Iconic View Ltd

March 24, 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bank Facilities - Non-Fund based facilities (Garantie Financière Extrinseque D'Achèvement (GFA)	**1,777**	**CARE MAU A+(SO)*; Stable [Single A Plus Structured Obligation; Outlook: Stable]**	**Assigned**
Total	**1,777**		

**The proposed Structure Obligation is for the ring-fencing of cash flow by escrow mechanism and any surplus cashflow can be up streamed to sponsor only with the approval of the bank.*

Rating Rationale

The rating assigned to the Bank Facilities (GFA) of Iconic View Ltd, derives strength from the legal structure under VEFA regulation which ring fences the cash flow by escrow mechanism and any surplus cashflow cannot be utilised for any other real estate development and can be available to developer only with the approval of the bank and zero-salability risk of the project as all units for the Legend Hill project have been fully sold. Further, the rating factors in the strength of the project being backed by GFA from banks guaranteeing the completion of the project to the end-buyers under VEFA regulation, the experienced promoter with over 20 years track record in development of high-end residential real estate in France and Mauritius - mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build model followed for all projects, satisfactory reputation of MJ Developpement Group for quality of construction & completion of most of the projects well within envisaged timelines and strong demand for luxury residentials in Mauritius.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the project in case of any default by the contractor, timely receipt of payment from the customers, environmental risks and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

Rating sensitivities

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

- Timely completion of projects within cost parameters

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

- Delay in construction of the villas within the envisaged rates and timeline
- Any environmental issue that may come up during construction
- Significant increase in construction costs and cancellation of bookings

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

BACKGROUND

Incorporated on January 26th, 2018, Iconic View Ltd is a 100% subsidiary of Alliance Developer Ltd. The latter is held by Alliance Participations SAS (owning 75% stake) and SAMIC Investment Ltd (owning 25% stake). Alliance Participations SAS is a French Company held by SAS MJ Developpement (50%) and Desjoyaux Finance (50%). Iconic View Ltd (Iconic View) is a private limited company and acts as the property developer for the Legend Hill project in Mauritius. SAS MJ Developpement **"MJ Developpement Group" (MJ Developpement)** is a French real estate development company which was established in 2007 by Mr. Michael Ruel and Mr. Jean Etchepareborde. MJ Developpement Group operate several real estate projects in France and Mauritius. The group operates in two areas of expertise namely development & construction and operations & hotel management.

Management: Iconic View Ltd is a professionally managed company and is governed by a 4-member Board of Director. The strategic affairs of the company are looked after by Mr. Jean Etchepareborde (the co-founder of the group and Managing Director). Mr. Jean Etchepareborde holds an MBA from the Instituto Technolgico De Estudios Superiores, Mexico. He has consequently over 16 years of experience in the Real Estate Industry. He is assisted by the Co-Founder and President of the group, Mr. Michael Ruel who has over 20 years of experience in the real estate development and hotel management. Mr. Ruel has studied at Sales and Negotiation at Montpellier Business School. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Financial Guarantee backing from banks under VEFA regulation

As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d'Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank. A GFA is a financial guarantee given by a financial institution such as bank or insurance company to ensure the buyer that the property he bought off plan will be built and delivered even in the event the developer defaults. In other words, the Bank or the Insurance Company guarantees the full completion of the project should, for any reason, the developer fails to do so and is not able to complete construction.

Banks provide GFA only when the developer has achieved breakeven of the project cost and after analysing past track record of the promoter and group's popularity among the international clients. As per the GFA regulations, GFA providing Bank will create a Designated Account, where in the sale proceeds from that development phase will be deposited in that Designated Account. Bank will monitor the expenses and will release the payments in line with the expenses schedule submitted by the developer and on receipt of bills from the contractors. If the bank is not satisfied with the progress of work, they will not release any payment. If the development is also not in line with the plan committed by the developer, the bank will step in, take charge of the project, complete the project, and then hand over the same to the buyer.

Performance of Iconic View

In FY20, the company posted a revenue of MUR 130 million and negative EBITDA and PAT of MUR 97 million and MUR 126 million respectively. EBITDA was negative in FY20 due to one off expenses of MUR 115 million incurred during the year for land transfer tax and government fees. As sales were secured and construction progressed, the company posted higher revenue in FY21 (MUR 349 million) and FY22 (MUR 753 million). EBITDA was positive in both years. The company achieved PAT of MUR 71 million in FY22 (MUR 61 million in FY20).

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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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".

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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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.