (base year 2020)

Year	NOI (₹ in millions)	Trend
2020	18170	100%
2021	20323	112%
2022	24911	137%
2023	27663	152%
2024	29819	164%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.4



Interpretation:

The trend of increasing Net Operating Income (NOI) over five years for the REIT is a positive sign. It suggests that Embassy Office Park REIT properties are generating more income annually, indicating effective management and potentially higher dividends for investors. This consistent growth reflects strong performance and financial health in the real estate market.

4.1.5. Leverage Ratio Trend

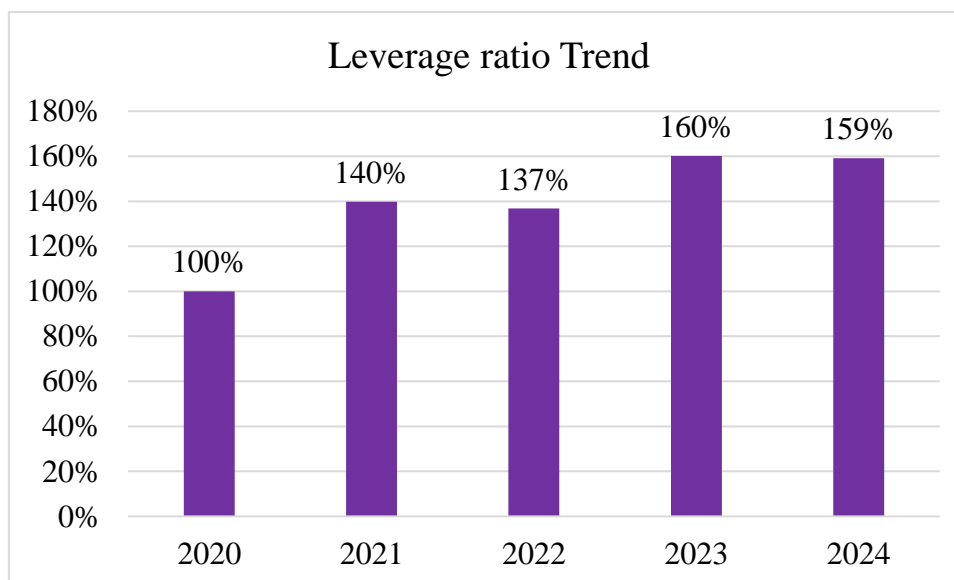
$$\text{Leverage Ratio} = \frac{\text{Total Debt}}{\text{EBITDA}}$$

Table 4.2.5: Leverage Ratio (base year 2020)

Year	Leverage Ratio (%)	Trend
2020	1.34%	100%
2021	1.88%	140%
2022	1.84%	137%
2023	2.15%	160%
2024	2.14%	159%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.5



Interpretation:

The trend shows fluctuating leverage ratios over five years, indicating varying levels of debt relative to EBITDA. Investors should consider the possibility of higher returns alongside increased financial risk associated with higher leverage.

4.1.6. Debt to Equity Ratio Trend

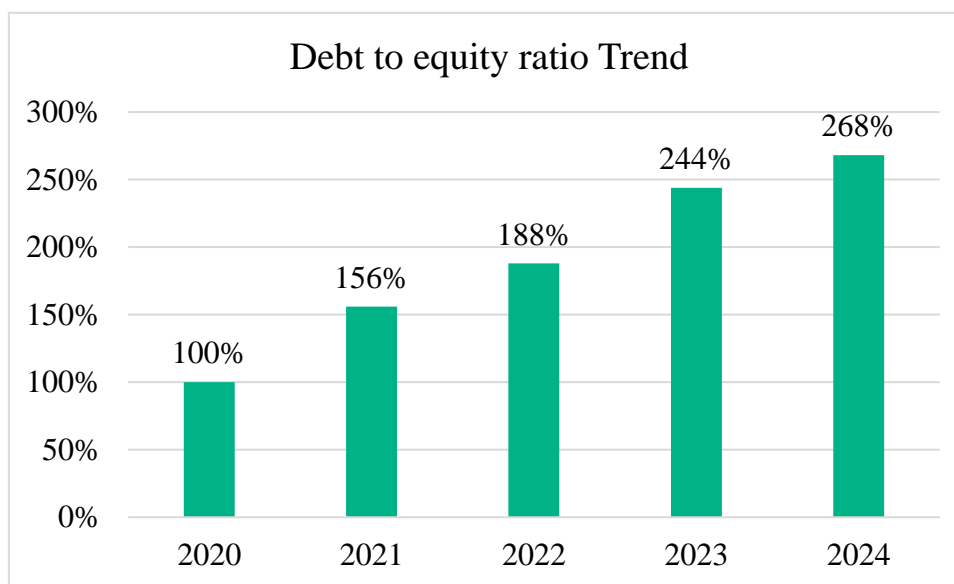
$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Shareholders' Equity}}$$

Table 4.2.6: Debt to Equity Ratio (base year 2020)

Year	Debt to equity ratio (times)	Trend
2020	0.25	100%
2021	0.39	156%
2022	0.47	188%
2023	0.61	244%
2024	0.67	268%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.6



Interpretation:

The trend of increasing Debt-to-Equity Ratio over five years, indicates rising reliance on debt financing relative to equity. This raises financial risk due to potential constraints on cash flow and increased vulnerability to economic fluctuations or rising interest rates. It also indicates that to raise funds, it is utilising profit for borrowing debts, as equity is costlier than the debt.

4.1.7. Cash Flow from Operations Trend

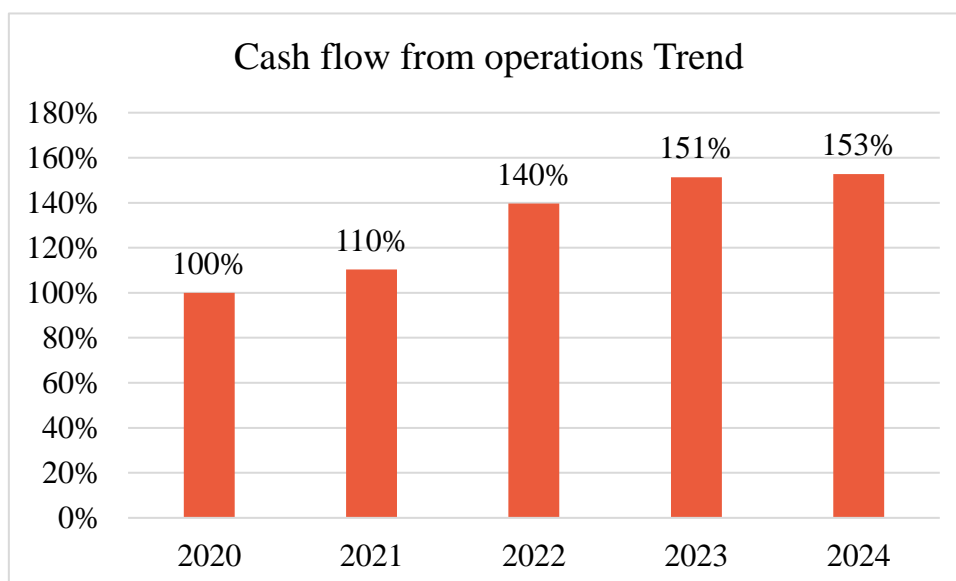
Cash flow from operations = Net Income + Non-cash Expenses –
Increase in Working Capital

Table 4.2.7: Cash Flow from Operations (base year 2020)

Year	Cash flow from operations (₹ in millions)	Trend
2020	16957	100%
2021	18705	110%
2022	23670	140%
2023	25655	151%
2024	25909	153%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.7



Interpretation:

The trend of increasing Cash Flow from Operations (CFO) over five years indicates strong operational performance for the REIT. This growth suggests improved ability to generate cash from core activities, enhancing financial stability and potential for dividend growth and reinvestment.

4.1.8. Earnings per Share (EPS) Trend

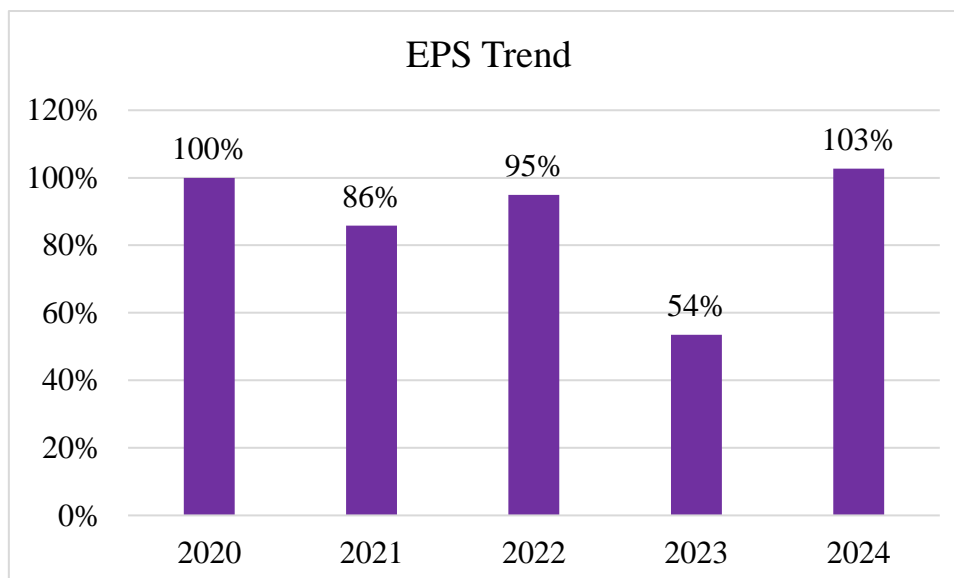
$$\text{EPS} = \frac{\text{Net Profit Available for Equity Shareholders}}{\text{Number of Equity Shares}}$$

Table 4.2.8: Earnings per Share (EPS) (base year 2020)

Year	EPS (₹)	Trend
2020	9.9	100%
2021	8.5	86%
2022	9.4	95%
2023	5.3	54%
2024	10.17	103%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.8



Interpretation:

The Earnings per share (EPS) trend of Embassy Office Parks REIT over five years shows a volatility, with fluctuations indicating varying profitability levels annually. But in the recent year there is an increase of 3% from the base year with the EPS of ₹10.17.

4.1.9. Annualized Total Returns Trend

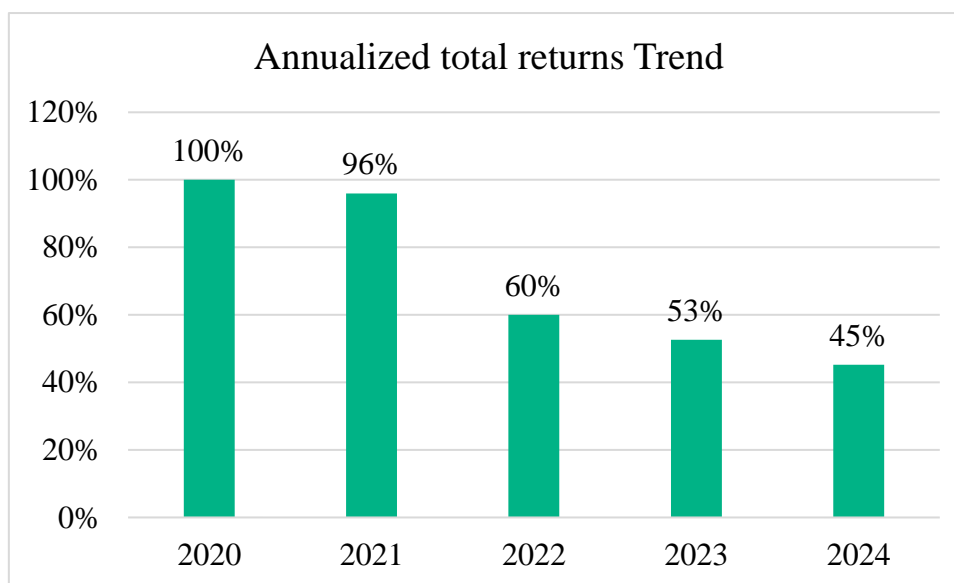
$$\text{Annualized total returns} = \frac{\text{Annual Rental Income}}{\text{Purchase Price}}$$

Table 4.2.9: Annualized Total Returns (base year 2020)

Year	Annualized total returns (₹ in millions)	Trend
2020	25	100%
2021	24	96%
2022	15	60%
2023	13.15	53%
2024	11.3	45%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.9



Interpretation:

The declining trend in Annualized Total Returns of Embassy Office Parks REIT over five years suggests decreasing performance annually. Monitoring these trends is crucial for making informed investment decisions aligned with long-term financial objectives.

4.1.10. Operating Expenses Trend

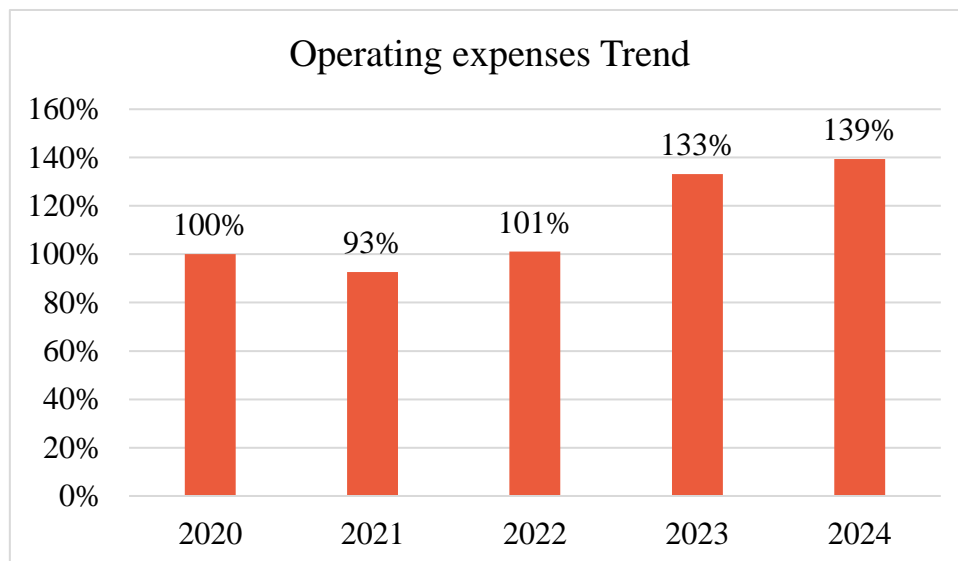
Refers to the costs associated with managing and maintaining the real estate properties.

Table 4.2.10: Operating Expenses (base year 2020)

Year	Operating expenses (₹ in millions)	Trend
2020	6569	100%
2021	6084	93%
2022	6645	101%
2023	8752	133%
2024	9159	139%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.10



Interpretation:

The trend of increasing Operating Expenses of Embassy Office Parks REIT over five years indicates rising costs in property management and operations. This potentially impact the REIT's profitability and margins. Company should assess the REIT's ability to control expenses effectively and consider the implications for dividend stability and overall financial performance to increase the investors interest.

4.1.11. Distribution per Share Trend

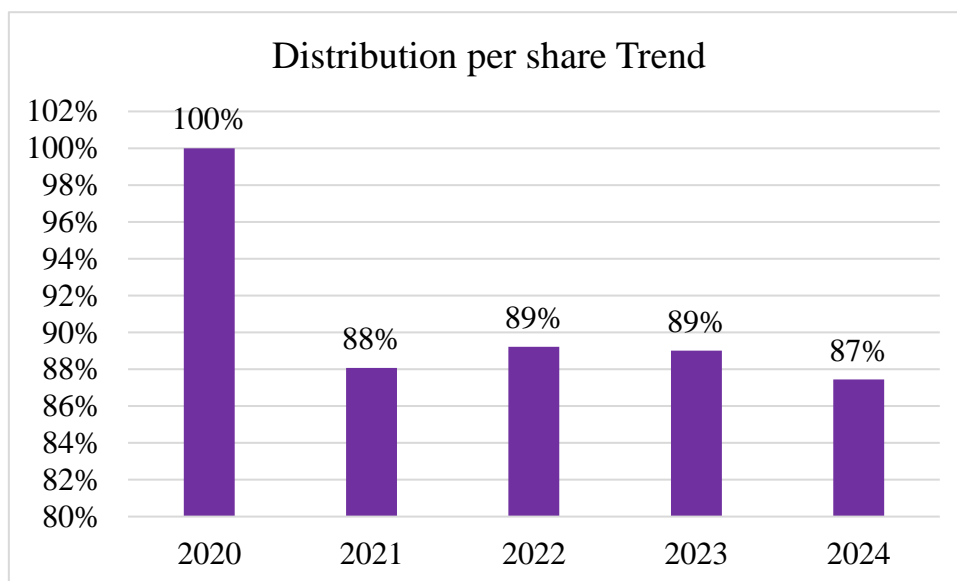
$$\text{Distribution per Share} = \frac{90\% \text{ Of Their Taxable Earnings}}{\text{Total Outstanding Shares}}$$

Table 4.2.11: Distribution per share (base year 2020)

Year	Distribution per share (₹)	Trend
2020	24.39	100%
2021	21.48	88%
2022	21.76	89%
2023	21.71	89%
2024	21.33	87%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.11



Interpretation:

The trend of Distribution per Share (DPS) of Embassy Office Parks REIT over five years shows stability with a slight decline. This suggests consistent income distribution to shareholders, influenced by factors like rental income and expense management.

4.1.12. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) Trend

EBITDA = EBIT + Depreciation + Amortization

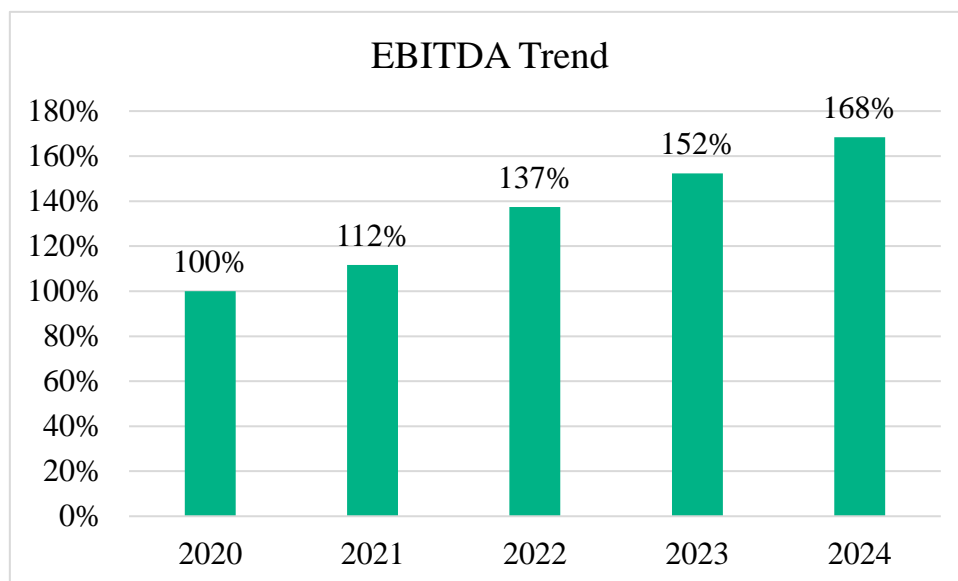
Table 4.2.12: EBITDA

(base year 2020)

Year	EBITDA (₹ in millions)	Trend
2020	17647	100%
2021	19693	112%
2022	24250	137%
2023	26885	152%
2024	29724	168%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.12



Interpretation:

The trend of increasing EBITDA of Embassy Office Parks REIT over five years reflects strong operational performance and efficiency improvements. This suggests effective cost management and revenue growth, potentially enhancing profitability and investor returns.

4.1.13. Revenue from Operations Trend

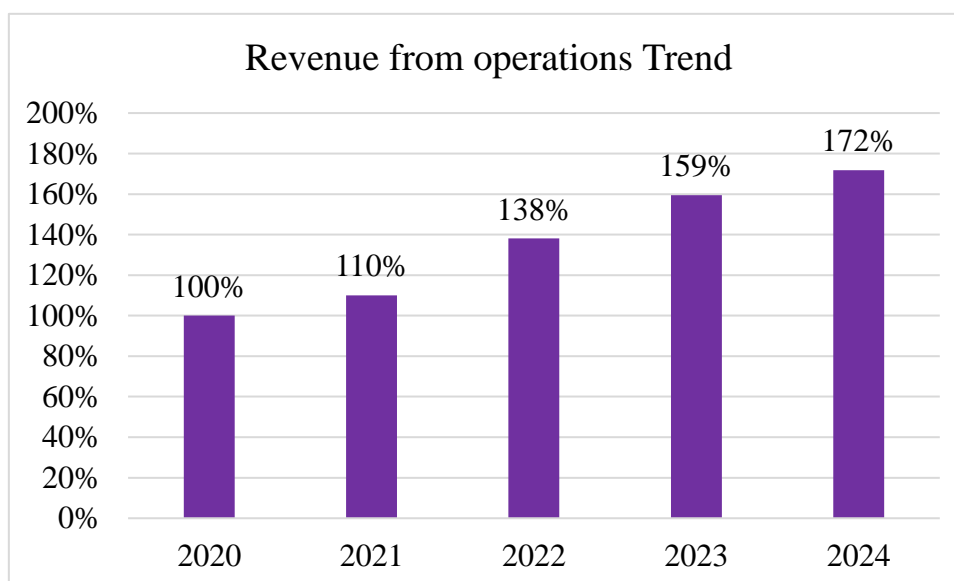
Revenue from operations = Total revenue – Cost of goods sold

Table 4.2.13: Revenue from operations (base year 2020)

Year	Revenue from operations (₹ in millions)	Trend
2020	21449	100%
2021	23603	110%
2022	29626	138%
2023	34195	159%
2024	36852	172%

(Source: Annual Reports 2019-2020 to 2023-2024)

Chart 4.3.13



Interpretation:

The trend of increasing Revenue from Operations of Embassy Office Parks REIT over five years suggests robust growth and market competitiveness of the REIT. This indicates effective property management, potentially higher occupancy rates of 86% and increased rental income.

CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

5.2 SUGGESTIONS

5.3 CONCLUSION

CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The findings of the study are based on the trend analysis, which provides insights into the Embassy Office Park REITs financial health, includes the following:

1. Strong and consistent FFO growth suggests efficient operational management.
2. The trend of increasing Adjusted Funds from Operations indicates strong operational efficiency and promising dividend growth in the REIT.
3. The trend of increasing Net Asset Value (NAV) per unit indicates consistent appreciation in the REIT's asset base and possibilities for enhanced unit value.
4. The increasing trend of Net Operating Income (NOI) shows strong financial performance and operational efficiency, making it an appealing investment with possibility for stable income and growth in the real estate market.
5. The fluctuating trend of leverage ratios warns the financial risk.
6. Growing reliance on debt financing indicates potential financial risk. But under the industry standard.
7. The consistent growth in CFO indicates improved operational efficiency and cash generation and the ability to meet the financial obligations
8. Fluctuating EPS indicates varying profitability annually.
9. Decreasing Annualized returns indicate challenges in sustaining profitability and investor yields.
10. Rising costs in property management and operations may strain profitability.
11. Distribution per Share reflects the REIT's commitment to providing consistent income to shareholders amidst varying economic conditions.
12. Strong and consistent growth in EBITDA indicates improved operational efficiency and potentially higher profitability.
13. The consistent growth in revenue suggests effective property management and potentially higher occupancy rates.

5.2 SUGGESTIONS

To an investor, it can be assured that Embassy Office Parks REIT is capable of withstanding financial shocks and manage its obligations and give good returns to shareholders. But the following suggestions are recommended for investors.

1. Invest for long term.
2. Consider dividend and interest income.
3. Reassure Cash Flow from Operations for long-term income potential.
4. Continue monitoring EPS for stability and growth trends.
5. Keep an eye on debt levels. (Leverage ratio trend)
6. Assess the reasons behind the decline Annualized Total Returns Trend.
7. Diversify portfolio, which minimize risk and maximize returns.
8. Evaluate the impact of economic cycles by analyzing top-down factors.
9. Evaluate market conditions and the competitors.

5.3 CONCLUSION

Real Estate Investment Trusts (REITs) present a compelling opportunity for small investors looking to diversify their portfolios and secure steady income for retirement. Through careful analysis of financial statements such as Funds from Operations (FFO), Net Operating Income (NOI) and Earnings Per Share (EPS), investors can gauge a REIT's operational efficiency and potential for growth. REITs not only offer attractive dividend yields, often higher than those of traditional stocks, but also serve as a hedge against inflation and provide exposure to diverse real estate sectors. Their regulated nature ensures transparency and investor protection, while their liquidity allows for easy entry and exit from investments.

REITs offer income through regular dividends, diversification by investing across various real estate sectors and potential growth from appreciation in property values and increasing rental income over time. These characteristics make them valuable components of retirement portfolios, providing stable income, risk mitigation through diversification and the potential for capital appreciation, all within a regulated and liquid investment framework.

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ANNEXURE

Below are the financial figures, collected from the annual report for data analysis, are used to calculate the required metrics during analysis. Unless stated otherwise, all the amounts are in millions.

Year	2020	2021	2022	2023	2024
Interest income	477.35	971.20	899.81	1123.37	1305.60
Depreciation	5120.00	4940.15	5996.08	9164.92	7572.24
Amortisation	161.24	766.82	1968.55	2119.24	2117.65
FFO	27243.46	29524.23	37957.82	45797.46	47266.95
Assets	259455.22	349391.38	451950.00	345539.19	333685.28
Liability	39118.91	83812.16	93090.00	94966.53	91632.63
Equity	220336.31	265579.22	288260.00	250572.66	242052.65
Total debt	236.97	369.68	445.51	578.22	635.09
EBITDA	17647.00	19693.00	24250.00	26885.00	29724.00
Distribution per share (₹)	24.39	21.48	21.76	21.71	21.33
Total amount for distribution (₹)	23119128392	20360757600	20626167848	20578773161	20218573538
No. of Outstanding Shares	947893743	947893743	947893743	947893743	947893743
Market share price (₹)	353.75	320.24	372.25	315.26	357.32
Net Income	22439.57	24788.46	30893.00	35636.67	38882.66
EBIT	11750.00	13990.00	17240.00	16370.00	21760.00
Total NAV	220336.00	265579.00	373373.00	374307.00	380661.00
Capital expenditure	11797.81	7671.91	14009.70	10920.60	16293.80
Maintenance	627.46	413.81	755.66	968.22	910.66

