Ascencia Limited

December 12, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,500	CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Redeemable Secured Floating Rate Notes	4,760	CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Total	6,260		

Rating Rationale

The rating assigned to the bond issue and the redeemable notes of Ascencia Limited have been reaffirmed after considering the stable performance and high occupancy of all the malls in FY22 and high renewal rate of lease rentals agreements. The rating continues to derive its strength from the satisfactory track record of Ascencia and the experienced & resourceful promoters – ENL and Rogers, the experienced management team in handling the rental generating properties, satisfactory loan to value (LTV) ranging between 37%, stable portfolio of rental generating properties located in prime location of the island with consistent footfalls, stable operation of all the malls with high occupancy levels (at 97% as at 30 June 2022), lease agreements with assured annual rental escalation clause and strong financial position of the reputed lessees including well-known food chains, luxury brands and supermarket outlets. Ascencia has a steady source of income from lease rentals of the retail space with comfortable revenue visibility and enjoys a strong financial and liquidity position with satisfactory debt coverage indicator.

The rating is however constrained by the concentration in the commercial retail sector, tenant concentration risk in the malls, the risk of non-renewal of lease agreement by the tenants, shorter weighted average lease expiry period of 4.1 years as at 30 June 2022, vis-à-vis longer debt maturity profile of around 7-15 years and the risk of competition of a new mall, being constructed in near vicinity to Bagatelle mall.

Rating Sensitivities

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Substantial reduction of total debt with improvement of gearing below 0.5x times
- Ability to maintain high occupancy (above 90%) & footfalls in the malls
- Successful execution of renovation/expansion projects in different properties within the envisaged cost and timelines

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Significantly large debt-funded new acquisitions and renovations not envisaged adversely impacting its cash flow and debt coverage indicators

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

- Fall in occupancy rate (below 90%) and footfalls in the malls
- Delay in receipt of lease rentals and inability to renew lease agreements

Background

Incorporated in June 2007, Ascencia Limited ("**Ascencia**"), a subsidiary of ENL Limited (CARE MAU A Stable) & Rogers, is the largest listed retail property company in Mauritius. Its primary activities include acquisition, investment, and management of prime real estate. Ascencia's portfolio of assets comprises of the largest shopping malls of the island with a total of 134,653 square meters (sqm) shopping space. Ascencia owns and manages three regional malls – **Phoenix Mall** (opened in 1994 but acquired by Ascencia in 2008)**, Riche Terre Mall** (opened in 2003 but acquired by Ascencia in 2008) **and Bo'Valon Mall** (opened in November 2019), three convenience shopping centers **– Kendra** (opened in 2013)**, Les Allées (**opened in 2013) **and So 'Flo** (opened in 2017) and the largest and most visited mall (8 million people annually) of Mauritius – **Bagatelle Mall** (opened in 2011).

Prior to July 2022, Ascencia Limited owned 100% stake in Bagaprop Ltd (owning Bagatelle Mall). The Floreal Commercial Centre Ltd (owning So 'Flo Mall) and in The Beauvallon Shopping Mall Limited (owning Bo'Valon Mall). In July 2022, the three companies have been amalgamated into Ascencia Limited. Ascencia Limited now directly owns all the seven malls.

<u>Assets held under Ascencia Limited</u>

Phoenix Mall (opened in 1994), previously known as Le Continent, is the first shopping mall of Mauritius with a hypermarket. In 2008, it was acquired by Foresite Property through its property fund, Ascencia and was renamed Phoenix Mall. In July 2012, Ascencia invested MUR 700 million to extend the mall by 5,000 sqm and the parking space by 10,000 sqm. The mall generates 30% of its electricity consumption through solar modules. The mall's design is inspired from old colonial houses, and it is home to more than 75 shops, an expansive food-court, separate McDonalds' drive through restaurant, kid's corner, fitness center and the biggest and most renowned hypermarket of the island - Jumbo Score (brand of the French Group Casino). The mall is centrally located in the Plaines Wilhems area, where the majority of the population resides. **Gross lettable area is 29,578 sqm with more than 90% occupancy (inclusive of additional GLA for Metro).**

Riche Terre Mall (opened in 2003) was the first shopping mall set up in the Riche Terre area. In 2008, Foresite Property through its property fund, Ascencia Ltd acquired Riche Terre Mall and the mall was revamped in 2012 so as to stand out amidst competition. Riche Terre Mall is well located about 5km from Port-Louis, and it provides adequate parking facilities, free Wi-Fi and houses a diversified mix of tenants with many international brands as well as local brands. It has over 60 retail shops, a food-court, the well-known hypermarket – Jumbo Score and an outdoor kids' corner. **Gross lettable area is 21,137 sqm with more than 90% occupancy.**

Kendra Mall (opened in 2013) is located in St. Pierre (near Moka). It comprises of a number of shops, food outlets and Winner's Supermarket. The mall organizes events and exhibitions. **Gross lettable area is 5,271 sqm with more than 90% occupancy.**

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Les Allées (opened in 2013) is touted as the best meeting point for students, colleagues, and families due to the proximity of schools, gyms and residential & commercial area in Moka. The Mall is located close to Vivea Business Park, an upcoming office hub (developed by ENL). It features a few restaurants, shops, a pharmacy, beauty salon, wine store, a luxury spa and Jumbo Express supermarket. **The gross lettable area is 2,655 sqm with more than 90% occupancy.**

Bo'Valon Mall (opened in November 2019) is located in Grand Port close to the airport of Mauritius. The mall houses more than 40 diversified shops, a spacious food-court, and King Savers supermarket. The mall boasts a historic and fishing port design taking into consideration the rich maritime history of Grand Port and there has been maximum retention of the surrounding Flora and Fauna so as to preserve its natural beauty. **Gross lettable area of the mall is 10,868 sqm with more than 90% occupancy.**

Assets held through subsidiaries and associates

Bagaprop Limited (incorporated in March 2010), is the holding entity of the **Bagatelle Mall** (opened in September 2011). The anchor tenants of the mall are Intermart hypermarket, Star Cinema, Engen and Woolworths. Bagatelle Mall comprises of over 200 shops hosting the best international luxury and local brands, cinema theatres and number of food outlets. It is the most visited mall of the island. Bagatelle Mall has a dedicated section for home and interior décor with the separate building 'Home & Leisure'. It also features a leisure center with integrated indoor soccer, bowling, and pool tables. There are a number of duty-free shops. Bagatelle Mall offers more than 2,000 free parking lots to customers. **In July 2021, extension phase 1 of the mall including Burger King outlet (10,872 sqm) and Decathlon outlet (3,055 sqm) was completed and opened for commercial use. The new extension features many luxury brands (GAP, GANT, Ralph Lauren, Lacoste, Adidas and Go Sport), additional parking spaces and a food market (42 Street Market) which has gained popularity in a short time. Gross lettable area of the mall is 57,598 sqm with more than 90% occupancy.**

The Floreal Commercial Centre Limited (incorporated in July 2015), is the holding entity of **So 'Flo Mall** (opened in November 2017). It is located in Floreal and is home to some 20 retail stores, a food-court, fitness Centre, 260 parking lots and the anchor tenant, Intermart supermarket. Around 200,000 people visit the Mall on monthly basis. **Gross lettable area of the mall is 7,546 sqm with more than 90% occupancy.**

Management: - Ascencia is a professionally managed company and is governed by 12-member Board of Directors with 2 Executive, 6 Non-Executive and 4 Independent Directors. Mr. Philippe Espitalier-Noel is the Chairman of the board, and Mr. Frédéric Tyack is the Chief Executive Officer of Ascencia since July 2015. He holds a BSc in Accounting and Finance from London School of Economics and is a member of the Institute of Chartered Accountants in England and Wales. He has previously worked for Rogers Group and Plastinax Austral Ltd. He is supported by a team of professionals from Rogers and Company Limited and EnAtt Ltd for managing day-to-day operations of the company.

CREDIT RISK ASSESSMENT

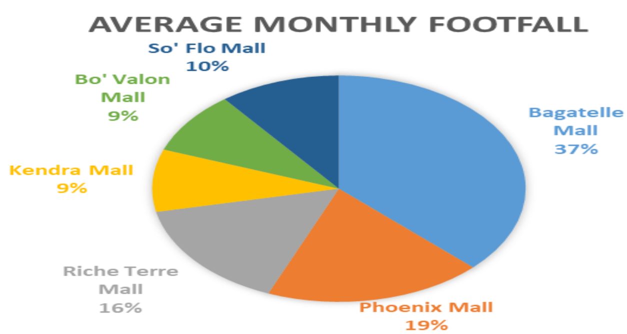
Satisfactory track record of Ascencia group and experienced & resourceful promoters

The parent company - ENL Limited (rated CARE MAU A Stable) holds an effective stake of 61% through two subsidiaries - effective stake of 36.14% via Foresite Property Holding Limited (subsidiary of Rogers) and an effective stake of 24.86% via ENL Property Limited (wholly owned subsidiary of ENL) as of 30 June 2022. The balance is held by Atterbury Mauritius

Consortium (PTY) Ltd (9.41%) and the remaining 29.59% is held various other shareholders including National Pensions Fund and Swan Life. ENL Limited, one of the largest conglomerates in Mauritius with an operational track-record of more than 180 years, has more than 100 operating companies engaged in six major sectors - Agriculture, Real Estate, Fintech, Logistics, Hospitality, Commerce, and Industry. The company is managed by the Noel Family. The major companies of the group are Ascencia, Rogers & Company Ltd, Axess Limited, ENL Property Limited, ENL Agri and Commercial Investment Property Fund Limited. ENL Group also has significant holdings in New Mauritius Hotels, Swan and Eclosia Group. Today, ENL group owns around 23,000 arpents (acres) of land in Moka (Centre of the island and most populated & one of the posh areas of Mauritius), Savannah (South) and Bel Ombre/Case Noyale (South-West). The group grows sugar cane on 15,000 arpent of land and have earmarked about 5% of this area (around 1,000 arpent near Moka) for Smart City (residential, commercial and office) development over next 10 years.

Satisfactory portfolio of rental generating properties in prime location

All seven properties (including Bo'Valon Mall) are located at prime location in Mauritius. Five of the malls under Ascencia are centrally located in Plaines Wilhems and Moka, where majority of the population resides.



1- Average Monthly Footfall for CY20

The average monthly footfall increased by 9% in June 2022 as compared to June 2021 as more people started to visit the malls post easing of restrictions and re-opening of international borders. In June 2022, the malls recorded an average footfall of 1,738,094 (1,586,422 in June 2021) with Bagatelle Mall of Mauritius being the most visited mall (37%) due to its good visibility, access, and presence of luxury brands such as Lacoste, Tommy Hilfiger, and Hugo Boss to name a few. It is located near the residential areas of Quatre Bornes and Moka and close to offices in Ebene and Port Louis. Phoenix Mall was the very first mall featuring a hypermarket that opened to the public in 1994 and it is the second highest footfall generating mall within Ascencia's portfolio. Riche Terre mall is the first shopping complex of the region which has boosted the activities and increased the value of land in Riche Terre. Also, per capita GDP in Mauritius was at USD 8,812 in 2021. Average footfall of the malls is as under:

Average monthly footfall for	June 2021	June 2022	Sept 2022
Footfall in all 6 malls*	1,586,422	1,738,094	1,776,613

**No feet counters at Les Allées*

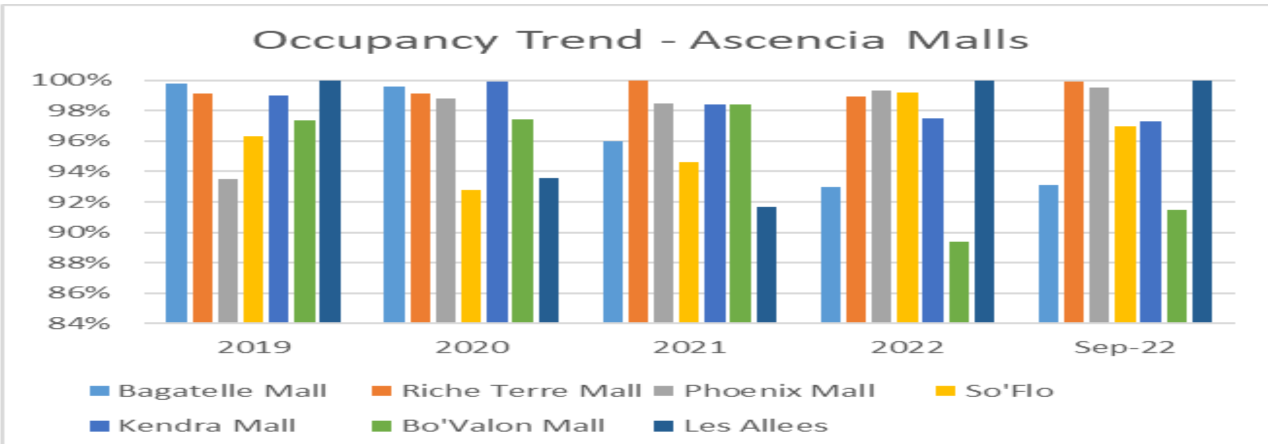
Qualified and Experienced management team

Ascencia's assets are managed by EnAtt (wholly owned subsidiary of ENL group) which employs qualified and experienced professionals having significant experience and expertise in mall development and management. The company specializes in professional property management, and it currently manages 23 shopping centers and buildings in Mauritius and collaborates with over 400 tenants

Rogers & Co Ltd is the fund manager and provides fund management services such as advisory on the acquisition, development and disposal of assets held by Ascencia. It also assists the management of the Company in the strategic decisions and the coordination of financing requirements, including the issue of bonds, renegotiation of existing funding facilities and market fund raising.

Stable operations of the malls with healthy occupancy levels (around 97%)

All the 7 malls have stable occupancy track record of operation over the past four years with high occupancy levels of 97%. In FY19 to FY22, the malls recorded a vacancy level of 2-3%, despite COVID-19 pandemic. In July 2021, the extension project at Bagatelle Mall was completed which was already pre-booked by new luxury international brands and food chains (42 Street Market). The overall occupancy rate for all the malls as of September 2022 has been maintained at 97%. There is a strong demand for space in all the malls of Ascencia, which are Grade A properties. The details of the occupancy levels are provided below:



Reputed lessees – mix of established international and national brands

Ascencia's malls has a total gross lettable area of 134,653 sqm which is occupied by reputed tenants such as leading supermarket chains in Mauritius, established local and international luxury brands and popular restaurant chains. Some of the luxury brands include Tommy Hilfiger, Lacoste, Calvin Klein, Hugo Boss, Mac, Pandora etc. The key client details for the malls are provided below:

Tenant & Property leased	Profile
Courts (Bagatelle, Riche Terre Mall and Phoenix Mall)	Courts is the largest retailers of electrical, furniture, transport, leisure and IT products in Mauritius. The first shop was opened in Bell Village in 1985 and as at date, there are 20 stores in Mauritius and 2 in Rodrigues Island.
The Hive (Kendra Commercial Centre)	The Hive is a multi-site coworking space founded in 2016 that offers a 'workplace' with meeting rooms, private offices and lounge for entrepreneurs, start-up companies and professionals. The Hive now consists of 3 sites.
Winner's (Kendra Commercial Centre)	Winner's supermarket exists since 1994 and is part of the IBL Group, one of the largest Conglomerate of Mauritius. They have 25 stores mostly in rural areas to cater for demand of the inhabitants and now with outlets in urban areas as well.
Bellone Limited (GIFI) Phoenix Mall	GiFi is a famous French discount chain which opened in Mauritius in 2020 with two stores across the island. GiFi has nearly 500 stores mostly in France.
Moving Fitness Club (Riche Terre Mall)	A well-known fitness club in the city.
Vestione – Sodisma Ltd (Riche Terre Mall, So'Flo and Bo'Valon Mall)	VESTIONE is a French clothing brand which was launched in Mauritius in 2018. They provide a wide range of clothing and styles.

Tenant & Property leased	Profile
Intermart (So'Flo Mall, Bagatelle Mall)	Intermart is a well-known hypermarket and supermarket chain in Mauritius which operates in partnership with Intermarché in France. 8 outlets in Mauritius.
Butcher Shop and Grill (Les Allées Helvetia)	Recently opened, Butcher Shop's business activities include butchery and restaurant / steakhouse.
Mokaz	Mokaz is a restaurant – café style which serves continental food with a tropical touch.
Espace Maison (Bo Vallon)	Espace Maison is an established retail distributor of home and gardening products. The company was founded in 2002 and currently has 6 stores.
Somags Ltd (Jumbo Score & Spar – Phoenix Mall & Riche Terre Mall)	Affiliated with Casino Groupe, SOMAGS has 7 stores in Mauritius under the names of Jumbo Score & Spar. The first Spar supermarket was opened in 1993.
361 (Bagatelle, Phoenix, Riche Terre and SoFlo)	361 is a leading chain of electronic and home appliances in Mauritius.
Woolworth (Bagatelle Mall & Phoenix Mall)	Woolworths is an established African retailer of clothing, footwear, accessories, home ware and beauty products.
Orchestra (Bagatelle Mall)	Orchestra is a well-established brand with over 600 stores across the world since 1995. It specializes in clothing, shoes and accessories for newborns and kids till the age of fourteen as well as for to be mothers.
Food Lovers' Market (Bagatelle Mall)	Food Lover's Market is a retailer of high-quality food. It started operations in 1993 in South Africa as a single Fruit & Veg City store and it now has 200 stores.
King Savers (Bo'Valon Mall)	King Savers started operation in 2008 and it is the leading supermarket in the South Region of Mauritius.
Voila Hotel (Bagatelle Mall)	Voila Hotel belongs to the Rogers Group operated by Island Living. It is located at Bagatelle Mall of Mauritius as business style hotel. It targets mainly people coming to Mauritius on business trips.
Engen (Phoenix Mall & Bagatelle Mall)	Engen started operations in 1881 in South Africa specializing in refining and marketing of petroleum, lubricants, chemicals and retail convenience services. Engen is present in 18 countries across Africa and the Indian Ocean with over 1250 service stations. They have 33 filling stations in Mauritius.
Teak World (Baga Home & Leisure)	Teak World is a family-owned furniture business which has been in operation since 2007 supplying the population with high quality Teak Furniture. They have 4 showrooms across the island.
Star Cinema (Bagatelle Mall)	Cinema Hall – Star cinema is the biggest cinema complex with 6 halls in Mauritius.
GiFi	GiFi has over 35 years of experience in France and has over 800 showrooms across the world. It deals with retail of home accessories and gifts.
Galaxy (Bagatelle Mall, Bo'Valon Mall and Kendra Mall)	The Brand House is a leading distributor and retailer of home appliances and consumer electronics in Mauritius. It is a profitable company, making it a strong tenant with strong rent coverage.
Escoffier (Kendra Mall)	Opened in 2018, Escoffier Institute is an international institute providing specialized technical training in hotel, catering and culinary arts including tableware, cheese making, mixology and pastry making.
Fitness Flo (So 'Flo Mall)	A fitness center in So 'Flo with specialized equipment from Italy and UK.
Decathlon	Decathlon is a sports and leisure store in Mauritius which provides sport Equipments and outfits.

Decathlon building, which was completed and opened in May 2021, has been sold during FY22 for MUR 250 million. It is a separate building (A grade large box retail unit) located opposite Bagatelle Mall with its own parking (158 bays). Valuation of Decathlon building (including bulk land), as on 30th June 2021 was MUR 258 million with a total GLA of 3,055 sqm. Decathlon generated a total income of MUR 13 million for Ascencia in FY22 (MUR 4 million in FY21).

***Valuation for all the properties was done by Mills Fitchet on June 30, 2022.**

Mall developed by renowned architects & contractors

So 'Flo and Bagatelle Mall were designed by Architects Studio Ltd. It is a design company founded in 2004 that specializes in sustainable urban and interior design. The Awards won by Architects Studio Ltd in recent years are international property awards in 2012-2013 for La Balise Marina, African Property Awards (Best Office Architecture Africa) in 2014-2015 for ENL House and African Property Awards in 2019-2020 for Legend Hill.

Sticky tenants providing steady source of lease rental income from retail space

All the malls have a diversified set of tenants such as supermarkets, telecom showrooms, fashion outlets, local and international brands, beauty salons & spas, food chains to name a few which entails lower stress on cash flows. Moreover, the malls have been enjoying high occupancy rates for the past years and most of the tenants have been sticky with some being there since inception. The tenants who have been occupying the same lettable area in the Malls for more than 5 years and 3 years are as under:

Mall	**Tenants occupying the property for more than 5 years**
Bagatelle Mall	67% of the GLA
Kendra	52% of the GLA
Phoenix Mall	50% of the GLA
Riche Terre Mall	71% of the GLA
	Tenants occupying the property for more than 3 years
Les Allées Helvetia	68% of the GLA
So 'Flo	74% of the GLA

The malls are also guaranteed a higher rental income each year due to the 5% escalation clause (5% or CPI whichever is higher) on Rental Agreements of the tenant compared to an increase in costs of 3-3.5%. Ascencia also benefits from a small margin on rental recoveries (2-3% of rental recoveries) and for some of the malls, they received a turnover rental of MUR 12.8 million in FY22 (MUR 25 million in FY21). When a new client enters a lease agreement with the mall, they have to provide a maximum upfront deposit of six months lease rental. After operating for more than a decade, Ascencia has established a loyal customer base. In order to maintain the cleanliness and attractiveness of the mall and to keep attracting customers to maintain a strong demand of space in the malls, the company carries out continuous renovation work every year (MUR 10-13 million per annum).

Renewability risk of lease agreements

Most of the tenants have an average of 5-year lease agreements with the malls and have completed multiple rounds of escalations. The malls comprise of reputed tenants both local and international. Ascencia's malls have a great demand for rental space and thus in the event of a tenant leaving, the gap will be easily filled. This apart, as stated earlier, the Percentage of tenants using the same leasable area for more than 5 years is above 50% in case of Bagatelle and Kendra mall and for more than 3 years in case of Helvetia and So 'Flo Mall. Therefore, the renewability risk of lease agreements is low.

Non-recurring capex at the Malls

Ascencia has successfully completed and launched the extension project Phase 2 at Bagatelle Mall which featured replacement of high consumption HVAC (Heating, Ventilation and Air Conditioning) system at Bagatelle Mall with more efficient ones and Intermart extension for a total cost of MUR 270 million. The acquisition of the remaining stake in

Bo'Valon Mall was completed in October 2021 for a total consideration of MUR 296 million and a McDonald outlet was opened in July 2022. Additionally, Ascencia has successfully concluded the sale of Decathlon premises for a consideration of MUR 250 million. The total cost of the projects (completed and ongoing) are as under:

Purpose	**Amount (MUR Million)**	**Status**
Bagatelle Extension Phase 3 (Development of ex-Food Lover's space, welcoming of new brand – VestiOne, bringing Home & Leisure in proximity to the mall by adding a hardware / home decoration shop and extension of Intermart by another 77 sqm)	214	Intermart extension (completed in October 2022) and development of ex-food lover's space and welcoming of new brand – VestiOne
zRevamping of Riche Terre Mall - Upgradation of the Mall façade - Enhancement of the food courts and common areas - Renovation of the shops	200	Project is still at concept phase
Metro station at Phoenix Mall - Grander entrance to link Phoenix Mall Station to Phoenix Mall - Extension of the first floor to provide a lifestyle market and commuter retail, - Park and Ride facilities with 50 parking slots for users of the metro - Cover the existing food court	440	The initial cost of the project was MUR 315 million, however the same was reviewed to improve the scope of the project with the connection to the metro station and bus station in view of the long-term future of the mall. This led to a revised development cost of Mur 440 million. The project has been completed in October 2022.
Total	**854**	

The total cost of the three projects is MUR 854 million which is being financed partly from the bond issue and partly with cash from operations. A total cost of MUR 485 million was incurred till 30th October 2022.

Interest Rate Risk

As at June 30, 2022, Ascencia group had a total debt of MUR 6,357 million. Majority of interest servicing obligation of Ascencia are floating and exposed to revision of repo rate and Prime Lending Rates (PLRs) of SBM Bank (Mauritius) Ltd ("SBM") or The Mauritius Commercial Bank Ltd ("MCB"). The repo rate is fixed by Bank of Mauritius and reset on a quarterly basis. Following the COVID-19 pandemic, the repo rate was reduced to 1.85% in April 2020, with banks' PLRs following suit. In March 2022, the repo rate increased to 2% and to 2.25% in June 2022. A further increase in repo rate was announced in September 2022 bringing it to 3%. In November 2022, the repo rate hiked to 4%. Ascencia can bear higher interest costs as its tenants have a yearly escalation on rental averaging 4.5% (escalation rate varies) or CPI, whichever is higher. Further, the company has adequate coverage for interest servicing (minimum of 3.56 times) for overall interest payments to absorb any adverse movements.

Industry Risk

Shopping malls have gained tremendous popularity during the past years in Mauritius. Mauritius, perceived as a low risk and business-friendly market, attracts a number of international retailers. The per capita grocery retail spend of the island is also the highest in the African continent. As such, there have been significant investments in retail properties with new shopping malls being built every year.

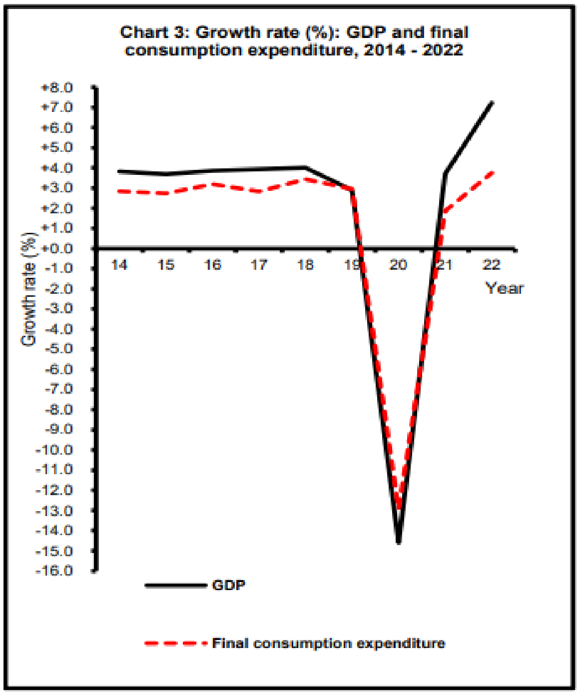


Chart 3: Growth rate (%): GDP and final consumption expenditure, 2014 - 2022

According to the central statistics office of Mauritius, the services sector (including wholesale & retail trade which contributes 12% of the GDP and food & accommodation services contributing 7% of the GDP) accounts to 76% of the total GDP in Mauritius making it the largest sector of the economy. The Gross Domestic Product (GDP) at market prices rose by 3.6% in 2021, after a drop of 14.6% in 2020. The same is forecasted to grow to more than 7.2% in 2022. Since the start of the pandemic, there has been a slowdown in economic activities across the island and worldwide. However, the economy witnessed the revival of many sectors including the tourist industry by the end of 2021. Consumption expenditure is expected to grow by 2.6% in FY22.

Retail Properties

There are over 15 well-known malls in Mauritius out of which 7 malls belong to Ascencia and many other small convenience centres. Ascencia is Mauritius' largest retail property in Mauritius, welcoming over 22 million visitors annually. The years 2020 and half-year 2021 were affected by the pandemic and lockdown. Immediately after the lockdown, malls in general reported a lower physical footfall since all the outlets with exception to grocery stores and pharmacies, were closed. Supermarkets, being anchor tenants in all the shopping malls, faced mass purchases during the pandemic with people stocking up on groceries fearing that there might be shortage on the market. Initially, with the strict social distancing measures and the fear of the virus spreading, fewer people were visiting the malls. Apart from that, travel restrictions, meaning that no tourists are allowed in the island, is also contributing to a fall in retail activities and many big international brands have closed a number of their outlets across the world. Fortunately, the Government came up with relief measures and shopping malls' tenants were giving a grace period until 2021 to pay the rentals due.

Gradually, with full re-opening of borders and easing of restrictions, things have started to normalize. Shopping malls and food courts are full again. Many people have been taking advantage of the big discounts that outlets are offering which is contributing to an increase in revenue for the tenants. Ascencia's overall occupancy rate remained stagnant. Additionally, we can expect that people will prefer to shop locally versus online shopping due to the increased tax on online purchases. Reports show that the consumption has taken a dip in volume but has gained in terms of value.

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Risk of competition
As mentioned above, retail sector attracts many international investors, Ascencia will surely be facing competition with the opening of Tribeca Central (3km from Bagatelle and Phoenix Mall) in December (Phase 1). Tribeca Central will host over 200 shops, bowling arena, cinemas, spa etc. It will be built with the 'Work – Stay – Mall' concept with a business hotel, offices and big parking which is quite similar to Bagatelle Mall of Mauritius. Introduction of new malls will have an impact on rental income since the escalation clause will have to be revised since tenants will have the choice to opt for better lease conditions. Phoenix mall has been ranked as highly favourable for shopping by visitors because of its flexible opening and closing hours. It is one of the few malls in Mauritius that is opened till late on public holidays and Sundays.

Stable financial performance and strong financial position
Ascencia's main source of revenue is rental income from the 7 malls. It also benefits from capital appreciation, rental recoveries, interest income and other operating income such as revenue from exhibitions and marketing. The sustained high overall occupancy levels (around 97%) in the past years have contributed to the stable cash flow of the company.

Consolidated performance in FY22: In FY22, Ascencia achieved a total income of MUR 1,566 million (MUR 1,362 million in FY21), EBITDA of MUR 932 million (MUR 841 million in FY21) and PAT of MUR 566 million excluding fair value gains (MUR 421 million in FY21). Rental income increased from MUR 968 million in FY21 to MUR 1,097 million in FY22. Operating expenses increased by around 20%. A fair value gain of MUR 440 million was recognized in FY22 and Ascencia paid a dividend of MUR 439 million. With a group debt of MUR 6,375 million and a total asset value of MUR 15,408 million, the company reported an LTV of 41%.

Ascencia raised a bond of MUR 1,500 million bond in FY21 and redeemable notes of MUR 4,741 million in FY22 to refinance the existing term loans of MUR 4,435 for Ascencia company and its subsidiaries. Ascencia was able to refinance its term loans at a lower interest rate. Overall gearing in FY22 was 0.68x (0.70x in FY21) and debt to equity remained at 0.68x. Interest coverage for FY22 was 3.56x (3.76x in FY21) and the average cost of borrowings was at 4.11%. Ascencia has a cash balance of MUR 818 million and cash parked with group companies of MUR 434 million.

Servicing of Bond repayment through steady flow of rental income
Total group debt stood at MUR 6,375 million as of 30 June 2022 comprising of bond issues and the redeemable notes. The bonds are repaid out of rentals received from the malls. There is no escrow mechanism in place as Ascencia and its subsidiaries have bank accounts with SBM Bank (Mauritius) Ltd and The Mauritius Commercial Bank Ltd, where they bank the rentals received from tenants and service their respective debt obligations. As confirmed by Ascencia management, deposits from tenants (between 3 to 6 months of rent) are kept in a separate account. As the clients are reputed brands and the majority of the tenants have more than 5 years of track record with Ascencia, the risk of non-payment of rent as per schedule is minimal and the group's track record in debt has been satisfactory, so far.

Prospects
The prospects of Ascencia Limited depends on ability of the company to maintain high occupancy & footfalls in the malls, successfully negotiate price escalation agreements with key clients, timely receipt of rentals from the tenants, impact of COVID-19 on the performance of the tenants and the successful execution of ongoing projects within the envisaged cost and timelines. The rating is sensitive to timely receipt of lease rentals, renewal of the lease agreements well before expiry,

higher than envisaged dividend payouts, investment in debt funded acquisition and higher than projected gearing and Total Debt/EBIDTA.

Financial Performance of Ascencia (Consolidated) *MUR Million*

For the year ended as on	FY20	FY21	FY22
	Audited		
Total Income	1,360	1,362	1,566
EBITDA	858	841	932
Depreciation & Amortisation	9	11	9
Interest	256	224	262
PAT	407	958	1,006
Gross Cash Accruals (GCA)	306	432	574
Dividend paid/proposed	257	312	439
Equity share capital	4,460	4,460	4,460
Tangible networth (TNW)	8,100	8,746	9,314
Total debt	4,681	6,124	6,375
Cash & Bank balances	166	1,072	818
Key Ratios			
EBITDA / Total income (%)	63.14	61.76	59.55
PAT / Total income (%)	29.90	70.36	64.19
ROCE- operating (%)	6.48	5.82	5.85
RONW (%)	5.07	11.37	11.13
Long-term debt to equity	0.57	0.68	0.68
Overall gearing ratio	0.58	0.70	0.68
Interest coverage (times)	3.36	3.76	3.56
Long-term Debt/EBITDA	5.38	7.04	6.82
Total debt/EBITDA	5.45	7.28	6.84

Adjustments

1. Total Income includes revenue from others (Management fees/Interest Income, rental income, etc.)
2. Gross Cash Accruals (GCA) is calculated as PAT + Depreciation + deferred tax + other non-cash expenditure less Fair Value gain/loss.
3. Tangible networth (TNW) is calculated by adding compulsorily convertible preference shares.
4. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networth.

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Details of Instruments

1. Long Term Bond

Instrument	Amount (MUR million)	Repayment (Years)	Amount (MUR million)
Long term Bond	1,500	7	262
		10	538
		15	700

2. Redeemable Notes

Instrument	Amount (MUR million)	Repayment (Years)	Amount (MUR million)
Redeemable Secured Floating Rate Notes	4,760	5	590
		6	590
		7	590
		8	590
		9	590
		11	590
		13	590
		15	630

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.