Brief Rationale

CRAF assigns 'Provisional CARE MAU A (SO); Stable' rating to the proposed bond issue of MUR 600 Million of MaxCity Property Fund Limited (MPFL)

Ratings

Instrument	Amount (MUR Million)	Rating
Proposed Bond Issue - Senior Tranche*	600	**Provisional CARE MAU A (SO); Stable [Provisional Single A (Structured Obligation); Outlook: Stable]***

**Bonds (Senior Tranche) are backed by the first charge on the properties to be owned by MPFL valued at MUR 835.30 mn and pari-passu first charge on property owned by MaxCity Ebene Limited @50% i.e. MUR 405.5 mn. Interest payment on the Senior Tranche of Bonds would have first priority on lease rentals received by MPFL.*

The rating is provisional and will be confirmed once MPFL meets the following conditions to the satisfaction of CRAF:

1. Transfer of properties to MPFL as per the details submitted in pitchbook
2. Programme Documentation including Private Placement Memorandum should contain following conditions,
    a. Bond conditions as per pitchbook
    b. MPFL would have pari-passu first charge on the property of MaxCity Ebene Limited (MEL) alongwith other lenders of MEL
    c. The interest payment to Senior Tranche bondholders would get priority over interest payment to Junior Tranche bondholders from lease rentals.
    d. The interest payment would be done before payment of management fees
    e. Covenant of value of property should not fall below 1.5 times of bond value of senior tranche during the bond tenure.
    f. Mode of arrangement of funds for redemption of bonds would be decided in one and half years before the bond maturity date.

Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely debt servicing of the rated Bonds, as per the terms of the transaction and is not a standalone rating of MaxCity Property Fund Limited.

The rating derives strength from lease rentals being generated from properties having prime location, reputed and diversified tenant base, high occupancy ratio & retention rate of tenants in these properties and comfortable coverage ratios. The rating also derives strength from experienced promoters and MPFL being a part of MaxCity group which has an established track record in real estate development in Mauritius.

The rating is constrained by shorter lease tenure compared to bond tenure, project execution risk at MEL which is currently at nascent stage, refinancing risk at time of redemption of bonds and foreign exchange fluctuation risk.

Timely renewal of lease agreements with existing tenants to maintain high occupancy in the existing properties, timely receipt of lease rentals, successful completion of the ongoing construction of 1CyberCity Phase II and leasing of new property as envisaged are the key rating sensitivities. Also, finalization of mode of arrangement of funds for redemption of bonds within stipulated time will be crucial.

Background

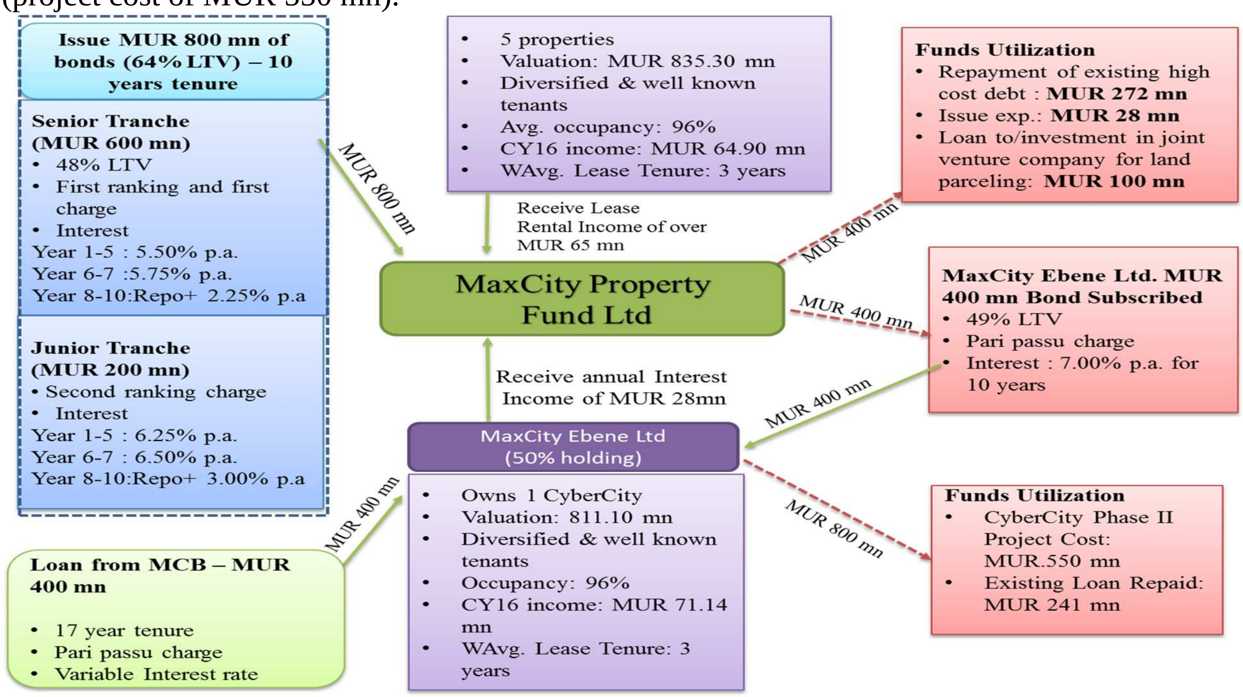
Incorporated on April 5, 2017, MaxCity Property Fund Limited (MPFL) is a wholly owned subsidiary of MaxCity Properties Limited (MPL). It would own five properties with two being Grade-A prime properties and including one operating in a niche segment, designed and built specifically for retail operators in the Home DIY/Housewares sector. These properties are Centre Commercial Emerald Park, One Cathedral Square, Court View Building, Max Tower Building and Max Plaza, Pereybere which are currently owned by various companies under MPL and would be transferred to MPFL as per the terms of the proposed bond issue. Apart from this MPFL would also hold 50% stake in MaxCity Ebene Limited (MEL) which owns 1 CyberCity office building in Ebene which is also Grade –A prime property. Overall, the five properties and 1 CyberCity Building have a gross leasable area of 277,075 square feet.

Transaction Structure

MPFL would issue 10 years bond of MUR 600 mn [Senior Tranche rated **Provisional CARE MAU A (SO) Stable**] and MUR 200 million (Junior Tranche: **unrated**). The bondholders would have first charge on the properties owned by MPFL and pari-passu first charge on properties held by MEL (50%). The lease rentals (net of operating expenses) received from properties would be utilized for interest payment & bond repayments. The interest payment to Senior Tranche bondholders would get priority over interest payment to Junior Tranche bondholders.

<u>Utilisation of Bond proceeds</u>: Out of total bond proceeds of MUR 800 mn, MUR 272 mn would be used to repay existing high cost debt (rate of interest: above 6.5% p.a.) availed in existing properties, MPFL will lend to and/or invest MUR 100 million in a joint venture company for land parcelling, MUR 28 mn towards bond issue expense & other contingencies and balance proceeds of MUR 400 mn would be utilized to subscribe the bond issue of MEL (tenure of 10 years).

MEL would receive MUR 400 mn from MPFL and MUR 400 mn loan from MCB bank to repay its existing debt (rate of interest: 6.5% to 7.0% p.a.) and fund the phase II construction of 1CyberCity (project cost of MUR 550 mn).



Loan to Value (LTV) = Bond value/Property Value