



IPO Note

Knowledge Realty Trust REIT

Recommendation: **NEUTRAL**

Company Background –

Knowledge Realty Trust REIT owns and manages a high-quality office portfolio. The trust has 29 grade A office assets totalling 46.3 million square feet spread across 6 cities: Hyderabad, Mumbai, Bengaluru, Chennai, Gurugram, and Gift city, Ahmedabad. It was incorporated on Oct 10, 2024, with its registered office in Mumbai.

Objects of the Issue –

Particulars	Amt. in Crores
Partial or full repayment or prepayment of certain financial indebtedness of the Asset SPVs and the Investment Entities.	4,640.00
General corporate purposes.	-

Rationale for recommendation – The trust has a post-issue P/E of 21.77. Looking at its peers, it appears to be fairly priced however, because it is priced at almost the same P/E as Embassy Office Parks REIT which is a much older and diverse REIT due to which there seems to be little upside potential. It has an excellent management team. Its financials have shown healthy growth for FY 23 and 24 and the trust has had positive cash flows from operations every year. In FY 25, there was a drop in its operating margins. The trust also has many outstanding litigations and contingent liabilities. However, if it manages to execute its strategy of leasing up of its vacancies then it is a positive sign for the trust and revenue growth can be expected. Moreover, its weighted average lease expiry is also significantly higher than Embassy Office Parks and it provides the highest RoCE as well as ROE. Investors may apply if the company is able to follow through with its strategies based on the concalls or quarterly results that come post listing. However, it is recommended to stay **NEUTRAL** for now.

IPO Details

Opening Date	Aug 05, 2025
Closing Date	Aug 07, 2025
Allotment Date	Aug 12, 2025
Listing Date	Aug 05, 2025
Stock Exchange	BSE, NSE
Lot Size	150 Shares
Issue Price Per Share	₹95 to ₹100 per share
Issue Size	4,800.00 Cr.
Application Amt	₹ 15,000 (150 shares)

KPIs (In Crores)

KPI's	FY 23	FY 24	FY 25
Revenue	2,900.30	3,339.39	3,930.10
EBITDA	2,278.36	2,581.27	2,726.04
Net Profit	219.24	339.66	222.52
RoCE	8.48%	9.17%	10.85%
ROE	15.01%	13.91%	10.52%
P/E	0.18	0.12	0.19

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	529.59	4.59
BVPS	5,037.42	43.70
P/E	0.19	21.77
P/BV	0.02	2.29
Mkt Cap (In Cr)	42.00	4,842.00

Lead Managers –

Kotak Mahindra Capital Company Limited
Axis Capital Limited
Bofa Securities India Limited
ICICI Securities Limited
IIFL Capital Services Limited
JM Financial Limited
Morgan Stanley India Company Private Limited
SBI Capital Markets Limited

Registrar –

Kfin Technologies Limited

Business Overview -

Knowledge Realty Trust Limited will be the largest office REIT in India upon listing based on Gross Asset Value (GAV) of ₹61,989.9 Cr. and on Net Operating Income (NOI) of ₹3,232.27 Cr. as of Mar 31, 2025. The trust has 29 grade A office assets totalling to 46.3 million square feet (msf) of which 37.1 is completed area, 1.2 msf is under construction and 8 msf is future development area.

Those 29 centers are spread across 6 cities: Hyderabad, Mumbai, Bengaluru, Chennai, Gurugram, and GIFT City, Ahmedabad. Of those 29 centers, 6 are city centers and 23 are business parks/centers. Their tenants include Fortune 500 companies and leading domestic corporates. The trust has more than 450 tenants. 95.6% of their portfolio is located in Bengaluru, Hyderabad, and Mumbai. This is because Bengaluru has recorded the highest cumulative net absorption, with Hyderabad being second and Mumbai being third.

As of Mar 31, 2025, there is committed occupancy of 91.4% which is the highest compared to other listed Indian office REITs as per data from CBRE Report. 25.9% of gross rental is from domestic corporates and 74.1% is from multinational clients of which Global Capability Centers (GCCs) account for 43.6% and Fortune 500 companies account for 38.2%. Some of their clients include Amazon, Cisco, Franklin Templeton Asset Management (India) Private Limited, HDFC Bank, Aditya Birla, Apple, Google Connect, Novartis, Goldman Sachs, etc. The trust has a retention rate of 61.7%.

Business Strategies -

1. Capitalize on the portfolio's organic growth through re-leasing at market rents and lease-up of existing vacancy.
2. The trust has a Weighted Average Lease Expiry (WALE) of 8.4 years and majority of their leases have typical rent escalation of 15% every 3 years. However, the trust has successfully created a new standard of aggressive annual escalation of 4.5% to 5%. Significant growth in NOI is to be expected because of the same.
3. As of Mar 31, 2025, 91.4% is the committed occupancy. the 8.6% vacancy is concentrated in 6 assets which are expected to be leased in the near-term through the company's asset management initiatives.
4. Given the strong market rent growth and upcoming lease renewals, benefits are expected as their assets average market rents are 22.6% above average in-place rents as of March 31, 2025.

Risk Factors -

- Knowledge Realty Trust has limited operational history as it was incorporated on Oct 10, 2024.
- The trust has 26 outstanding litigations against its portfolio assets worth ₹20.38 Cr. 8 regulatory proceedings worth ₹18 Cr. 66 direct tax proceedings worth ₹123.12 Cr. 15 indirect tax proceedings worth ₹167.25 Cr. 5 property tax worth ₹27.21 Cr. 1 criminal litigation and 3 material litigations where amount involved cannot be determined.
- The trust has contingent liabilities worth ₹546.98 Cr. as of Mar 31, 2025.
- Real estate investments are illiquid.

Key Management

- **Sattva Developers Pvt Ltd**, and **BREP Asia SG L&T Holding (NQ) Pvt Ltd** are **sponsors**. **Axis Trustee Services Ltd** is the **trustee**. **Knowledge Realty Office Management Services Pvt Ltd** is the **manager**.

- The management is currently held by members of Blackston Sponsor Group and Sattva Sponsor Group. The board of director of the manager are **Anup Shah**, **Ajay Mahajan**, and **Bhavna Thakur** as **independent directors**. **Tuhin Parikh**, **Bijay Kumar Agarwal**, and **Shivam Agarwal** as **non-independent directors**.

- **Anup Shah** has a bachelor's degree in law and bachelor's degree in commerce. He has been recognised as one of the top 100 advocates by Indian Business Law Journal for 5 consecutive years.

- **Ajay Mahajan** was previously the managing director and CEO of CARE ratings limited. He has a bachelor's degree in electrical engineering and master's degree in business administration.

-**Bhavna Thakur** holds a bachelor's degree in arts and a master's degree in law from Columbia University, USA.

-**Tuhin Parikh** holds a bachelor's degree in commerce and a post graduate diploma in management from IIM, Ahmedabad. He has over 23 years of experience.

-**Bijay Kumar Agarwal** is the founder of Sattva Developers Pvt Ltd. He holds a bachelor's degree in commerce and has completed a course in real estate strategies for successful business organisation from Harvard Business School. He was named as 'Global Indian of the Year' by Asia One magazine in 2018, Business Leader of the year by ET Now in 2020, was conferred with the 'Hall of Fame' Commercial Design Award in 2023, and 'Business Leader of the Year' at the Realty Plus Conclave and Excellence Awards, Hyderabad, 2024, among others.

-**Shivam Agarwal** holds a bachelor's degree in arts. He manages investor relations with key institutional investors for the Sattva group. In addition, he heads Sattva group's branding, marketing and public relations function.

-**Shirish Godbole (CEO)** holds a master's degree in business administration and has more than 25 years of experience. **Neeraj Toshniwal (CFO)** has a bachelor's degree in commerce, a master's degree in business finance, is a member of ICAI and ICSI, and has 21 years of experience. **Neha Wason (CS&CO)** holds a bachelor's degree in commerce, is a member of ICSI and has more than 9 years of experience.

The management team demonstrates high capabilities to drive the business forward based on their educational qualifications, background, and years of experience.

Industry Overview –

Net absorption of Indian office space industry across the top 7 cities in India was recorded at 27.61 million sq. ft. in FY24, marking a 13% year-on-year increase. This was driven by expansionary and consolidation activity among occupiers, particularly in the IT-BPM, BFSI, and co-working sectors. The supply side kept pace, with new completions totalling 50.17 million sq. ft. Bengaluru led the market with 9.71 million sq. ft. of net absorption, followed by Hyderabad at 6.44 million sq. ft. and Chennai at 3.54 million sq. ft. In India, office leases are generally offered such that the burden of tenant improvement (TI) capital expenditure shifts to landlords. Typically, landlords incur TI capex in the range of 2.0%–5.0% of Net Operating Income (NOI) for Grade A office assets.

From CY2016 to Q1CY2025, the Indian office market has witnessed a steady evolution in space absorption. The top three markets—Bengaluru, MMR (Mumbai), and Hyderabad—accounted for 56.8% of total gross absorption during this period. After peaking at 66.4 msf in gross absorption in 2019, leasing activity slowed in 2020 and 2021 due to COVID-19 disruptions. In CY2024, India recorded 80.3 msf in gross office absorption, a 17.9% YoY increase over CY2023's 68.1 msf. For CY2025, full-year absorption is forecasted to reach 89.6 msf, implying a 11.6% YoY growth.

The share of flexible space operators also saw a notable increase, contributing 18% of total leasing activity in FY24. This was up from 14% in FY23, driven by hybrid work models and the need for decentralized offices. The average deal size also saw an uptick, with pan-India average transaction sizes growing by 7% to 78,000 sq. ft., indicating that occupiers are looking at larger, more consolidated spaces. Grade A vacancy rates stood at 15.6%, marginally down from 16.2% the previous year which is a positive sign. In terms of city-wise growth, Pune and NCR each accounted for over 2.5 million sq. ft. in net absorption, while Mumbai added close to 2 million sq. ft. Mumbai's micro-markets like BKC and Andheri East continued to see strong activity, particularly from BFSI and professional services. The demand from Global Capability Centres (GCCs) continued to grow, accounting for more than 40% of total leasing in select cities like Hyderabad and Bengaluru.

Lead Manager

Kotak Mahindra Capital Ltd has handled 35 IPOs in preceding 3 years out of which 6 have opened at a discount.

Axis Capital Ltd has handled 41 IPOs in preceding 3 years out of which 6 have opened at a discount.

Bofa Securities India Ltd has handled 8 IPOs in preceding 3 years out of which none have opened at a discount.

ICICI Securities Ltd has handled 61 IPOs in preceding 3 years out of which 14 have opened at a discount.

IIFL Capital Services Ltd has handled 39 IPOs in preceding 3 years out of which 9 have opened at a discount.

JM Financial Ltd has handled 51 IPOs in preceding 3 years out of which 15 have opened at a discount.

Morgan Stanley India Pvt Ltd has handled 12 IPOs in preceding 3 years out of which 3 have opened at a discount.

SBI Capital Markets Ltd has handled 34 IPOs in preceding 3 years out of which 8 have opened at a discount.

Peer Analysis

Particulars	Knowledge Realty Trust REIT			Embassy Office Parks REIT			Mindspace Business Parks REIT		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	7.56%	10.17%	5.66%	13.89%	24.24%	37.81%	12.20%	21.20%	17.80%
EBITDA Margin	78.56%	77.30%	69.36%	75.97%	76.97%	76.90%	61.81%	70.65%	72.19%
RoCE	8.48%	9.17%	10.85%	4.05%	5.17%	3.67%	5.19%	6.65%	6.26%
ROE	15.01%	13.91%	10.52%	2.08%	4.14%	7.14%	1.92%	3.71%	3.39%
EPS (INR)	548.53	849.52	529.59	5.34	10.17	17.14	4.78	8.85	7.92
P/E	0.18	0.12	0.19	58.46	36.83	22.05	68.43	38.96	47.72

Particulars	Knowledge Realty Trust REIT			Brookfield India Real Estate Trust REIT		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	7.56%	10.17%	5.66%	10.7%	1.3%	7.5%
EBITDA Margin	78.56%	77.30%	69.36%	69.0%	71.6%	71.2%
RoCE	8.48%	9.17%	10.85%	4.1%	3.8%	5.2%
ROE	15.01%	13.91%	10.52%	1.6%	0.2%	1.3%
EPS (INR)	548.53	849.52	529.59	3.92	0.61	3.53
P/E	0.18	0.12	0.19	71.39	427.85	81.95

KRT has not performed well during the latest financial year as there has been a drop in its operating margins. For the preceding 2 FYs, we can see that the EBITDA margin has been on par with the competitors, but the NP margin has been below its peers. This is because Embassy Office Parks REIT and Mindspace Business Parks REIT have far larger, older portfolios and derive more non-rental income (e.g., asset sales, services).

Embassy Office Parks REIT has a WALE of 4-5 years while KRT has a WALE of 8.4 years. KRT also has the highest RoCE and ROE among its peers which is a good sign as it indicates that it can use its long-term capital more efficiently to generate profits. There is also growth in RoCE every year. ROE fell in FY 25 due to fall in net profit. EPS is very high because the trust has had very less number of shares in preceding years. Similarly, P/E is low because of high EPS.

FINANCIAL SNAPSHOT

Key Performance Indicators: (in Crores)				Key Ratios:			
Particulars	FY 23	FY 24	FY 25	Particulars	FY 23	FY 24	FY 25
P&L Statement				Per Share Data			
Total Income	3115.97	3588.48	4146.86	Diluted EPS	548.53	849.52	529.59
Total Expenses	2747.90	3038.35	2980.88	BV per share	3,652.73	6,104.37	5,037.42
EBITDA	2278.36	2581.27	2726.04	Operating Ratios			
EBIT	1685.574	1,993.75	2,345.24	EBITDA Margins	78.56%	77.30%	69.36%
PBT	368.06	550.13	815.77	PAT Margins	7.56%	10.17%	5.66%
Tax Expenses	148.82	210.47	593.25	Debtor days	18.65	15.55	14.66
Net Profit	219.24	339.66	222.52	Inventory days	0.20	0.42	0.53
Balance Sheet				Return Ratios			
Total Equity	1,461.09	2,441.75	2,115.72	RoCE	8.48%	9.17%	10.85%
Assets				RoE*	15.01%	13.91%	10.52%
Non-Current Assets	22,547.89	22,938.12	22,045.67	Valuation Ratios (x)			
Current Assets	1,996.42	1,964.59	2,397.32	EV/EBITDA	9.39	8.44	7.91
Assets Held for Sale	0.11	0.11	325.10	Market Cap / Sales	0.014	0.012	0.01
Total Assets	24,544.42	24,902.82	24,768.08	P/E	0.18	0.12	0.19
Liabilities				Price to Book Value	0.03	0.02	0.02

IPO Note – Knowledge Realty Trust Limited

Recommendation: **NEUTRAL**

Non-Current Liabilities	18,419.38	19,305.28	19,503.98
Current Liabilities	4,663.95	3,155.79	3,148.38
Total Liabilities	23,083.33	22,461.07	22,652.37
Cash Flow Statement			
CFO	2,233.66	2,094.85	2,723.14
CFI	-729.30	-502.85	-479.92
CCF	-1,486.58	-1,528.00	-2,297.84

Solvency Ratios			
Debt / Equity	13.84	8.09	9.35
Current Ratio	0.43	0.62	0.76
Quick Ratio	0.43	0.62	0.76
Asset Turnover	0.12	0.13	0.16
Interest Coverage Ratio	1.10	1.18	1.34

Financial Analysis

-Revenue from operations increased by 15.14% and 17.69% in FY 24 and 25 respectively. Total income increased by 15.16% and 15.56% during the same time period. This was because of increase in revenue from lease rentals and contracts with customers.

-Finance cost accounts for a substantial portion of total expenses, 55.79%, 55.71%, and 58.58% of total expenses in FY 23, 24, and 25 respectively.

-There was a sharp decrease in depreciation in FY 25 by 35.18%, from 587.52Cr. to 380.81 Cr. This was because of change in useful life of building across all Asset SPVs, except for Sattva Knowledge City.

-While EBITDA grew in FY 25, EBITDA margin fell. This was because of higher operating expenses and employee benefit expenses which grew by 36.61% and 28.86% respectively. Increase in operating expenses was due to increase in repair expenditure by 67.83%. However, such repairs were one time expenditure incurred by some of the asset SPVs. Increase in employee benefit expenses is due to increase in salaries and number of employees.

-In FY 25 the trust further incurred an expense of ₹350.22 Cr. on exceptional items. In spite of that, PBT as a % of revenue from operations still grew from 16.47% to 20.76%. This was due to decrease in depreciation. Exceptional items were in relation to redemption of instruments subscribed by some of the Asset SPVs which were required to be settled or redeemed prior to listing.

-Despite the growth in PBT, PAT as well as PAT margin drastically fell. This was due to the effect of tax. Current tax grew by 29.9% and deferred tax grew from -48.03 Cr. to 253.89 Cr.

-While the operating margins fell in FY 25, there was an increase in cash flow from operating activities. The trust has maintained a healthy CFO over the years.

-Short-term and long-term borrowings of the trust combined, accounted for 87.62%, 87.69%, and 87.37% of total liabilities. There is very high debt but it is expected that the capital structure will become better after the trust uses net proceeds from the issue to repay its borrowings. Currently it also has very high finance cost and low D/E ratio. The high debt is justified because of the nature of business that the trust is engaged in.

Disclaimer,

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

WEBSITE:

www.tiareconsilium.com

OUR APP AVAILABLE ON:



CONNECT WITH US ON :

