

Date: September 17, 2021

To,

The National Stock Exchange of India Ltd.

Exchange Plaza, 5th Floor,
Plot No. C/1, G- Block,
Bandra Kurla Complex,
Bandra (E), Mumbai- 400051.

Scrip Symbol "MINDSPACE" (Units)

BSE Limited

25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

**Scrip Code "543217" (Units) and Scrip Code
"960104", "960327", 973069 and "973070"
(Debentures)**

Subject: Disclosure under Regulation 23(5) of SEBI (Real Estate Investment Trusts) Regulations, 2014, in respect of credit rating obtained by Mindspace Business Parks REIT ("Mindspace REIT")

Dear Sir/Madam,

Please note that ICRA Limited has reaffirmed the issuer long - term rating of [ICRA]AAA(Stable) (pronounced ICRA triple A, stable outlook) assigned to Mindspace REIT.

The rating letter and rating rationale issued by ICRA Limited in respect of the aforesaid credit rating are enclosed herewith.

Please take the same on your record.

Thanking you,

For and on behalf of **K Raheja Corp Investment Managers LLP**
(acting as the Manager to Mindspace Business Parks REIT)

Authorised Signatory

Name: Preeti Chheda

Designation: Chief Financial Officer & Compliance Officer

Place: Mumbai

Encl.: As above



ICRA Limited

Ref: ICRA/Mindspace Business Parks REIT/13092021/01

Date: September 13, 2021

Ms. Preeti Chheda
Chief Financial Officer
Mindspace Business Parks REIT
Raheja Tower,
Plot C-30, Block G,
Next to Bank of Baroda,
Bandra Kurla Complex,
Bandra (E), Mumbai - 400051

Dear Sir,

Re: Surveillance of ICRA-assigned Issuer Rating of Mindspace Business Parks REIT.

Please refer to the Rating Agreement dated January 16, 2020 executed between ICRA Limited ("ICRA") and your Company, whereby, ICRA is required to review its rating(s), on an annual basis, or as and when the circumstances so warrant. Based on a review of the latest developments, the Rating Committee of ICRA, after due consideration has reaffirmed the long-term Rating at [ICRA]AAA (pronounced ICRA triple A). Outlook on the long-term Rating is Stable. Instruments with [ICRA]AAA rating indicate highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as [ICRA]AAA (Stable).

The aforesaid Rating(s) will be due for surveillance any time before September 08, 2022. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and Investors to visit ICRA website at www.icra.in for latest Rating(s) of the Company.

The Rating(s) are specific to the terms and conditions of the bank facility as indicated to us by you, and any change in the terms or size of the same would require a review of the Rating(s) by us. In case there is any change in the terms and conditions or the size of the rated bank facility, the same must be brought to our notice before the bank facility is used by you. In the event such changes occur after the Rating(s) have been assigned by us and their use has been confirmed by you, the Rating(s) would be subject to our review, following which there could be a change in the Rating(s) previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the bank facility from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.



The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated Instrument availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With regards,

Yours sincerely,

for ICRA Limited

**MATHEW
KURIAN
ERANAT**

Digitally signed by MATHEW KURIAN ERANAT
DN: cn=P, o=Personel,
2.5.4.20=1b3a2c23cd4a8323980beaf241237ec9
bc3ef4a155580c11c447a70c09f7b,
postalCode=560008, st=KARNATAKA,
serialNumber=664f4b9b09084ce0851711e9bdcf7
3968d475d0269e3bd3712a4b08789ad7c,
cn=MATHEW KURIAN ERANAT, o=BANGALORE,
pseudonym=9088be3726484749a551d88ec437082
4, email=MATHEW.ERANAT@ICRAINDIA.COM
Date: 2021.09.13 16:09:26 +05'30'

Mathew Kurian Eranat

Vice President

Mathew.eranat@icraindia.com

September 16, 2021

Mindspace Business Parks REIT: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure-1

Rationale

The rating continues to favourably factors in the large and diversified portfolio of assets housed under Mindspace Business Parks REIT (Mindspace REIT). The asset portfolio of the REIT has office space measuring 31.2 million square feet (mn sqft) of leasable area, which includes completed area of 23.8 mn sqft, under construction area of 1.8 mn sqft and 5.6 mn sq.ft. of planned area for future development. The portfolio assets are diversified across geographies such as Mumbai Region, Pune, Hyderabad and Chennai and have a diversified tenant mix comprising of leading multi-national and Indian corporates, wherein the top-10 tenants contribute 38.6% to the gross contracted rentals. While the completed area enjoys healthy committed occupancy (84.4% as on June 30, 2021), ICRA notes that the committed occupancy has declined from 92.0% as on March 31, 2020 on the back of the Covid-19 pandemic. Collection efficiency, however, remained healthy with more than 99% of the total contracted rentals being collected in Q1FY2021. The demand prospects of the portfolio are adequate, as reflected in the leasing of 1.5 mn sqft area in Q4FY2021, of which 72% was leased to new tenants. The leasing for Q1FY2022 was 1.2 mn. sq. ft. However, sustained weakness on account of possible structural changes in working model induced by Covid-19 pandemic may impact the incremental leasing and the realisation of mark-to-market potential. ICRA notes that tenant leases contributing to 18.5% of the gross contracted rentals will be due for expiry over the next three years and any prolonged impact of the Covid-19 situation on incremental leasing may increase vacancy in the portfolio. The risk is partially mitigated by the strong tenant profile and the lower-than-market rentals, which increase the tenant stickiness.

The rating draws comfort from the low external borrowings at consolidated level with net debt at Rs. 3,692 crore as on June 30, 2021. Thus, the portfolio has a low leverage with loan to asset value (LTV) of 14.9% which provides financial flexibility to Mindspace REIT to fund future organic as well as inorganic growth. However, the debt at REIT level has been taken in the form of Non-Convertible Debentures (NCDs) and Market Linked Debentures (MLDs) with bullet repayments at the end of maturity exposing the company to refinancing risk. The residual debt is at the level of SPVs and are primarily in the form of lease rental discounting (LRD) loans, which are amortising in nature. ICRA expects the incremental capex to be funded by additional borrowings.

The rating also considers the impact of future acquisitions that may be undertaken by Mindspace REIT on the leverage metrics. The current leverage is low at 14.9%; however, planned capex and aggressive acquisition plans can increase the leverage and reduce the financial flexibility. ICRA will continue to monitor the future asset acquisitions and their consequent impact on the leverage. Comfort, however, continues to be drawn from the proven track record and the experienced management of the REIT sponsor K Raheja Corp Group (KRC), as well as the REIT manager K Raheja Corp Investment Managers LLP (KRCIML).

ICRA believes that Mindspace REIT's credit profile will be supported by the REIT regulations that restrict the extent of under construction assets in the portfolio to less than 20% of the asset value and the leverage to less than 49% of the asset value. The overall credit profile is expected to remain stable on the back of the large and stable operational portfolio, the anticipated growth from assets currently under development and the low leverage at the consolidated level.

Key rating drivers and their description

Credit strengths

Well diversified and large portfolio of assets with strong tenant profile – The asset portfolio under the REIT includes some of the major business parks located in Mumbai Region, Hyderabad, Pune and Chennai. The asset portfolio of the REIT has office space measuring 31.2 million square feet (mn sqft) of leasable area, which includes completed area of 23.8 mn sqft, under construction area of 1.8 mn sqft and 5.6 mn sq. ft. of planned area for future development. The overall committed occupancy level of the portfolio remains healthy, at 84.4%, supported by long-term lease agreements and a good track record of tenant stickiness owing to competitive rentals in most of the assets. The tenant profile in the REIT portfolio remains strong and diversified with leading multinational and Indian corporates - the top-10 tenants generate around 38.6% of Mindspace REIT's gross contracted rentals. Some of the key tenants in the portfolio are Accenture, Qualcomm, Barclays, BA Continuum, Schlumberger, Cognizant, and Amazon.

Healthy track record of sponsor and REIT manager – The REIT manager and sponsor are part of KRC, which has considerable experience in the development and management of commercial real estate. KRC is one of India's leading group in real estate development and retail business, with experience of over four decades in developing and operating assets across commercial, hospitality, retail, malls and residential segments. As of March 31, 2021, KRC has developed properties across various businesses, including 30.6 mn sqft of commercial projects, five operational malls, 3,000+ operational hotel keys and residential projects across five cities in India. In addition, the Group operates 270+ retail outlets across India.

Low leverage and strong debt coverage – The rating draws comfort from the low external borrowings at consolidated level with net debt at Rs. 3,692 crore as on June 30, 2021. Thus, the portfolio has a low leverage with loan to asset value (LTV) of 14.9% which provides financial flexibility to Mindspace REIT to fund future organic as well as inorganic growth. The incremental debt drawdown for the under-construction assets will increase the debt to some extent by FY2022 end. Low initial leverage provides financial flexibility to fund the future construction and acquisitions.

Restrictions on leverage level and under-construction portfolio – The REIT regulations restrict the extent of under construction assets in the portfolio to less than 20% of the asset value and the leverage to less than 49% of the asset value.

Credit challenges

Exposure to refinance risk – The debt at REIT level has been taken in the form of Non-Convertible Debentures (NCDs) and Market Linked Debentures (MLDs) with bullet repayments at the end of maturity exposing the company to high refinancing risk. ICRA also expects the incremental capex to be funded by additional borrowings. High financial flexibility, however, provides some comfort.

Vulnerability of commercial real estate sector to Covid-19 induced demand moderation – While the completed area enjoys healthy committed occupancy (84.4% as on June 30, 2021), ICRA notes that the committed occupancy has declined from 92.0% as on March 31, 2020 on the back of the Covid-19 pandemic. Collection efficiency, however, remained healthy with more than 99% of the total contracted rentals being collected in Q1FY2021. Going forward, sustained adoption of work-from-home may impact the incremental leasing and the realisation of mark-to-market potential for the REIT assets. ICRA notes that tenant leases contributing to 18.5% of the gross contracted rentals will be due for expiry over the next three years and any prolonged impact of the Covid-19 situation may increase tenant vacancy. However, the risk is partially mitigated by the strong tenant profile and the lower-than-market rentals, which increase the tenant stickiness. The demand prospects of the portfolio are adequate, as reflected in the leasing of 1.5 mn sqft area in Q4FY2021, of which 72% was leased to new tenants. The leasing for Q1FY2022 was 1.2 mn. sq. ft.

Possible increase in leverage levels – Expected initial leverage after REIT formation is estimated to be low. However, in case of any aggressive acquisition plans, the leverage may increase, thus impacting the consolidated debt coverage indicators. However, regulatory restriction on leverage will mitigate the risk to some extent.

Liquidity position: Superior

The liquidity position of the REIT will be supported by the stable rental income from the underlying assets and the low operational expenditure in the leasing business. Healthy fund flow from operations will be adequate to cover the debt servicing obligations. The average monthly principal and interest obligations in FY2022 are estimated at Rs. 44 crore, while the average monthly net operating income is expected to be upwards of Rs. 110 crore. Additionally, the REIT has cash, bank balances and DSRA of Rs. 337 crore as on June 30, 2021. Further, the REIT maintains an overdraft limit of Rs. 737 crore post listing, which enhances the liquidity profile. The LTV is expected to remain comfortable, in the range of 15-17%, providing significant debt headroom for construction activities and future acquisition.

Rating sensitivities

Positive factors – Not applicable

Negative factors –

- Higher-than-anticipated borrowing or a decline in the net operating income that increases the Net Debt/NOI to above 4.5x
- Inability to increase the occupancy from the current level
- Significant time and cost overruns in the under-construction assets as well as a delay in incremental lease tie-ups

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Investment Trusts
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of Mindspace REIT and its subsidiaries (as mentioned in Annexure-2)

About the company

Mindspace REIT is a Real Estate Investment Trust listed in India under the SEBI Real Estate Investment Trust Regulations, 2014. It is incorporated as a registered Trust and listed through a public issue of units. The sponsor of Mindspace REIT is the K Raheja Corp Group, which has contributed shares in eight SPVs to the REIT in lieu of units in the latter. Mindspace REIT primarily hold interests in rental yielding commercial real estate assets (Grade-A office portfolio). The REIT also houses a facility management division in one of the SPVs. The asset portfolio of the REIT has a total leasable area of 31.2 mn sqft, including a completed area of 23.8 mn sqft, an under-construction area of 1.8 mn sqft and 5.6 mn sqft of planned area for future development. The REIT may also acquire additional assets in future as per its investment criteria to further grow the portfolio inorganically.

Key financial indicators (audited)

MBPR Consolidated Financials	FY2020#	FY2021*
Operating Income (Rs. crore)	1766.0	1138
PAT (Rs. crore)	513.9	335
OPBDIT/OI (%)	62.9%	74.4%
PAT/OI (%)	29.1%	29.4%
Total Outside Liabilities/Tangible Net Worth (times)	3.9	0.3
Total Debt/OPBDIT (times)	6.6	4.5
Interest Coverage (times)	2.2	4.9

- consolidated pre-REIT numbers for the portfolio as per the offer document

*Audited results for 8 months (Aug-Mar)

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Annual Report and Company, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of July 15, 2021 (Rs. crore)	Date & Rating in September 16, 2021	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
						28-Aug-2020	25-July-2020		
1	Issuer Rating	Long Term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	Provisional [ICRA]AAA (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
-	-

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details – Not Applicable

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

Company Name	Ownership	Consolidation Approach
Intime Properties Limited	89%	Full Consolidation
Sundew Properties Limited	89%	Full Consolidation
K. Raheja IT Park (Hyderabad) Limited	89%	Full Consolidation
Mindspace Business Parks Private Limited	100%	Full Consolidation
Gigaplex Estates Private Limited	100%	Full Consolidation
Avacado Properties & Trading (India) Private Limited	100%	Full Consolidation
KRC Infrastructure and Projects Private Limited	100%	Full Consolidation
Horizonview Properties Private Limited	100%	Full Consolidation

ANALYST CONTACTS

Shubham Jain
+124-4545 306
shubhamj@icraindia.com

Mathew Kurian Eranat
+80-4332 6415
mathew.eranat@icraindia.com

Mahi Agarwal
+33-7150 1106
mahi.agarwal@icraindia.com

Rashmi Agarwal
+124-4545 871
rashmi.agarwal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

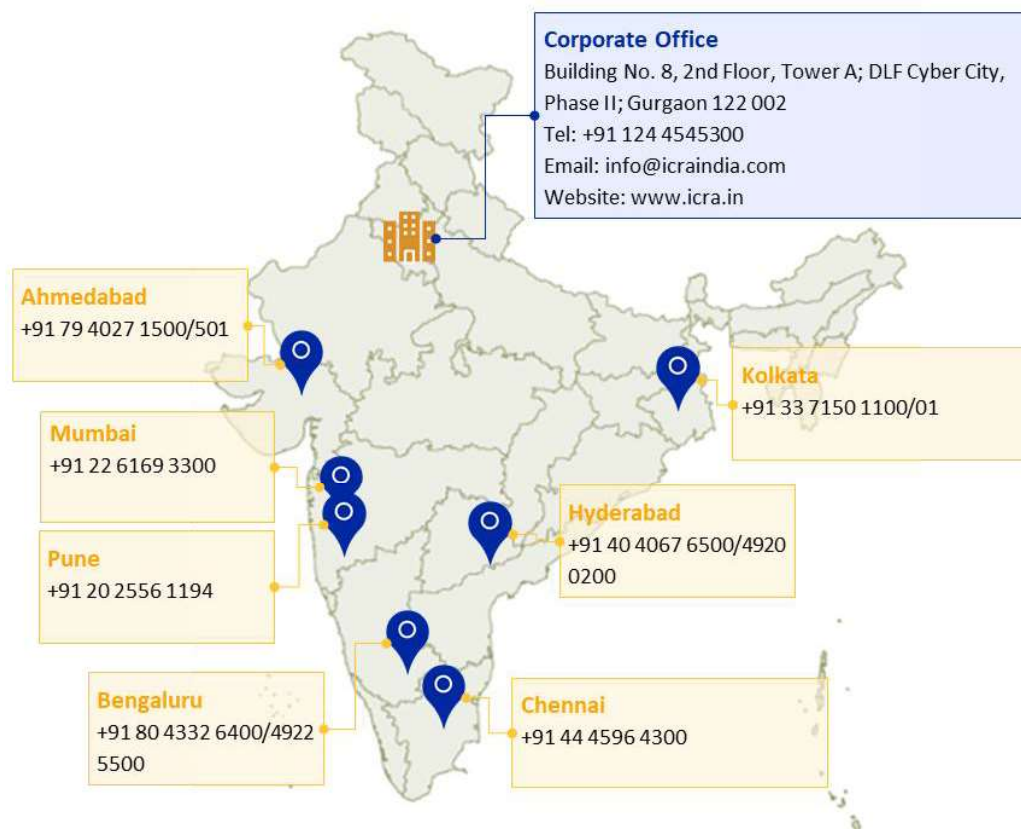


Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.