

BH Property Investments Limited
14 August 2023

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Term Loan	200 (Reduced from MUR 280 million)	CARE MAU A; Positive [Single A; Outlook: Positive]	Reaffirmed with change in outlook from stable to positive

Ratings Rationale

The rating assigned to the bank facility of BH Property Investments Limited ("BH Property Investments") continue to derive strength from experienced promoters with satisfactory track record in handling rental income generating properties, prime location of the properties, steady demand for Grade A office properties in Ebene, reputed anchor tenant – ABSA Bank with low counterparty risk and strong financials, comfortable occupancy rate of 91% with retention of tenants and lease agreement for ten years which matches the debt repayment tenure. The rating also draws comfort from the moderate cash coverage ratios, reduction in debt and the presence of a Debt Service Reserve Account providing comfort for liquidity.

The rating is, however, constrained by renewal risk of the lease, concentration of revenue from single property, interest rate risk, new office developments coming up in and around Ebene and refinancing risk of the remaining amount in the 10th year of maturity of the debt facility.

Rating Sensitivities***Positive factors that could, individually or collectively, lead to positive rating action/upgrade:***

- Ability to achieve above 95% occupancy and retain ABSA Bank as tenant
- Ability to sign lease agreements with new tenants
- Reduction of debt on a sustainable basis

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

- Non- renewal of lease agreement by ABSA Bank
- Additional debt by BH Property Investments
- Difficulty in filling the vacant space.

BACKGROUND

Incorporated on October 16, 2015, BH Property Investments Limited ("BH Property Investments") is a 100% subsidiary of Lavastone Ltd (rated CARE MAU A-; Stable). BH Property Investments was fully acquired in July 2022 by Lavastone for a total purchase consideration of MUR 207 million from Grit Services Limited. The core activity of BH Property Investments includes renting of investment property (office building). Its portfolio comprises of only one standalone building located in Ebene named ABSA House which was built in the early 2000s. As on July 2023, Absa House has a total gross lettable area (GLA) of 8,268.70 sqm with 91% occupancy generating a rental income of around MUR 44 million annually. Among the most eminent tenants, ABSA Bank (Mauritius) has been occupying space in the building for around 13 years. ABSA House has a Weighted Average Lease Expiry (WALE) of 6.59 years.

Management: BH Property Investments is a professionally managed company, with experienced management. It is governed by a 2-member Board of Directors (Mr. Colin Taylor – non-executive director and Mr. Nicolas Vaudin – executive director). Mr. Colin Taylor is the Chairman of Lavastone, KAML and Taylor Smith Investment – a diversified

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

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group engaged in Marine Services, logistics and distribution, manufacturing, services, and property. Mr. Nicolas Vaudin joined Lavastone in 2017 and has around 15 years of established track record in the Mauritian real estate industry. He is assisted by a team of qualified professionals.

Performance in FY22: BH Property posted a revenue of MUR 45 million in FY22 (MUR 43 million in FY21). Rental income was higher at MUR 44 million compared to MUR 42 million in FY21. EBITDA was at MUR 35 million (MUR 37 million in FY21). In FY22, BH Property posted an exceptional income, shareholders loan written off amounting to MUR 61 million. As a result, there was a significant improvement in PAT from negative MUR 37 million in FY21 to MUR 33 million in FY22. In FY22, the company had an outstanding debt of MUR 306 million (existing loan). Debt to rental for the year was 6.76x times and interest coverage was 1.67x times. Occupancy rate as of July 2023 was 91% and WALE was 6.59 years. The properties were valued at MUR 535 million.

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Disclaimer

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Annexure II

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.

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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.

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