Brief Rationale

CRAF reaffirms rating assigned to the Bond issues of MaxCity Property Fund Ltd (''MPFL'')

Ratings

Facilities	Volume (MUR Million)	Rating	Agenda Type
Bond issue – long term	1,000 (Enhanced from 800)	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Review with enhancement
Bond issue – long term	300	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Review
Bond Issue *	USD 11.1 million (MUR 472 million@)	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Surveillance

** Total bond issue size was USD 26.1 million; however, rating is assigned to USD 11.1 million only. All the Bond Issues are backed by the first charge on the six leased properties. @1USD=MUR42.5*

Rating Rationale

The rating involves pooling of six commercial properties under MPFL which has issued MUR 1,200 million of multicurrency bond (USD 26.1 million and MUR 300 million repayable in 5th and 7th year from the date of issue in August 2019) and MUR 1,000 million of bonds (repayable in 3rd, 5th, 7th, and 9th year from date of issue in May 2021). MPFL is/will be servicing the bondholders through the receipt of lease rentals (in a designated escrow account) from its six properties (including 1 Cybercity) having proven track record of lease rentals.

The ratings continue to derive strength from lease rentals being generated from properties at prime location, with reputed and diversified tenant base, continued high occupancy ratio & retention rate of tenants in these properties and comfortable coverage ratios. The ratings also derive 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 occupancy rate of all the properties together was at 87% in September 2021, with occupancy rate of Phase 2 of 1 CyberCity (operational from July 2018) being 84% in September 2021.

The ratings are constrained by shorter lease tenure compared to bond tenure, vacancy in the buildings, worsening of the global situation from the pandemic affecting collection of rentals, market risk, level of debt in the company, refinancing risk at time of redemption of bonds and foreign exchange fluctuation risk.

Rating Sensitivities:

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

- Timely renewal of lease rentals
- Ability to maintain high occupancy rate in all the properties
- Potential impact of the proposed rental yielding acquisition

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

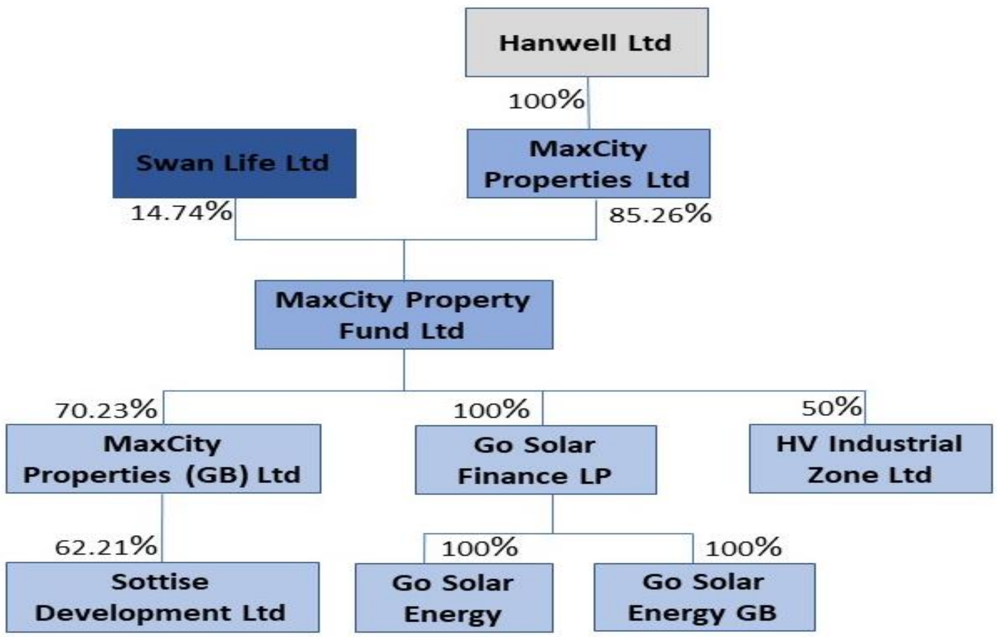
- Inability of the company to retain its tenant thus witnessing a drop in occupancy which will hinder rental income
- Additional debt raised by MPFL

Background

MaxCity Property Fund Limited (MPFL) was incorporated in April 2017 by the Maxime Fon Sing Family. MPFL was wholly owned by the Maxime Fon Sing Family until December 2020 when Swan Limited made an equity infusion of MUR 250 million in MPFL, post which Swan Limited holds 14.74% stake in MPFL.

Till FY20, MPFL was holding 100% stake in MaxCity Properties GB Ltd who in turn was holding 26.41% stake in Sottise Development Ltd - SDL (holding La Croisette mall at Grand Baie). MPFL utilized the above equity injection and has diluted its stake in MaxCity Properties GB Ltd to increase stake in Sottise Development Ltd.

MaxCity Property Fund Ltd currently holds 70.2% of the shareholding of MaxCity Properties GB Ltd and MPFL's effective stake in SDL has increased from 26.41% to 43.69%. The group structure is as below:



MPFL owns six properties, with a total leasable area of 440,019 sq. ft, as under:

- 2 Grade-A prime commercial properties - 1 CyberCity Ebene and One Cathedral Square, Port Louis
- 1 operating in a niche segment – Centre Commercial Emerald Park which is designed and built specifically for retail operators in the Home DIY/Housewares sector. It also holds some offices.
- 3 commercial properties - Court View Building, Max Tower Building and Max Plaza.

The company utilizes the rent received from these properties for debt servicing and cash build up for repayment of the Bonds.

As per Audited Annual Report FY20 (January - December 31), Total income of MPFL is MUR 277.4 million with a PBT of MUR 99.3 million. The occupancy ratio is 87%.

Cash Interest coverage for repayment of the Bond issues is expected to remain comfortable for the projected period i.e., between 2.93-16.95x times reflecting the ability to absorb non-receipt of some of the lease rentals due to delay in renewal of lease post expiry. Interest is paid prior to payment of management fees.

In FY19, MPFL has raised part of the debt through USD Bond issue (USD 26.1 million i.e., around MUR 960 million). Following the appreciation of USD in FY20, there was a foreign exchange loss in FY20 due to part of debt being in USD. USD has appreciated further in FY21, leading to further forex losses. However, both these losses are notional in nature. This is because, approximately 41% of lease rentals of 1 CyberCity Ebene (Phase I & II) **- MUR 88 million** are in USD, which acts as natural hedging.

MPFL has an overdraft facility of MUR 100 million from MCB Bank, which the company has not utilized during last 4 years given its excess cash balance. 41% of lease rentals of MPFL - MUR 88 million (i.e., USD 2.5 million annually) are USD denominated. MPFL have judiciously utilized the same for paying USD interest. The balance amount is being maintained in USD Account for repayment of USD 11.1 million in July 24. As on December 31, 2020, MPFL has USD balance of USD 7 million.

Given the company's steady rental stream and fixed USD rental inflow, MPFL's management has stated that while they will be able to repay USD 11.1 million. USD 15 million Bond will be refinanced before maturity.

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.