

**Brief Rationale**  
**Mara Delta Property Holdings Limited**

**Ratings**

<b>Facility/Instrument</b>	<b>Amount (MUR Million)</b>	<b>Rating Action</b>
Proposed Short term Bond Issue	Euro 10.0 Million (Mur 380.40 Million)**	<b>CARE MAU A2</b> <b>[A TWO]</b>
<b>Total</b>	<b>Euro 10.0 Million (Ten Million)</b> <b>(Mur 380.40 Million)**</b> <b>(Three hundred eighty million and four hundred thousand)</b>	

\*\*1Euro = 38.40 MUR as on Feb 3, 2017

**Rating Rationale**

The rating derives strength from experienced management, ability to raise capital, strong property portfolio with properties located in prime locations, high occupancy levels in majority of the properties, lease agreements with high quality tenants in office, retail and the hospitality sectors, lease maturity covering tenure of bond repayment, USD indexed rentals, loan to value (LTV) of all properties (around 50%) in line with the company's financing pattern, currency risk mitigated through natural hedging and comfortable debt coverage indicators.

The rating is, however, constrained by refinancing risk, liquidity risk due to the company's aggressive dividend distribution policy, pending financial closure (both equity & debt) for its ongoing acquisition plan, dip in occupancy along with pending receivables from Anfa Mall due to the current redevelopment project, high gearing at group level and the company's exposure to country and political risk by virtue of owning properties in different countries across Africa; albeit that the company has taken PRI cover in both Mozambique and Morocco.

The key rating sensitivities are ability to raise fund as planned (debt: equity in the ratio of 1:1) and complete ongoing acquisitions successfully within budgeted cost, maintain current LTV, refinance debt successfully on maturity, timely receipt of lease rentals and maintain occupancy and profitability in the properties.

**Analytical Approach:** (Standalone) - Mara Delta is an investment holding company whose majority of assets are in the form of long-term real estate investments through its subsidiaries. It does not have any trading operations of its own and its income is primarily in the form of dividends and interest on its investment portfolio. The debt raised by it is primarily on the back of security of the value of investments held by it and is used for onward investment into group companies. CRAF analyses such companies on a standalone basis. The analysis also looks in to the quality of Mara Delta's investment portfolio, loan to market value of investments, liquidity and cash flow adequacy.

**CARE Ratings (Africa) Private Limited**

Registered Office: 1<sup>st</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

## **BACKGROUND**

Mara Delta Property Holdings Limited (“Mara Delta”) was initially incorporated in Bermuda in May 2012 as Delta International Property Holdings Limited. In July 2014, the company purchased 2 properties, namely Anfa Place Shopping Centre in Morocco and Anadarko Building in Mozambique. In May 2016, the company was renamed to Mara Delta Property Holdings Limited following investment by Pivotal group. Mara Delta has dual primary listings on the Stock Exchange of Mauritius and the Johannesburg Stock Exchange.

Mara Delta is a Pan-African income fund focusing on African real estate assets (excluding South Africa), underpinned by predominantly US dollar and Euro denominated medium to long term leases with high quality tenants delivering strong sustainable income. The company’s focus is to acquire and manage income-generating commercial properties in office, retail, light industrial, corporate accommodation and hospitality sectors across Africa (excl. South Africa) through various subsidiaries. As at December 31, 2016, the major shareholders of Mara Delta are Delta Africa Property Fund Limited, South Africa Govt. pension funds (Govt Employees pension fund and Eskom Pension Fund), The Pivotal Fund Ltd, Stanlib, Anchor Capital and Grindrod.

Mr. Sandile Nomvete (Chairman of Mara Delta) is the founder and CEO of Delta Property Fund Limited and has more than 12 years of experience in the property sector with a specific focus on property ownership. Ms. Bronwyn Anne Corbett, who previously served as the Chief Operating Officer for Delta, has been appointed CEO. She has more than 10 year of experience in the property sector with a specific focus on property ownership. The strategic affairs are looked after by Ms. Bronwyn Corbett (CEO), Mr. Leon Moortele (CFO) and team of experienced professionals.

In FY16 (July 2015 – June 2016), Mara Delta, on a standalone basis, posted a PAT of USD 16 million (including non-operational income of USD 15.2 million pertaining to fair value adjustment on investment in subsidiary) on a total operating income of USD 4.4 million. Interest coverage was 1.84 times. Overall gearing was 0.11 as on June 30, 2016. At the consolidated level, Mara Delta posted a PAT of USD 2.0 million on a total operating income of USD 32.9 million. Interest coverage was 2.15 times. Overall gearing was 1.07 as on June 30, 2016. Average fund based utilization during last 12 months (Nov 2015-Oct 2016) was 68% for its overdraft facility.

### **Disclaimer**

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In case of partnership/proprietary concerns, the rating/outlook assigned by CRAF is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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**Annexure**

**Issue details**

<b>Nature of Instrument</b>	Short Term Bond
<b>Issuer</b>	Mara Delta Property Holdings Limited
<b>Arranger</b>	AfrAsia Bank Ltd.
<b>Issue Amount</b>	Euro 10 million
<b>Currency</b>	Euro
<b>Interest Rate (indicative)</b>	2% p.a.
<b>Purpose of the issue</b>	The proceeds from the issue will be used to reduce overdraft facility (5.76%) with AfrAsia Bank.
<b>Upfront Fee</b>	1%
<b>Tenor</b>	364 days (less than 1 year)
<b>Interest Payment Date</b>	Semi-annually in arrears Interest repayment to be fixed for a period of 7 days
<b>Principal payment date</b>	364 days from Issue of Bond. Principle repayment to be fixed for a period of 7 days
<b>Security</b>	Floating charge on the assets of the properties

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**Rating Symbols**  
**Short term Instruments**

<b>Symbols</b>	<b>Rating Definition</b>
<b>CARE MAU A1</b>	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
<b>CARE MAU A2</b>	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
<b>CARE MAU A3</b>	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
<b>CARE MAU A4</b>	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
<b>CARE MAU D</b>	Instruments with this rating are in default or expected to be in default on maturity.

*Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.*