Ascencia Limited

May 12,2022

CRAF reaffirm ratings of CARE MAU AA- Stable assigned to the bond issue and bank facilities of Ascencia Limited

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,500	CARE MAU AA-; Stable	**Reaffirmed**
Bank facilities	4,760 (enhanced from MUR 4,400)	CARE MAU AA-; Stable	**Reaffirmed**

Rating Rationale

The ratings assigned to credit facilities of Ascencia Limited have been reaffirmed after considering the stable performance & high occupancy of all the malls in FY21 and H1FY22. The rating continues to derives strength from satisfactory track record of Ascencia Group 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 40-50%, 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 31st March 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 after the lock-in period, longer debt maturity profile (around 7-15 years) vis-à-vis the weighted average lease expiry period and the risk of competition from the new malls being constructed in near vicinity to Bagatelle mall.

Rating Sensitivities

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

- Ability to maintain high occupancy & footfalls in the malls
- Timely receipt of lease rentals
- Renewal of the lease agreements well before expiry

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 cash flow and debt coverage indicators
- Fall in occupancy rate and footfalls in the malls
- Delay in receipt of lease rentals and inability to renew lease agreements
- Increase in investment or cash parked in associate companies

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

Update from last rating exercise

As from July 1st, 2022, all the entities holding the malls will be amalgamated with Ascencia Limited. The company has already received all regulatory clearances for same. Ascencia will also be restructuring its existing term loans to reduce the cost of funding and improve the debt maturity profile. The terms loans of Ascencia Limited had a 5-year capital moratorium repayable as from FY22 onwards.

Background

Incorporated in June 2007, Ascencia Limited ("**Ascencia**") is the largest listed retail property company in Mauritius and is a subsidiary of Rogers & Co Ltd. The latter is itself a subsidiary of ENL Limited (CARE MAU A Stable). Its primary activities include the acquisition, investment, and rental of prime real estate. Ascencia's portfolio of assets comprises of the largest shopping malls of the island with a total of 134,057 square meters (sqm) shopping space (as of June 30, 2021). 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 (22 million people annually) of Mauritius – Bagatelle Mall (opened in 2011).

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.

FY20 and FY21 were impacted by the COVID-19 pandemic, national lockdown, and prolonged closure of borders.

Performance in FY21: In FY21, Ascencia group achieved a total rental income of MUR 1,338 million (MUR 1,333 million in FY20), EBITDA of MUR 728 million (MUR 629 million in FY20) and PAT of MUR 421 million excluding fair value gains (MUR 297 million in FY20).

A fair value gain of MUR 537 million was recognized in FY21 and Ascencia paid dividend of MUR 312 million. With a group debt of MUR 6,124 million and a total investment property value of MUR 13,831 million, the group reported an LTV of 44%. The MUR 1,500 million bond was successfully raised in FY21 which increased the overall gearing to 0.7x (0.58x in FY20) and debt to equity to 0.68x (0.57x in FY20). Interest coverage for FY21 was 3.76x times and the average cost of borrowings was at 3.66%. Ascencia has a cash balance of MUR 1,072 million and cash parked with group companies of MUR 453 million.

Performance of Ascencia during the past six months (June 2021 to December 2021): Despite the lockdowns and pandemic, provisions, and discount on rentals, Ascencia reported stable profitability in FY21. The company maintained an average of 97% occupancy in all the malls as of December 31, 2022. There has been no major loss of tenant during the pandemic. Ascencia's overall performance for H1FY22 is in line with projected performance for FY22. The net operational income increased by 6.5% for the period due to the yearly 5% increase in lease, the additional revenue from Bo'Valon Mall following the amalgamation and increase in revenue from Bagatelle extension. Renewal of leases during the period was successful with around 19,640 sqm of GLA was renewed at an average rent reversion rate of 4.6% as of December 2021. The collection was strong at the rate of 112% of billing resulting from the past quarter. The trading density increased to

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MUR 11,290 as of December 2021 compared to Mur 9,085 as of June 2021 and rent to turnover of tenants was at 7.2% as of December 2021 (8.6% as of June 2021).

Given the performance of Ascencia during the first half of FY22, the management has stated that they are confident of achieving the targeted figures for the year.

[Madam Aruna Radhakeesoon did not participate in the Rating Committee discussion of this case because of her association with Rogers & Co. Ltd, holding significant stake in Ascencia Limited]

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