Nexus Select Trust

August 13, 2024

To,

The Corporate Relations Department,
The National Stock Exchange of India Limited,
Exchange Plaza, 5th 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, Scrip Code for CPs: 726784

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 herewith.

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 NIMISH PATKI
Digitally signed by CHARU NIMISH PATKI
Date: 2024.08.13 16:43:20 +05'30'

Charu Patki
Company Secretary and Compliance Officer
Membership No. A18140

To,
Chirag Singhal
Authorised Signatory
NEXUS SELECT TRUST
Embassy 247, Unit no. 501, B Wing,
LBS Marg, Vikhroli (West), Mumbai – 400083.

August 13, 2024

Dear Sir/Madam,

Re: Rating Letter for CP of NEXUS SELECT TRUST

India Ratings and Research (Ind-Ra) has taken the following rating actions on Nexus Select Trust's (NXST) commercial papers (CPs):

Instrument Type	**Date of issuance**	**Coupon Rate (%)**	**Maturity Date**	**Size of Issue (million)**	**Rating assigned along with Outlook/ Watch**	**Rating Action**
Proposed commercial paper	-	-	-	INR5,000	IND A1+	Assigned
Commercial paper	-	-	FY25	INR1,000	IND A1+	Affirmed

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings, India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings' reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. For the purpose of issuance of captioned commercial paper programme, this letter is valid for 60 calendar days from the date of the letter. Once the instrument is issued, the above rating is valid for a maximum period of 1 year from the date of issuance. Notwithstanding the above, the rating is subject to review on a continuing basis, with formal reviews being undertaken at regular intervals of no more than 12 months. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch at any time due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

Rakesh Valecha
Senior Director

India Ratings Rates Nexus Select Trust's New Proposed CP and Affirms Existing CP at 'IND A1+'

Aug 13, 2024 | Real Estate Investment Trusts (REITs)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Nexus Select Trust's (NXST) commercial papers (CPs):

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	-	-	-	INR5,000	IND A1+	Assigned
Commercial paper	-	-	FY25	INR1,000	IND A1+	Affirmed

Analytical Approach

Ind-Ra continues to fully consolidate NXST's special purpose vehicles (SPVs) and joint ventures (JVs), to arrive at the rating. While there is involvement of the Blackstone Group as the 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 reflects Ind-Ra's expectation that the occupancy levels will remain healthy over the short-to-medium term. The strong committed occupancy at 97.6% and 97.4% and around 13% and 3% yoy growth in tenant sales in FY24 and 1QFY25, respectively, 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 130 million in FY24 and 32.5 million in 1QFY25. 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 5.0 years as of June 2024. 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 8%-12% of gross leasable area (GLA) expiring over 9MFY25-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
- Contractual cash flows
- Adequate liquidity
- CP programme liquidity backup

Weaknesses

- High refinancing risk
- Cyclicality 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 (sf) in 17 Grade A malls spread across 14 cities. Ind-Ra expects the portfolio's average occupancy rate to remain healthy over the short-to-medium term. The strong committed occupancy at 97.4% and around 3% growth in tenant sales in 1QFY25 reflect NXST's well-located assets and favourable demand-supply dynamics in most of its catchment areas.

Strong Consolidated Credit Profile: For 1QFY25, NXST's revenue from operations was INR5,538 million (FY24: INR19,164 million), EBITDA was INR3,986 million (FY24: INR13,658 million), net leverage (annualised net debt/EBITDA) was 2.2x (FY24: 2.3x) and interest coverage ratio (annualised EBITDA/gross cash interest paid) was 4.4x (FY24: 4.1x). The strong financial flexibility stemming from the low leverage metrics with loan-to-value (LTV) of around 14% (on net debt basis) and absence of any under construction asset at end-March 2024 (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 130 million in FY24 and 32.5 million in 1QFY25. 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 sf and two hotels with 354 keys.

Contractual Cash Flows: NXST's retail assets' WALE was 5.0 years as of June 2024. 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 8%-12% of GLA expiring over 9MFY25-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 INR927 million and liquid mutual fund investments of INR9,758 million as on 30 June 2024, of which around INR4,000 million forms the cash balance present in SPVs prior to the formation of REIT. Debt repayments up to FY26 total to INR1,036 million, implying a moderate liquidity requirement towards debt obligations. REIT also has undrawn overdraft limits of around INR850 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 at the REIT to the extent of undrawn bank limits of INR850 million at a standalone level, contractual lease rental inflows resulting in Net Operating Income (NOI) of about INR4,127 million, consolidated cash balance of INR927 million and liquid mutual funds of INR9,758 million as on 30 June 2024. Furthermore, the proposed CPs are to be utilised towards pre-payment of SPV level debt and they are expected to be rolled over / to be refinanced out of the cash raised from a fresh NCD issue, as per the management. The management has notified they shall maintain adequate liquidity back-up for CPs in form of unutilised limits, cash and cash equivalents, liquid mutual funds and unencumbered operational cashflows.

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 INR927 million and liquid mutual fund investments of INR9,758 million as on 30 June 2024, of which around INR4,000 million forms the cash balance present in SPVs prior to the formation of REIT. Debt repayments up to FY26 total to INR1,036 million, implying a moderate liquidity requirement towards debt obligations. REIT also has undrawn overdraft limits of around INR850 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

Positive: 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/or 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. As of June 2024, Blackstone is the key sponsor and holds 43.1% through its various affiliates.

Key Financials Indicators

PARTICULARS - CONSOLIDATED	FY24*	1QFY25
Revenue from operations (INR million)	19,164	5,538
EBITDA (INR million)	13,658	3,986
EBITDA Margin (INR million)	71.3	72.0
Interest expenses (INR million)	3,371	914
Interest coverage (x)	4.1	4.4
Net leverage (x)	2.3	2.2
Source: NxST, Ind-Ra * The performance as of March 2024 reflects the performance from 12 May 2023 to 31 March 2024.		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	18 March 2024
Commercial paper	Short-term	INR6,000	IND A1+	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.

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.
Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.
India Ratings is a 100% owned subsidiary of the Fitch Group.
For more information, visit www.indiaratings.co.in.

APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

Commercial Real Estate and Real Estate Investment Trust

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