Brief Rationale

CRAF confirms 'CARE MAU A (SO); Stable' rating to the Senior Tranche of the bond issue of Mur 600 Million of MaxCity Property Fund Limited ("MPFL")

Ratings

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

**Bond issue (Senior Tranche) is backed by the first charge on the leased properties of MaxCity Property Fund Ltd ("MPFL") and pari-passu first charge on the 50% share held by MPFL in MaxCity Ebene Limited ("MEL"). Interest payment on Senior Tranche of Bonds has first priority on lease rentals received by MPFL.*

@ CARE Ratings Africa has confirmed the earlier 'provisional' rating assigned to the bond issue of MPFL upon fulfilment of the various conditions laid down for it.

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 ("MPFL").

The structure involves pooling of various commercial properties under MPFL which has issued 10 years bond (May 2017) of Mur 800 million (including Mur 600 million of senior tranche and Mur 200 million of junior tranche) whereby the proceeds were utilized for repayment of its existing high cost debt (Mur 270 million), investment in development of properties in a separate joint venture SPV (Mur 100 million) and subscription to bonds of Mur 400 million issued by Maxcity Ebene Limited ("MEL2; 50% holding of MPFL). MEL in turn utilised the proceeds for full repayment of its existing loan (Mur 307 million - having higher interest rate) and balance towards part project funding. MPFL is servicing the bondholders through the receipt of interest income from MEL and lease rentals from its five properties having proven track record of lease rentals. MEL has one property (1 Cybercity) which is almost fully occupied whose lease rentals are being utilized for debt servicing.

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, risk associated with completion of the project in MEL and successful leasing of the new property as envisaged, 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, 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.

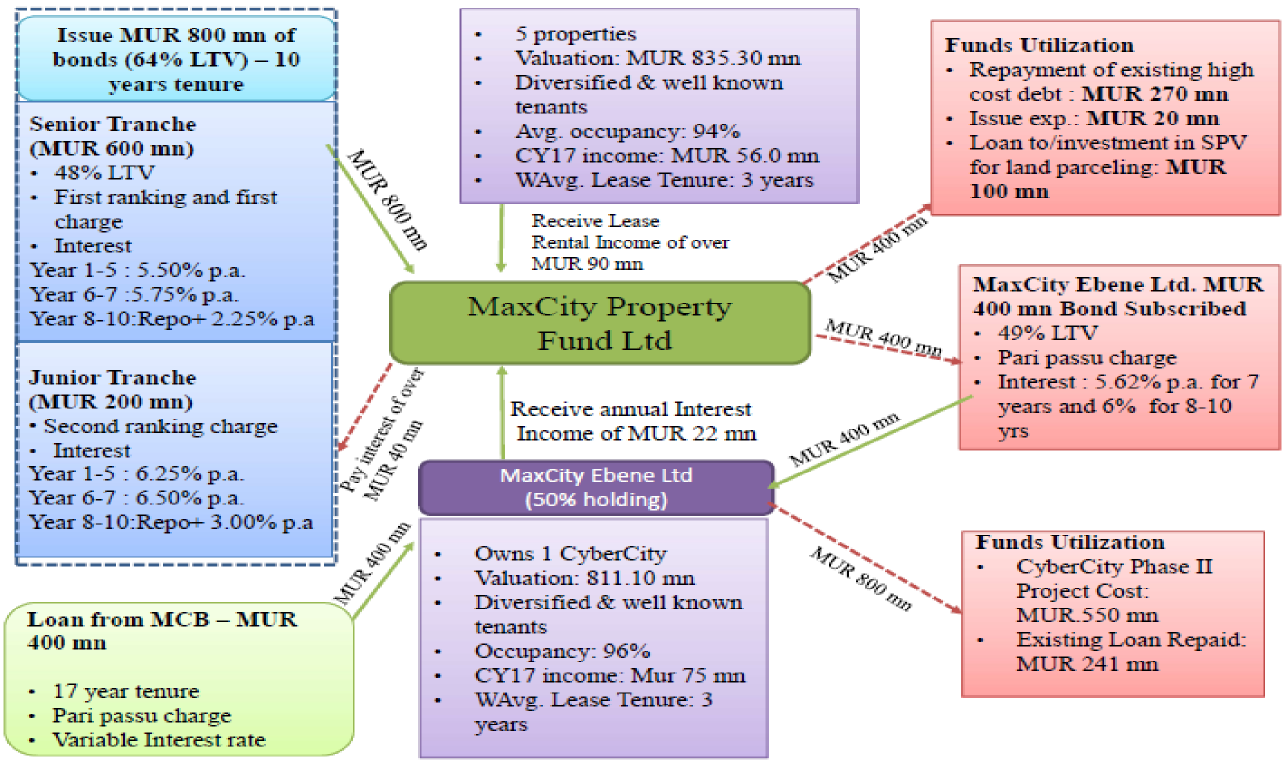
Background

Incorporated on April 5, 2017, MPFL is a wholly owned subsidiary of Maxcity Property Ltd ("MPL"), the property development arm of MaxCity Group owned by Hanwell Limited and specialising in large scale and upmarket property development with over 25 years of experience in property development in Mauritius.

MPFL owns five properties having leasable area of 176,000 square feet (sq. ft.), two of which are Grade-A prime properties, 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. In addition to this, MPFL also holds 50% stake in Maxcity Ebene Limited which owns 1CyberCity office building in Ebene, also Grade –A prime property.

Transaction Structure

MPFL has issued Bonds of Mur 800 million with 10-year tenure which have two tranches: Senior tranche of Mur 600 million [Senior Tranche rated **CARE MAU A (SO); Stable**] and Junior Tranche of Mur 200 million (Junior Tranche: **unrated**). The bondholders have first charge on the properties owned by MPFL and pari-passu charge on properties held by MEL (50%). MPFL has income in the form of lease rentals from its owned properties and monthly interest income on the bonds of MEL subscribed by it which is being utilized for interest payment to MPFL's bondholders and debt repayment.



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

Utilisation of Bond proceeds:

MPFL has utilized the part proceeds of Mur 300 million to repay the existing debt on properties and towards issue expenses; Mur 100 million towards loan/investment in SPV for land parcelling and balance proceeds of Mur 400 million has been utilized to subscribe to the bond issue of MEL having tenure of 10 years. MEL has received Mur 400 million from MPFL and another Mur 400 million loan from MCB to repay its existing debt and fund the phase II of 1Cybercity having project cost of Mur 550 million.

In FY17 (April – December 2017), MPFL's occupancy ratio was around 90% and total income was Mur 56.0 million and PAT was Mur 17.5 million.

In FY17 (April – December 2017), MEL's occupancy ratio was around 96% and total income was Mur 77 million and PAT was Mur 58 million.

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.