May 09, 2023

Wynford Investments Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]AA (Stable); reaffirmed
Total	**-**	**-**	

**Instrument details are provided in Annexure I*

Rationale

The assigned rating favourably factors in Wynford Investment Limited's (WIL) steady cash flows expected in the form of distribution income from Nexus Select Trust (Trust, rated Provisional [ICRA]AAA (Stable)), a proposed real estate investment trust (REIT), sponsored by the Blackstone Group. This is further supported by the regulatory stipulation prescribed by the Securities and Exchange Board of India (capital markets regulator) of at least 90% of the net distributable cash flows to be distributed to the REIT's unit holders. The Trust is proposed to have a diversified portfolio with 17 urban consumption centres (malls), three office properties, two hotels and one renewable energy plant spread across the country. The rating notes the strong parentage of the Blackstone Group, its established track record in the real estate sector and the diversified portfolio in the retail real estate business in India. The rating draws comfort from the absence of any external debt on WIL's books.

The rating is, however, constrained by the absence of track record of distribution income from the Trust, which will remain a key rating monitorable in the near term. The Trust listing is expected to be completed in CY2023. The rating is constrained by limited diversification with the company's revenues entirely dependent on the distribution income from the Trust. It has redeemable preference shares outstanding of USD 27.4 million as of December 2022, which will be due for redemption in November 2025. However, the preference shares have been subscribed by the existing equity shareholders of WIL (Blackstone Group entities) and the redemption of the preference shares can be extended, if required.

The Stable outlook reflects ICRA's opinion that the company will receive steady distribution income from the Nexus Select Trust with no current plans of taking any external debt.

Key rating drivers and their description

Credit strengths

Strong parentage – WIL is a portfolio company of the Blackstone Group and is the proposed sponsor of the Nexus Select Trust. Blackstone is one of the India's leading landlords for office, retail urban consumption centres and warehousing assets. The Trust will be managed by Nexus Select Mall Management Private Limited, which is currently 100% owned by Blackstone through its affiliates. The 16 urban consumption centres (excluding Select Citywalk) have been historically managed by management team of Nexus Select Mall Management Private Limited, which is the retail management platform of Blackstone funds in India. The rating derives comfort from the established track record of the sponsor group in the real estate sector and the diversified portfolio in the retail real estate business in India.

Steady cash flows from Nexus Select Trust – The rating favourably factors in WIL's steady cash flows expected in the form of distribution income from Nexus Select Trust to the extent of its estimated unitholding of 5-6% on pre-money level. This is supported by regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the REIT's unit holders. The Trust has a diversified portfolio with 17 urban consumption centres (malls), three office properties, two hotels and one renewable energy plant spread across the country. WIL does not have any significant operating expenses.

No external debt obligations – As on December 31, 2022, WIL does not have any external debt on its books. The absence of external debt obligations mitigates any risk arising from volatility in its cash flows.

Credit challenges

Absence of track record of distribution income and limited revenue diversification – WIL's revenues depend entirely on the distribution income from the Trust. There is no track record of distribution income from the Trust, which will remain a key rating monitorable in the near term. The Nexus Select REIT listing is expected to be completed in CY2023. Any delay in listing of the REIT or delay in distribution will impact its cash flows. The company is exposed to risks arising out of its revenue being exposed solely to the cash flows of the underlying REIT. However, the strong credit quality of the Trust mitigate the risk.

Preference shares due for redemption in November 2025 – The company has redeemable preference shares outstanding of USD 27.4 million as of December 2022, which will be due for redemption in November 2025. However, the preference shares have been subscribed by the existing equity shareholders of WIL (Blackstone Group entities) and the redemption of the preference shares can be extended, if required.

Liquidity position: Adequate

The estimated cash distribution from the Trust are expected to comfortably cover WIL's expenses. There is no external debt on the company's books and it has no current plans of availing any external debt.

Rating sensitivities

Positive factors – The rating could be upgraded if there is sustained and significantly higher distribution income from Nexus Select REIT.

Negative factors –The rating could witness a downward revision in case of weakening credit profile of the Nexus Select REIT or significantly lower-than-anticipated distribution from REIT. External indebtedness leading to Debt/Market Value of above 20%, on a sustained basis, could also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Holding Company Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial statements

About the company

Wynford Investments Limited (WIL) is a portfolio company of Blackstone Inc. (Blackstone Group) and is the proposed sponsor of the Nexus Select Trust. At present, WIL holds 56.21% in Euthoria Developers Private Limited (with the balance being held by certain other entities of the Blackstone Group), which holds Nexus Amritsar and Nexus Ahmedabad One malls, both forming a part of the portfolio of the Nexus Select Trust. While entities affiliated with the Blackstone Group acquired WIL in 2015, it has been invested in Nexus Amritsar and Nexus Ahmedabad One since 2007. WIL does not have any operations of its own on a standalone basis.

Key financial indicators (audited)

Standalone	CY2021	CY2022
Operating income (USD crore)	-	-
PAT (USD crore)	1.1	2.7
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	444.1	207.1
Interest coverage (times)	0.1	0.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in USD crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of rating history for past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					May 09, 2023	Apr 18, 2023			
1	**Issuer rating**	Long term	-	-	**[ICRA]AA (Stable)**	**[ICRA]AA (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	NA

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 rating**	NA	NA	NA	-	[ICRA]AA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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