## Brief Rationale
## CRAF reaffirms ratings assigned to the bond issues of MaxCity Property Fund Ltd ("MPFL")

**Ratings**

| Instrument | Amount (MUR Million) | Rating | Rating Action |
|---|---|---|---|
| Bonds Issue (Senior Tranche) * | 600 | **CARE MAU A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]** | **Reaffirmed** |
| Bond Issue** | USD 11.1 million@ (MUR 433 million) | **CARE MAU A- (SO); Stable [Single A Minus (Structured Obligation); Outlook: Stable]** | **Reaffirmed** |

**Total bond issue size was MUR 800 Mn; however, rating is assigned to the senior tranche of MUR 600 Mn only.*
*** Total bond issue size was USD 26.1 Mn & MUR 300 Mn; however, rating is assigned to USD 11.1 Mn only.*
**Bond Issue (Senior Tranche) of Mur 600 million, USD 26.1 million and Mur 300 million is backed by the first charge on the six leased properties. Interest payment on these Bonds have first priority on lease rentals received by MPFL.*
*@ (USD 1 = MUR 39.5)*

## Rating Rationale

The ratings are supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the interest on the rated Bonds, as per the terms of the transaction and it is not a standalone rating of MaxCity Property Fund Ltd (MPFL).

**Bond (Senior Tranche) – Mur 600 million rated CARE MAU A (SO) Stable**

The structure involves pooling of six commercial properties under MPFL which has issued 10 years bond in 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 and investment in development of Cybercity 1 Phase II. MPFL is servicing the bondholders through the receipt of lease rentals (in a designated escrow account) from its six properties (including 1 Cybercity – Phase I & II) having proven track record of lease rentals. The rating also derives comfort from the fact that MPFL must build up Mur 300 million of cash from its surplus cashflow for repayment of 50% of the Mur 600 million (due in May 2027).

**Bond of USD 11.1 million (Mur 433 million) rated CARE MAU A- (SO) Stable**

The structure 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 for 5 & 7 years) in April 2019, whereby the proceeds were utilized for buying out 50% stake of HVM Office Management Ltd (HVOM) in Maxcity Ebene Limited (MEL) and repayment of existing loan of Mur 400 million in MEL. MPFL is servicing the bondholders through the receipt of lease rentals (in a designated escrow account) from its six properties (including 1 Cybercity phase 1 & 2) 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 reaffirmation of the ratings has taken into consideration operational of 1-Cybercity (Phase 2) since July 2018 and the occupancy of 1-Cybercity (Phase 2) at 83% as on March 2020 and occupancy of all the properties together at around 87% in March 2020.

The ratings are constrained by shorter lease tenure compared to bond tenure, pending full leasing of entire Phase 2 of 1-Cybercity, 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 leasing of entire Phase 2 of 1-Cybercity and finalization of mode of arrangement of funds for redemption of both the Bonds within stipulated time are the key rating sensitivities.

## Background

Incorporated on April 5, 2017, MPFL is a wholly owned subsidiary of Maxcity Properties Ltd ("MPL"), the property development arm of MaxCity Group owned by the Maxime Fon sing family. Till April 2019, MPFL was holding five properties and 50% stake in Maxcity Ebene Limited (MEL), which was holding 1 Cyber City Ebene. The balance 50% stake of MEL was held by H.V. group through HVM Office Management Ltd (HVOM).
On April 15, 2019, MPFL acquired 100% shares of HVOM and amalgamated MEL with MPFL on December 30, 2019, whereby the surviving company is MPFL. Post amalgamation, MPFL owns six properties having leasable area of 442,000 square feet (sq. ft.), three 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 1-CyberCity office building in Ebene, Centre Commercial Emerald Park, One Cathedral Square, Court View Building, Max Tower Building and Max Plaza.

# 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.