



March 18, 2024

To,

The Corporate Relations Department,  
The National Stock Exchange of India Limited,  
Exchange Plaza, 5<sup>th</sup> Floor,  
Plot No. C/1, G-Block, Bandra-Kurla Complex,  
Bandra (East), Mumbai – 400051

The Corporate Relations Department,  
Department of Corporate Services,  
BSE Limited,  
25th Floor, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001

**Re: Script Symbol “NXST”, Scrip Code 543913**

**Scrip Code for NCDs: 974908 and 974909**

Dear Sir/ Madam,

**Subject: Disclosure of Credit Rating obtained by Nexus Select Trust in terms of Regulation 23(5) of the SEBI (Real Estate Investment Trusts) Regulations, 2014**

We wish to inform you that India Ratings and Research Private Limited has assigned the credit rating of IND A1+ for the Commercial Papers to be issued by Nexus Select Trust.

The rating rationale along with the assignment letter issued by India Ratings and Research Private Limited are enclosed as **Annexure 1**.

Thanking you

For and on behalf of **Nexus Select Trust** acting through its Manager, **Nexus Select Mall Management Private Limited** (*Previously known as “Nexus India Retail Management Services Private Limited”*)

**Charu Patki**  
**Company Secretary and Compliance Officer**  
**Membership No. A18140**



## India Ratings Assigns Nexus Select Trusts' Proposed Commercial Paper 'IND A1+'

Mar 18, 2024 | Real Estate Investment Trusts (REITs)

India Ratings and Research (Ind-Ra) has rated Nexus Select Trust's (NXST) proposed commercial paper (CP) as follows:

### Details of Instruments

Instrument Type	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Proposed commercial paper*	-	-	-	INR1,000	IND A1+	Assigned

### Analytical Approach

Ind-Ra has taken a consolidated view of NXST along with its special purpose vehicles (SPVs) and joint ventures (JVs). While there is involvement of the Blackstone Group as a sponsor, the agency has not taken any support from the parentage. NXST is a real estate investment trust (REIT). It has acquired assets and got listed in May 2023.

### Detailed Rationale of the Rating Action

The rating assignment reflects Ind-Ra's expectation that the occupancy levels will remain above 90% over the next two years. The strong committed occupancy and around 14% growth in tenant sales in for 9MFY24 reflect NXST's well-located assets and favourable demand-supply dynamics in most of its catchment areas. The mall portfolio had an annual shopper traffic of around 100 million in 9MFY24. The management expects NXST's revenue to benefit from the growing retail consumption and urbanisation in India. NXST's retail assets' weighted average lease expiry (WALE) was 5.3 years as of December 2023. The lease structure provides for growth visibility on the back of a combination of contractual rent escalations, turnover rentals and re-leasing at higher market rents. The expiry profile is manageable with 6%-11% of gross leasable area (GLA) expiring over FY25-FY27, with a mark-to-market rental growth opportunity of around 20%, as per the management.

### List of Key Rating Drivers

#### Strengths

- REIT's leadership position
- Strong credit profile
- Diversified cash flow pool

- Committed cash flows from SPVs
- Adequate liquidity
- CP programme liquidity backup

## Weaknesses

- High refinancing risk
- Cyclical risk

## Detailed Description of Key Rating Drivers

**REIT's Leadership Position:** NXST is the only and the largest Indian shopping mall portfolio trust. NXST's shopping-mall portfolio has a GLA of around 9.9 million square feet (sq ft) in 17 Grade A malls spread across 14 cities. Ind-Ra expects the portfolio's average occupancy rate to remain steady at over 90% over the next two years. The strong committed occupancy and around 14% growth in tenant sales in 9MFY24 reflect NXST's well-located assets and favourable demand-supply dynamics in most of its catchment areas.

**Strong Consolidated Credit Profile:** NXST's revenue from operations was INR13,817 million, EBITDA was INR9,715 million, net leverage (annualised net debt/EBITDA) was 2.3x and interest coverage ratio (annualised EBITDA/gross cash interest paid) was 4.0x in 9MFY24 from the date of listing. The strong financial flexibility stemming from the low leverage metrics with loan-to-value (LTV) of around 14% and absence of any under construction asset at end-December 2023 (with restrictions of REIT regulations on under-construction portfolio (capped at 20%)) also support the rating. The trust also plans to maintain a similar credit profile at the acquired assets.

**Diversified Cash flow Pool:** NXST has a tenant base of over 1,000 domestic and international brands with over 3,000 stores and a well-diversified geographic presence. The mall portfolio had a shopper traffic of around 100 million in 9MFY24. The management expects NXST's revenue to benefit from the growing retail consumption and urbanisation in India. NXST also owns three commercial office assets, totalling 1.3 million sq ft and two hotels with 354 keys.

**Contractual Cash Flows:** NXST's retail assets' WALE was 5.3 years as of December 2023. The lease structure provides for growth visibility on the back of a combination of contractual rent escalations, turnover rentals and re-leasing at higher market rents. The expiry profile is manageable with 6%-11% of GLA expiring over FY25-FY27, with a mark-to-market rental growth opportunity of around 20%, as per the management. In addition, leases that are not coming up for renewal during the period have built-in annual rental increases and leasing up of vacant space are likely to aid the revenue growth.

**Adequate Liquidity:** Ind-Ra expects adequate liquidity in the REIT, considering the consolidated cash balance of INR1,186 million and liquid mutual fund investments of INR8,601 million at end-9MFY24, of which around INR5,000 million forms the cash balance present in SPVs prior to the formation of REIT. This will act as a liquidity backup for the proposed CP. Debt repayments up to FY26 total to INR276 million, implying a limited liquidity requirement towards debt obligations. REIT also has undrawn overdraft limits of around INR1,000 million on a standalone level. Although the cash flow from operations is strong, Ind-Ra expects the free cash flow to remain limited due to high distributions.

**CP Programme Liquidity Backup:** Ind-Ra typically expects investment-grade CP issuers to have a full liquidity back-up available for the outstanding CP as per Ind-Ra's 'Short-Term Ratings Criteria for Non-Financial Corporates'. Adequate liquidity back-up was available to the extent of undrawn bank limits of INR1,000 million at a standalone level as on 31 December 2023, contractual lease rental inflows and consolidated cash balance of INR1,186 million provide a comfortable liquidity back-up, given the modest size of the CP programme.

**High Refinancing Risk:** The REIT regulations provide for mandatory distribution at 90% of the defined cash surplus. Also, the trust may have periods of high refinancing requirements, especially when there is a lumpy debt repayment along with any material equity funding requirement for any asset acquisition. Moreover, the trust has reduced some of the existing bank debt at the SPV level through capital market instruments with bullet payments, being placed at the trust level. The cash flows to trust are subordinated, as such the leverage at the standalone trust level, encumbrance at SPV levels and maintaining liquidity buffers would also be key monitorables.

**Cyclicality Risk:** Retail mall leasing income tends to remain cyclical and exposed to exogenous events. The mandatory distribution, under-construction projects and acquisitions put pressure on liquidity during cyclical downturns or exogenous events.

## Liquidity

**Adequate:** Ind-Ra expects adequate liquidity in the REIT, considering the consolidated cash balance of INR1,186 million and liquid mutual fund investments of INR8,601 million, of which around INR5,000 million forms the cash balance present in SPVs prior to the formation of REIT. This will act as a liquidity backup for the proposed CP. Debt repayments up to FY26 total to INR276 million, implying a limited liquidity requirement towards debt obligations. REIT also has undrawn overdraft limits of around INR1,000 million on a standalone level. Although the cash flow from operations is strong, Ind-Ra expects the free cash flow to remain limited due to high distributions.

## Rating Sensitivities

**Positives:** Not applicable

**Negative:** Events/developments that could, individually or collectively, lead to a negative rating action are:

- substantial deterioration in the asset performance including portfolio occupancy, rentals and cash flow from operation margins on a sustained basis
- deterioration in the liquidity which materially impacts the credit profile of the trust and inability to refinance lumpy maturity
- consolidated net leverage ratio exceeding 6x and LTV ratio increasing above 40% on a sustained basis

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on NXST, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

## About the Company

NXST is India's first publicly listed retail REIT. Its portfolio comprises 17 Grade-A malls, with a GLA of around 9.9 million sq ft spread across 14 cities in India, two hotel assets with 354 keys and three office assets with a GLA of about 1.3 million sq ft. The malls have a tenant base of over 1,000 domestic and international brands spanning across 3,000 stores. Additionally, NST has commissioned multiple solar and hybrid power plants with a combined capacity of over 35MW. NXST comprises 15 SPVs and one JV which own REIT assets. Blackstone is the key sponsor and holds 43.1% through its various affiliates.

### KEY FINANCIAL INDICATORS - CONSOLIDATED

Particulars	7.5MFY24*
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Revenue from Operations (INR million)	13,817
EBITDA (INR million)	9,715
Interest expenses (INR million)	2,445
Interest coverage (x)	4.0
Net leverage (x)	2.3
Source: NXST, Ind-Ra	
* The performance as of December 2023 reflects the performance from 19 May 2023 (date of listing) to 31 December 2023.	

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating
Proposed commercial paper	Short-term	INR1,000	IND A1+

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low

For details on the complexity level of the instruments, please visit [www.indiaratings.co.in/complexity-indicators](http://www.indiaratings.co.in/complexity-indicators).

## APPLICABLE CRITERIA

**Evaluating Corporate Governance**

**Short-Term Ratings Criteria for Non-Financial Corporates**

**Corporate Rating Methodology**

**The Rating Process**

**Commercial Real Estate and Real Estate Investment Trust**

## Contact

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**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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## **Solicitation Disclosures**

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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