

September 29, 2022^(Revised)

Nexus Select Trust (Nexus Select Mall Management Private Limited): Provisional [ICRA]AAA (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action**
Issuer rating	-	Provisional [ICRA]AAA (Stable); assigned
Total	-	

*Instrument details are provided in Annexure-I

** The rating assigned is provisional as of now and is subject to the fulfilment and review of all pending actions/ documentation. The final rating may differ from the provisional rating in case the completed actions/ documentation is not in line with ICRA's expectations.

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The rating assigned by ICRA to Nexus Select Trust, a real estate investment trust ("Trust"), is not a comment on the ability of the Trust to meet distribution/dividend pay-outs to unitholders/investors; neither should it be construed as an opinion on the debt servicing ability of the individual project assets or special purpose vehicles (SPVs) held by the Trust. Nexus Select Trust is sponsored by Wynford Investments Limited, an affiliate of Blackstone Inc ("Blackstone"). Nexus Select Mall Management Private Limited is the manager which is currently 100% owned by Blackstone.

ICRA has undertaken a consolidated financial analysis of Nexus Select Trust and the 19 entities proposed to be housed under the Trust. It comprises Nexus Mangalore Retail Private Limited (NMRPL Mangalore), Nexus Hyderabad Retail Private Limited (NHRPL), Nexus Shantiniketan Retail Private Limited (NSRPL), Nexus South Mall Management Private Limited (NSMMPL), Nexus Mysore Retail Private Limited (NMRPL Mysore), Nexus Udaipur Retail Private Limited (NURPL), Nexussmalls Whitefield Private Limited (NWPL), Vijaya Productions Private Limited (VPPL), Ruchi Malls Private Limited (RMPL), Euthoria Developers Private Limited (EDPL), CSJ Infrastructure Private Limited (CSJIPL), Indore Treasure Island Private Limited (ITIPL), Naman Mall Management Company Private Limited (NMMCP), Westerly Retail Private Limited (WRPL), Chitralli Properties Private Limited (CPPL), Safari Retreats Private Limited (SRPL), Select Infrastructure Private Limited (SIPL), Daksha Infrastructure Private Limited (DIPL) and Mamadapur Solar Private Limited (MSPL).

The rating derives comfort from the diversified portfolio of the Trust with 17 urban consumption centres (malls), three office properties, two hotels and one renewable energy plant spread across the country. These urban consumption centres are spread across 14 cities such as Bengaluru, Chennai, Delhi, Hyderabad, Navi Mumbai, Pune, etc. These urban consumption centres are situated in prominent micro-markets of the respective cities providing good visibility and thereby enhancing their marketability. The asset base consists of a mix of marquee urban consumption centres such as Nexus Koramangala, Select Citywalk and Nexus Elante with long operating track record of 10-18 years, as well as relatively newer urban consumption centres like Nexus Shantiniketan and Nexus Seawoods, which have ramped up well in the past few years. The reputed tenant profile consists of Reliance Retail, Landmark Group, PVR, Tata & Trent, Cinopolis etc. The rating also factors in the experience and track record of the Trust's sponsor group.

The total leasable area in these urban consumption centres is 9.8 msf with an occupancy of 91.6% as on March 31, 2022 and 93.2% as on June 30, 2022. The NOI contribution from top three urban consumption centres was 44% in FY2022 and

contribution from other assets was 14%. Nexus Select Trust's revenues are expected to benefit from the growing retail consumption and urbanisation in India.

ICRA notes the strong recovery trends in the first three months of FY2023 across the urban consumption centres. The consumption levels in Q1 FY2023 was 120.6% of the value during the same period in FY2020. Similar trends were observed in NOI, which was approximately 120% of that generated during the same period in FY2020. The footfalls are also showing a recovery trend nearing pre-covid levels.

The rating draws comfort from the low leverage metrics. The portfolio has a low leverage with loan to asset value (LTV) of around 22%, which provides financial flexibility to Nexus Select Trust. As per the discussion with the management and the current business plans ICRA expects the leverage to remain below 25% of loan-to-value (LTV), thereby supporting the Trust's strong credit profile. The rating draws comfort from the SEBI REIT regulations that restrict¹ the aggregate consolidated borrowings and deferred payments for the REIT and its SPVs, thereby limiting the leverage and under-construction portfolio that can be undertaken by the Trust. As per ICRA's base case, leverage as measured by external debt to net operating income (Debt to NOI) ratio is estimated to be around 4 times² as of March 2023.

The Trust, however, remains exposed to refinancing risk as a part of the debt at the consolidated level after the Trust formation is expected to be in the form of Non-Convertible Debenture (NCDs) or loans with bullet principal repayment with different maturities and long tenure loans at the SPV. Further, the Trust's portfolio is exposed to the risks from the cyclicity in the retail sector and its vulnerability to exogenous shocks such as the Covid-19 pandemic which could impact the cash flows of the Trust. The rating also considers the possible increase in leverage due to potential future debt-funded acquisitions. However, the regulatory restriction on leverage and under-construction portfolio will mitigate the risk to some extent.

The Stable outlook reflects ICRA's opinion that the Trust will maintain its strong operational profile supported by the large and diversified operational urban consumption centres portfolio and the estimated growth in revenues from these assets. ICRA also expects the Trust to maintain a healthy financial risk profile with low leverage levels.

Key rating drivers and their description

Credit strengths

Large and diversified asset portfolio with reputed tenant profile – The Trust proposes to acquire approximately 100% shareholding in 18 entities and 50% shareholding in another SPV through which it is expected to have a diversified portfolio of 17 urban consumption centres, three office spaces, two hotels and one renewable energy plant across the country. These urban consumption centres are spread across cities such as Bengaluru, Chennai, Delhi, Hyderabad, Navi Mumbai, Pune etc. The assets are situated in prominent micro-markets of the respective cities, thereby enhancing its marketability and also has established operating track record. The reputed tenant profile is reputed and consists of groups like Reliance Retail, Landmark Group, PVR, Tata & Trent, Cinapolis etc. The NOI contribution from top 3 urban consumption centres was 44% and contribution from other assets was 14%. The portfolio is likely to benefit from operational and financial synergies due to the large retail portfolio.

Track record of sponsor and manager – The Trust's portfolio is majority owned by the Blackstone Group through its affiliates. Blackstone is one of the India's leading landlord for office, retail urban consumption centres and warehousing assets. The Trust is to be managed by Nexus Select Mall Management Private Limited, which is currently 100% owned by Blackstone. The assets housed under 18 entities (excluding Select Citywalk) have been historically managed by the management team of Nexus Select Mall Management Private Limited, which is the retail management platform of Blackstone in India. The established track record

¹ For REITS, SEBI permits leverage upto 49% of the value of its assets

² As per ICRA Estimates

of the sponsor group in the real estate sector and the diversified portfolio in retail real estate business in India provide comfort. The portfolio is likely to benefit from the experienced management team and strong parentage.

Low initial leverage – The rating draws comfort from the expected low leverage with estimated debt/ NOI of around 4 times in FY2023. The low loan to asset value (LTV) of around 22% provides financial flexibility to the Trust. In the absence of any significant capital expenditure plans, ICRA expects the debt/NOI to remain at similar levels. While the low leverage provides financial flexibility to fund future acquisitions, restrictions on leverage levels and under-construction portfolio by REIT regulation, is expected to support the financial risk profile.

Credit challenges

Exposure to refinance risk – A part of the debt at the consolidated level after Trust formation is expected to be in the form of NCDs or loans with bullet principal repayments at different maturities exposing the company to refinancing risk. The risk is likely to be mitigated to an extent with the tranching of the issuances with well-spread-out maturities and the financial flexibility of Trust due to low leverage.

Vulnerability to external factors including outbreak of pandemic – The Trust's portfolio is exposed to the risks from the cyclical nature in the sector and vulnerability to exogenous shocks such as the Covid-19 pandemic which could impact the cash flows of the Trust. The recovery of the urban consumption centres' operations to pre-pandemic level on the back of improved demand, after the outbreak of the pandemic, which disrupted the urban consumption centres' operations in FY2021 and FY2022, mitigates the risk to an extent.

Possible increase in leverage due to future acquisitions – The initial leverage after Trust formation is estimated to be low. However, in case of any aggressive debt-funded acquisition plans, the leverage may increase, thus impacting the consolidated debt coverage indicators. However, regulatory restriction on leverage and under-construction portfolio will mitigate the risk to some extent. ICRA notes the possibility of acquisitions through issuance of Trust units as acquisition consideration, which would limit the future debt requirements.

Liquidity position: Strong

The liquidity position of the Trust will be supported by stable rental income from the underlying assets and low operational expenditure in the leasing business. Healthy fund flow from operations will be adequate to cover the debt servicing obligations.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Decline in occupancy below 80% on a sustained basis leading to moderation in debt protection metrics may lead to downgrade in rating. Further, higher than anticipated borrowings that results in an increase in LTV higher than 30% on a sustained basis would be credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Investment Trusts Policy on Provisional Ratings Rating Approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the combined financial statements of the issuer (list of entities in annexure II)

Pending actions/documents required to be completed for conversion of the provisional rating into final

The rating assigned is provisional as of now (as denoted by the prefix Provisional before the rating symbol) and is subject to the transfer of designated entities to the Trust and raising of the proposed unit capital. The assigned rating is provisional and would be converted into final upon:

1. Transfer of the 19 entities (which are part of initial asset portfolio) to the Trust. These entities are:
 1. Nexus Mangalore Retail Private Limited (Erstwhile Prestige Mangalore Retail Ventures Private Limited)
 2. Nexus Hyderabad Retail Private Limited (Erstwhile Prestige Hyderabad Retail Ventures Private Limited)
 3. Nexus Shantiniketan Retail Private Limited (Erstwhile Prestige Shantiniketan Leisures Private Limited)
 4. Nexus South Mall Management Private Limited (Erstwhile Prestige Amusement Private Limited)
 5. Nexus Mysore Retail Private Limited (Erstwhile Prestige Mysore Retail Ventures Private Limited)
 6. Nexus Udaipur Retail Private Limited (Erstwhile Flicker Projects Private Limited)
 7. Nexusmalls Whitefield Private Limited (Erstwhile Prestige Garden Constructions Private Limited)
 8. Vijaya Productions Private Limited
 9. Ruchi Malls Private Limited
 10. Euthoria Developers Private Limited
 11. CSJ Infrastructure Private Limited
 12. Indore Treasure Island Private Limited (Investment Entity)
 13. Naman Mall Management Company Private Limited
 14. Westerly Retail Private Limited
 15. Chitralli Properties Private Limited
 16. Safari Retreats Private Limited
 17. Select Infrastructure Private Limited
 18. Daksha Infrastructure Private Limited
 19. Mamadapur Solar Private Limited
2. Issuance of unit capital by Trust in line with the proposed capital structure. Post the issuance of units, and planned debt raising by Trust, ICRA estimates that the consolidated debt to enterprise value of the Trust to be below 25%.

The provisional rating indicates the final rating that is likely to be assigned to the Trust after the completion of the pending items mentioned above, ceteris paribus.

Validity of the provisional rating

The validity period shall be computed from the completion date of fundraising and the issuance of units by the Trust. The validity period shall be of 90 days along with the possibility to extend it by up to a further of 90 days on a case-to-case basis. In no circumstance shall the validity of provisional rating be extended beyond 180 days from the date of issuance of units by the Trust. For further details refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/ documents nor the availing of the borrowing facilities is completed after one year of assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one-year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in

About the Trust

Nexus Select Trust was settled on August 10, 2022, as a trust. The Trust is proposed to be formed under the SEBI REIT Regulations of 2014. The Nexus Select Trust proposes to acquire 17 urban consumption centres. Additionally, the Trust will also own 3 office properties, 2 hotels, and 1 renewable energy asset. Nexus Select Trust is sponsored by Wynford Investments Limited, an affiliate of Blackstone Inc (“Blackstone”). Nexus Select Mall Management Private Limited is the manager which is currently 100% owned by Blackstone.

Key financial indicators – Not Applicable

Key financial indicators are not applicable as Nexus Select Trust is a recently formed trust.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)			Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2019
				Sept 29, 2022	-	-	-
1	Issuer Rating	-	-	Provisional [ICRA]AAA (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer ratings	-	-	-	-	Provisional [ICRA]AAA(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis:

Company/SPV Name	Approximate Ownership*	Consolidation Approach
Nexus Hyderabad Retail Private Limited	100%	Full Consolidation
Nexus Mangalore Retail Private Limited	100%	Full Consolidation
Nexus Shantiniketan Retail Private Limited	100%	Full Consolidation
Nexus South Mall Management Private Limited	100%	Full Consolidation
Nexus Mysore Retail Private Limited	100%	Full Consolidation
Nexusmalls Whitefield Private Limited	100%	Full Consolidation
Vijaya Productions Private Limited	100%	Full Consolidation
Ruchi Malls Private Limited	100%	Full Consolidation
Euthoria Developers Private Limited	100%	Full Consolidation
CSJ Infrastructure Private Limited	100%	Full Consolidation
Indore Treasure Island Private Limited	50%	Equity Method
Naman Mall Management Company Private Limited	100%	Full Consolidation
Westerly Retail Private Limited	100%	Full Consolidation
Chitralli Properties Private Limited	100%	Full Consolidation
Safari Retreats Private Limited	100%	Full Consolidation
Select Infrastructure Private Limited	100%	Full Consolidation
Daksha Infrastructure Private Limited	100%	Full Consolidation
Mamadapur Solar Private Limited	100%	Full Consolidation
Nexus Udaipur Retail Private Limited	100%	Full Consolidation

Source: company

*Proposed ownership by Nexus Select Trust

Corrigendum

Document dated September 29, 2022 has been corrected with revision as detailed below:

- The applicable rating methodologies section under analytical approach has been updated.

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