Ascencia Limited

May 12,2022

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 the 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). The financial performance of Ascencia and its subsidiaries in **FY21** are as under:

Companies [FY21]	Source of revenue – Rental from Malls	Occupancy	Stake (%)	Revenue	EBIDTA	PAT*	GCA	Total debt	TNW	Overall Gearing
				MIUR Million						
Ascencia Limited (Standalone)	Phoenix Mall, Riche Terre Mall, Kendra and Les Allées d 'Helvetia	99% 100% 98% 92%	100%	565	274	131*	211	3,555	5,888	0.60
Subsidiaries										
Bagaprop Limited	Bagatelle Mall and Voila Hotel	96%	100%	715	381	237*	244	2,323	5,532	0.42
Floreal Commercial Centre Limited	So 'Flo Mall	95%	100%	82	41	21*	21	345	630	0.55
The Beauvallon Shopping Mall Ltd	Bo'Valon Mall	98%	50%	118	60	30*	30	434	335	1.29

**PAT excludes FV gains*

Assets held under Ascencia Limited

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 Ascencia and was renamed as Phoenix Mall. 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. The mall is centrally located in the Plaines Wilhems area, where majority of the population resides. **Gross lettable area is 27,548 sqm with 99% occupancy as of June 2021.**

Riche Terre Mall (opened in 2003) was the first shopping mall set up in the Riche Terre area. In 2008, 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 21,433 sqm with 100% occupancy as of June 2021.**

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 5,284 sqm with 98% occupancy as of June 2021.**

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 Property). It features a few restaurants, shops, pharmacy, beauty salon, wine store, a luxury spa and Jumbo Express supermarket. **Gross lettable area is 2,655 sqm with 92% occupancy as of June 2021.**

Ascencia holds 100% stake in **The Beau Valon Shopping Mall Limited** which is the holding entity of Bo'Valon Mall (opened in November 2019). It 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.

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 March -July 21, extension of the mall including Burger King outlet (5,350 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 which has gained popularity in a short time**.** **Gross lettable area of the mall is 55,968 sqm with 96% occupancy as of June 2021.**

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 center, 260 parking lots and the anchor tenant, Intermart supermarket. **Gross lettable area of the mall is 7,546 sqm with 95% occupancy as of June 2021.**

Management: - Ascencia is a professionally managed company and is managed by 12-member Board of Directors namely 2 Executive, 5 Non-Executive and 5 Independent Directors. Mr. Philippe Espitalier-Noël 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 for managing day to day operations of the company.

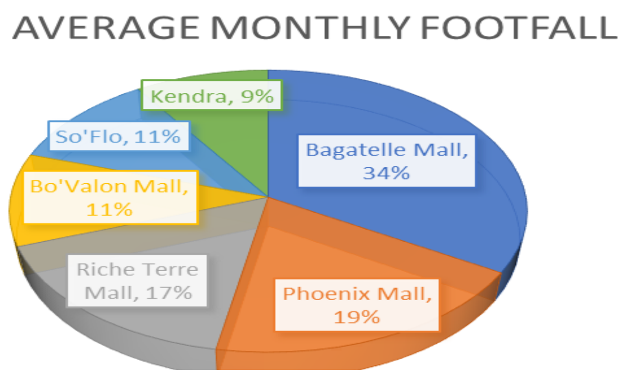
CREDIT RISK ASSESSMENT

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 46.4% through two subsidiaries - effective stake of 21.57% via Foresite Property Holding Limited (subsidiary of Rogers) and an effective stake of 24.86% via ENL Property Limited (wholly owned subsidiary of ENL). The balance is held by Atterbury Mauritius Consortium (PTY) Ltd (10.05%) and various other shareholders such as 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 major companies of the group are Ascencia, Rogers & Co, Axess, ENL Property, ENL Agri, Moka Smart City and Commercial Investment Property Fund Limited (CARE MAU A- (SO)). 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 for Smart City 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 footfall decreased by 9% in FY21 as compared to FY20 due to the 2.5 months lockdown in Mauritius and restrictions imposed following the COVID-19 pandemic however trading density was higher. In FY20 and FY21, the malls recorded an average monthly footfall of 1,752,928 and 1,586,422 respectively with Bagatelle Mall of Mauritius being the most visited mall 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. There is no other mall in its catchment area. Average monthly footfall of the malls is as under:

	FY19	FY20	FY21
Average monthly footfall in all 6 malls	1,878,292	1,752,928	1,586,422

**Average monthly footfall excludes footfall for Les Allées.*

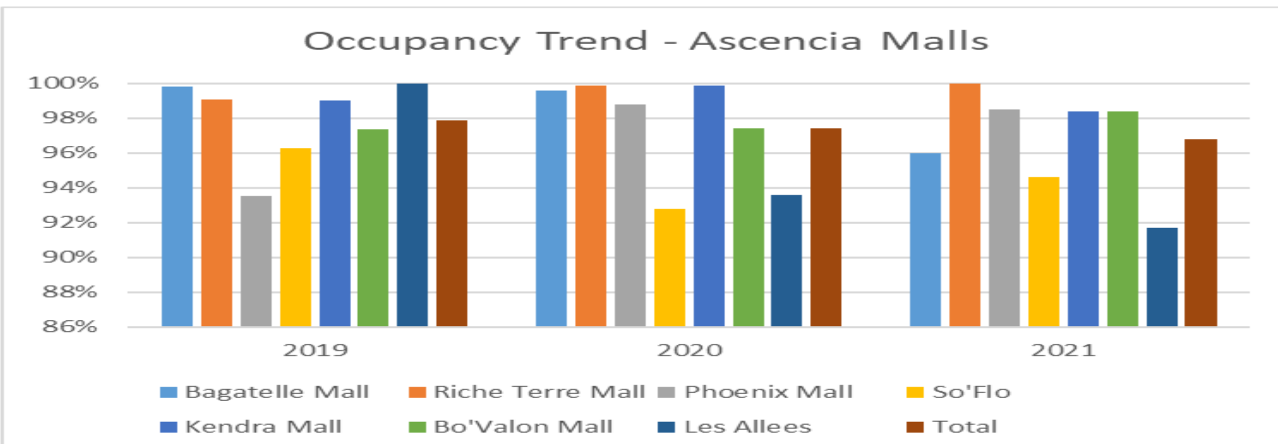
Qualified and Experienced management team

Ascencia's assets are managed by a team of experienced professionals. EnAtt Ltd is the property and asset manager and it 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 8 shopping centers and buildings in Mauritius and collaborates with over 500 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 three years with high occupancy levels of around 97%. In FY20 to FY21, the malls recorded a vacancy level of 2-3%, despite COVID-19 pandemic. Bo'Valon Mall was opened in Nov 19. In July 2021, the extension project at Bagatelle Mall was completed and is presently housing several local entrepreneurs and international brands such as Decathlon and Burgers' King. 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 134,057 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 (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 22 stores in Mauritius and 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.

Tenant & Property leased	Profile
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 across the island.
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.
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.
Sygeco Limited (Les Allées Helvetia)	Sygeco provides management services to syndicated residential, commercial and office properties. It is part of the ENL Group.
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.
Sofen Limited (Phoenix Mall)	Koala Happy Island is an indoor playground designated for kids.
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.
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.
FootFive Mauritius (Bagatelle Mall – Home & Leisure)	FootFive Mauritius is the destination for football lovers with the first indoor football center in the island. It provides a fun and friendly environment with lounge services. It was launched in partnership with ENL Property.
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.
Go Sport (Bagatelle Mall & Phoenix Mall)	Go Sport is a French brand who deals in retail of sporting goods in more than 400 stores and 40 franchise 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.
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.
Emtel (CARE MAU AA- Stable) (Bagatelle Mall, Riche Terre Mall, Phoenix Mall, Kendra Mall and Les Allées)	Emtel is owned by the Currimjee Group in partnership with Bharti Airtel Limited, India's leading provider with operations in 20 countries across Asia and Africa. Emtel is the second largest telecom service provider after MyT in the country with its 22 showrooms.
Teak World (Baga Home & Leisure)	Teak World is a family-owned furniture business (4 showrooms in Mauritius) which has been in operation since 2007 supplying the population with high quality Teak Furniture.
Star Cinema (Bagatelle Mall)	Cinema Hall – Star cinema is the biggest cinema complex with 6 halls in Mauritius.
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.

Snapshot of the Properties as on June 30, 2021: -

Owner	**Ascencia Ltd**							
Company	**Bagaprop**	**FCCL**	**Ascencia Ltd**				**Bo'Valon (50%)**	
Property	**Bagatelle Mall (excl. Decathlon) #**	**So 'Flo**	**Riche Terre Mall**	**Phoenix Mall**	**Kendra**	**Les Allées Helvetia**	**Bo'Valon**	**Total**
Location	Moka	Floreal	Riche Terre	Phoenix	St Pierre	Moka	Mahebourg	
Gross Lettable Area in sqm	55,968	7,546	21,433	27,548	5,284	2,655	10,568	**131,002**
Valuation (Mur Million) June 21*	8,072	590	1,516	2,578	535	177	845	**14,312**
Type	Retail + Hotel	Retail	Retail	Retail	Retail	Retail	Retail	
Key Lessees & % Area Occupied	**Voila (12%) Intermart (9%) Star Cinema (8%) Woolworth (5%)**	**Intermart (31%) Sodisma Ltd (10%) Fitness Flo (8%)**	**Jumbo (52%) Courts (10%) Moving Gym (6%)**	**Jumbo (35%) Bellone (7%) Courts (7%) Engen (4%)**	**Winners (37%) The Hive (5%) 361 (5%) Galaxy (4%)**	**Spar (53%) Sygeco Limited (8%) Mokaz (6%)**	**King Savers (35%) Espace Maison (23%) Vestione (7%)**	
Occupancy: June 2021 June 2020	96% 100%	95% 93%	100% 99%	99% 99%	98% 100%	92% 94%	98% 97%	**97% 97%**
Total annual income from property (FY21)	691	82	565				115	**1,453**
Total annual income from property (FY20)	714	82	537				74	**1,407**
Weighted Lease Expiry (years) June 2021 June 2020	2.4 3.0	3.4 4.3	5.5 6.3	5.0 5.2	2.2 2.4	1.3 2.1	5.5 6.5	**3.9 4.3**

#Decathlon building (GLA of 3,055 sqm) was completed and opened in May 2021. It is a separate building (A grade large box retail unit) located opposite Bagatelle Mall with its own parking (158 bays). Decathlon (the sole tenant – occupancy rate is 100%) has signed a 10-year triple net lease agreement with Bagaprop Ltd (escalation rate of 5% annually). It is expected to generate a total annual income of MUR 18 million per annum.

LTV was 44% and Net LTV of 36% as on June 30, 2021.

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 supermarket, 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	65% of the GLA
Kendra	52% of the GLA
Phoenix Mall	73% of the GLA
Riche Terre Mall	88% of the GLA
	Tenants occupying the property for more than 3 years
Les Allées Helvetia	60% of the GLA
So 'Flo	45% 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 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 receive a turnover rental – despite disruption due to COVID-19 pandemic. When a new client enters a lease agreement with the mall, they have to provide an upfront deposit.

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 Group carries out continuous renovation work every year.

Renewability risk of license contracts

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 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 license contracts is low. 25% of the tenants in Bagatelle have renewed their contract (expiring in 2021) for 5 years.

Ongoing projects at the Malls

Ascencia has completed and launched the extension project at Bagatelle Mall in July 2021, whilst Decathlon, next to Bagatelle was launched in May 2021. The Bagatelle extension project features a new visitor's entrance, new outlets, additional parking facilities and a new eating area spread out on GLA of 5,350 sqm.

The total cost of the project (completed and ongoing) is as under:

Purpose	Amount (MUR Million)	Status
Bagatelle Extension (incl. Burger King outlet) – Fully booked and lease signed with prospective tenants for 5-10 years	650	Completed in July 2021
Bagatelle Extension 2.0 and other CAPEX	300	To be operational by October 2022
Decathlon (lease agreement signed for 10 years)	250	Completed and launched in May 2021
Metro station at Phoenix Mall	315	To be operational in 2022
Bo'Valon Mall acquisition	300	Completed in December 2021
Total	**1,815**	
Funding pattern for the project		
Bond issue	**1,500**	
Internal Accruals	**315**	

Total cost of the projects is Mur 1,815 million which is being financed partly from the bond issue and partly with cash from operations.

Bagatelle Mall extension and opening of Burger King outlet – The extension phase of Bagatelle Mall was completed by August 2021. Brands such as GAP, Ralph Lauren, Adidas, GANT, Go Sport have rented space. Majority of the tenants have signed lease rental agreement for 5 years with an escalation clause of 5% p.a or CPI whichever is higher. Burger King has successfully opened its first outlet in Mauritius in the Bagatelle Mall.

Decathlon was completed and opened in May 2021. It is a separate building (A grade large box retail unit) located opposite Bagatelle Mall with its own parking (158 bays). Decathlon has signed a 10-year triple net lease agreement with Bagaprop. Total cost of the project was around MUR 250 million (fully paid).

Acquisition of the Bo'Valon Mall –Ascencia holds 50% stake in Bo'Valon Mall. Ascencia had plans to acquire remaining 50% stake of the mall by December 2021 at an estimated cost of around MUR 300 million.

Renovation of access at Phoenix Mall –Ascencia has signed an agreement with Metro Express Ltd for the development of a Metro station and new bus station at Phoenix Mall for MUR 315 million. **Bagatelle Extension 2.0 and other CAPEX –** A total cost of around MUR 300 million has been estimated to carry out further extension work and upgradation of mall (setting up high voltage air conditioning, biogas, and sewerage) at Bagatelle Mall.

Interest Rate Risk

As at June 30, 2021, Ascencia group had MUR 4,435 million of term loans outstanding (accounting for 72% of total debt of MUR 6,125 million), all of which bear interest rates linked to the Prime Lending Rate (PLR) of either SBM Bank (Mauritius) Ltd ("SBM") or The Mauritius Commercial Bank Ltd ("MCB") which are in turn linked to repo rate which is fixed by Bank of Mauritius and reset on a quarterly basis. Part of the MUR 1,500 million bond issue of the company is also repo-linked. Accordingly, majority of interest servicing obligation of Ascencia is floating and dependent on revision of repo rate and PLRs of MCB and SBM.

Following the COVID-19 pandemic, the repo rate was reduced to 1.85% in July 2020, with banks' PLRs following suit. The repo rate was maintained at 1.85% during the last meeting in August 2021. Repo rate: https://www.bom.mu/repo-rate). Hence, Ascencia benefitted from a corresponding drop in interest costs of its floating rate debt. Given the current economic scenario rate hikes remain unlikely in the short term. However, there might be rate hikes in the long run - maybe 200 bps over a period of 4-5 years. Ascencia can bear higher interest costs as its tenants have a yearly escalation on rental averaging 5% (escalation rate varies) or CPI, whichever is higher. Further, the company has adequate coverage for interest servicing (minimum of 3.78 times) for overall interest payments to absorb any adverse movements.

(Subsidiary of CARE Ratings Ltd.)
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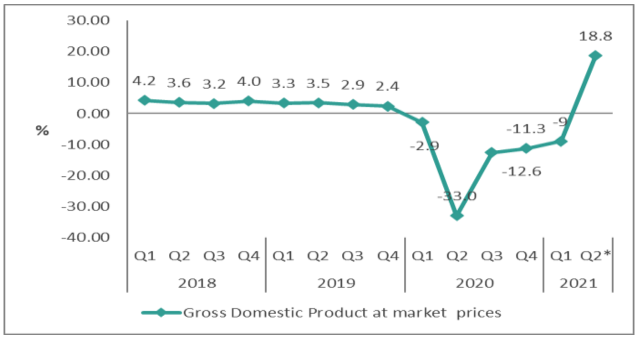
Industry Risk

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.

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. Since the start of the pandemic, there has been a slowdown in the economic activities across the island and worldwide. However, the economy picked up to 18.8% in the second quarter of 2021 as compared to 2020 (decrease of 33% in Q2 2020) with the wholesale and retail trade sector increasing from 1.9% in Q1 2021 to 24.9% in Q2 2021 (-24.1% in Q2 2020).



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 restriction 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 of Mauritius came up with relief measures and shopping malls' tenants were giving a grace period until 2021 to pay the rentals due.

Gradually, with the 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. The major projects such as Bagatelle Extension and Decathlon have been successfully completed to cater the growing demand for rental space and Bagatelle Extension is close to 100% occupancy. Additionally, we can expect that people will prefer to shop locally versus online shopping due to the increased tax on online purchases. Despite the pandemic, we have seen that malls have performed well. Reports show that the consumption has taken a dip in volume but has gained in terms of value.

Risk of competition

As mentioned, retail sector attracts many international investors, Ascencia will be facing competition in the upcoming years. Hermes Properties has already started the work at Tribeca Central (3km from Bagatelle and Phoenix Mall) with a new mall featuring over 200 shops, bowling arena, cinemas, spa etc. Some other potential competitors projects include Beau Plan, Lolo St Paul, and the other smart cities. Introduction of new malls may 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.

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 13,831million, 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 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.

Servicing of Bond repayment through steady flow of rental income

Total group debt stood at MUR 6,124 million as of 30 June 2021 comprising of bond issues and term loans. The loan and bond 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 term loans. As confirmed by Ascencia management, deposits from tenants (on average around 6 months of rent) are kept in a separate account.

As the clients are reputed brands and majority of the tenants has more than 5 years of track record with Ascencia, risk of non-payment of rent as per schedule is minimal and the group's track record in servicing these loans 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	FY19	FY20	FY21	H1FY21	H1FY22
	12M (Audited)			6M (unaudited)	
Total Income	1,429	1,360	1,362	690	747
EBITDA	908	858	841	417	434
Interest	278	256	224	100	133
PBT	1,061	491	1,049	326	303
PAT	964	407	958	275	257
Gross Cash Accruals (GCA)	576	306	432	N/A	N/A
Dividend paid/proposed	395	257	312	N/A	N/A
Equity share capital	4,411	4,460	4,460	4,460	4,460
Tangible networth	7,951	8,100	8,746	8,293	8,805
Total Asset value			**13,998**	**13,253**	**14,879**
Total debt	**4,687**	**4,681**	**6,124**	**5,517**	**6,103**
- Long term debt	4,676	4,619	5,922	5,454	5,772
- Short term debt	11	62	202	62	331
Cash & Bank balances	101	166	1,072	1,304	471
Key Ratios					
EBITDA / Total income	63.57	63.14	61.76	60.33	58.15
PAT / Total income	67.44	29.90	70.36	39.79	34.40
ROCE- operating (%)	7.18	6.48	5.82	3.02	2.83
RONW (%)	12.58	5.07	11.37	3.35	2.93
Long-term debt to equity	0.59	0.57	0.68	0.66	0.66
Overall gearing ratio	**0.59**	**0.58**	**0.70**	**0.67**	**0.69**
Interest coverage (times)	**3.27**	**3.36**	**3.76**	**4.18**	**3.27**
Long-term Debt/EBITDA	5.15	5.38	7.04	13.09	13.28
Total debt/EBITDA	5.16	5.45	7.28	13.24	14.05

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

Details of Bank Facilities

Particulars	Instrument	
Type of Instrument	Notes	
Size of the issue	MUR 4,760 million	
Purpose	To refinance the existing term loans of Bagaprop Ltd, Floreal Commercial Centre Ltd and The Beau Vallon Shopping Mall Ltd.	
Repayment terms & Maturity	**Repayment**	
	Years	**Amount (MUR million)**
	5	590
	6	590
	7	590
	8	590
	9	590
	11	590
	13	590
	15	630
Main Covenants	No dividend payment or other distribution shall be allowed unless all the financial covenants set out below are met: 1. Minimum Interest cover of 2.25x 2. Maximum loan to value (LTV) ratio of 50% 3. Maximum Net Debt to EBITDA of Bx at issuer's consolidated level post amalgamation. Pending amalgamation, a maximum Net Debt to EBITDA of 5x shall apply at Issuer level. **Other Covenants** 1. The Issuer shall supply to the Subscribers on or before the 30th of June of each year, a compliance certificate setting out computations as to compliance with the financial covenants set out above based on the last audited consolidated financial statement of the Issuer 2. In any one year, no additional debt of above MUR 200,000,000 (excluding refinancing) should be availed by the issuer, without the prior written consent of the Subscribers, which shall not be reasonably withheld. 3. For as long as the amalgamation is not completed, Ascencia Ltd, procure that Floreal Commercial Centre Ltd, Bagaprop Ltd and The Beauvallon Shopping Mall Ltd, shall not dispose/pledge any of their assets and incur any additional indebtedness without the prior consent of the Bank 4. Subscribers to be notified in the event of any change in the appointed rating agency, which should be accredited by the Bank of Mauritius or such other regulatory authority as the parties may agree. 5. 1 year before each maturity date, the Issuer to submit forecast financials which should be to the Subscribers' satisfaction.	

Details of Bond Issue

Particulars	Instrument		
Type of Instrument	Long term Bond		
Size of the issue	MUR 1,500 million		
Repayment terms & Maturity	**Repayment**		**Interest Rate**
	Years	**Amount (MUR million)**	
	6	200	4.05% p.a.
	7	272	
	10	262.5	
	15	300	
	15	135	
	15	40.5	
	10	55	
	15	85	

Particulars	Instrument		
	15	150	
Purpose	**Update of various Projects being financed by Bond issue: -** • Bagatelle Extension (incl. Burger King outlet) – Completed at a cost of MUR 650 million. Operational and fully booked and lease signed with prospective tenants for 5-10 years. • Decathlon (lease agreement signed for 10 years) for MUR 250 million - **Completed** • Bagatelle extension and other capex (renovation and extension of the roof, High voltage Air conditioning, biogas, and sewerage project) for MUR 300 million - **Ongoing** • Bo'Valon Mall Acquisition for MUR 300 million - **Ongoing** Projects are funded partly by Bond Issue (MUR 1,500 million) and from Internal Accruals		
Security	The Notes are secured by a first rank floating charge on the assets of the Issuer. To give effect to this First Rank Floating Charge, a pari-passu agreement (the "Pari Passu Agreement") has been entered with The Mauritius Commercial Bank Ltd and SBM Bank (Mauritius) Ltd (together the "Existing Charge Holders"), the Issuer and the Noteholders' Representative.		

[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]

Annexure I

Rating Symbols

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.