

One & Only Villas at St. Geran Ltd
03 July 2023

Ratings

Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bank Facilities - Non-Fund based facilities (Garantie Financière Extrinseque D'Achèvement (GFA))	4,500 (USD 100 million)**	CARE MAU AA-(SO)*; Stable [Double A Minus (Structured Obligation)]; Outlook: Stable]	Reaffirmed

** The Structured Obligation is on account of the ring fencing of cashflow by way of escrow mechanism completely under the purview of bank. Any surplus cash can only be paid to the sponsor only with the prior approval of the bank in charge of the escrow account.*

***Increased from MUR 4,300 million to MUR 4,500 million due to change in exchange rate (USD/MUR=45)*

Rating Rationale

The rating assigned to the bank facilities of One & Only Villas at St. Geran Ltd (OOVSGL) continue to derive strength from the experienced and strong promoter, Kerzner International Holdings Limited (KIHL) with over 16 years of track record in developing ultra-luxury hotels worldwide, explicit support in the form of sponsor shortfall undertaking and ultimate promoter group being Investment Corporation of Dubai (ICD) which is the sovereign fund of Government of Dubai.

The rating also takes into cognisance of the sales of 79% of the total villas and the strength of the structure under VEFA Regulation where GFA providing bank, which supervises the cash outflow for the project expenses and undertakes to complete the project in the event of sponsor's inability to complete the project and the vast experience of the contractor in executing greenfield projects in Mauritius.

The rating, is however, constrained by the project implementation risk associated with nascent stage of construction, development, and completion of the project in case of any default by the contractor, timely receipt of payment from the customers, marketing risk associated with sale of remaining inventory, 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***

- Ability to execute the project as envisaged within the timelines.
- Ability to achieve targeted sale within envisaged rate and time frame
- Ability to maintain steady cash surplus throughout the projected years by way of receipt of payments from customers without any delay.

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

- Delay in project construction within the envisaged rate and timeline
- Significant increase in construction costs and inability to absorb the cost which may lead to delay in execution
- Significant delay in receipt of sale proceeds
- Withdrawal of sponsor undertaking support

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

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BACKGROUND

Incorporated on 15th March 2007, One & Only Villas at St Geran Ltd (OOVSGL) is a 100% subsidiary of Kerzner International Mauritius Holdings Limited which in turn is a 100% subsidiary of Dubai based hotel developer and operator, Kerzner International Holdings Limited (KIHL). The ultimate holding company of the group is Investment Corporation of Dubai (ICD holds 99.998% stake in KIHL), which is the sovereign fund of Government of Dubai.

OOVSGL is presently holding land at Pointe de Flacq and is currently developing 52 luxurious villas under the brand name of One & Only Private Homes, which is a renowned brand under KIHL. Other famous brands of KIHL are "Atlantis, One & Only and rare finds". As at April 10, 2023, OOVSGL has sold 41 villas out of 52 villas. The company appointed Stefanutti Stocks Hyvec Partners JV Limited as the contractor and Etwaro Associates Ltd as quantity surveyors for the project.

Kerzner International Holdings Limited (KIHL): Incorporated in March 2006, KIHL is a subsidiary of the Investment Corporation of Dubai (ICD). KIHL is a leading global developer and operator of destination resorts, which comprises of luxurious hotels and residences, which are of innovative entertainment and gaming experiences and immersive lifestyle destinations. The company operates under 4 renowned brands namely **Atlantis, One & Only, rare finds, and SIRO**. KIHL operates 17 resorts in countries like UAE, Mexico, China, Mauritius, South Africa, Rwanda, Montenegro, and Morocco. Kerzner is globally renowned for being pioneers in developing destinations with quality being its trademark. Each of Kerzner's brand offers a different experience with the same vision to deliver, detail by detail and amazing experiences all over the world.

Investment Corporation of Dubai (ICD): Investment Corporation of Dubai is the principal investment arm of the Government of Dubai. It was established in May 2006 by decree (11) of 2006 and mandated with the consolidation and management of the Government of Dubai's portfolio of commercial companies and investments. ICD was also assigned the provision of strategic oversight of portfolio companies through the development and implementation of effective corporate governance policies, and sound investment strategies.

Management: One & Only Villas at Le Saint Geran Ltd (OOVSGL) is a professionally managed company and is governed by a 3-members board of directors. The strategic development of the One & Only brand including all the operational performance of all the existing One & Only is overseen by Mr. Phillipe Zuber (Executive Director) who is also the Chief Executive Office of KIHL. Mr. Michel Checoury (Executive Director) who is also the Chief Financial and Administrative Officer of KIHL and is responsible for finance, Information technology, business development and legal functions. Mr. Checoury has more than 30 years of experience in Audit, Finance as well as Financial Management.

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'Àchèvement) – 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

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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 One & Only Villas at St. Geran Ltd

OOVSGL is currently developing 52 villas at pointe de Flacq under the brand name of One & Only. The company has not recorded any revenue in FY22 as it executed sales deed for only one villa in 2022 and also construction is at nascent stage as at 31 December 2022. The project is being developed on a sale and build model which is recognized as having low salability risks. In the real estate sector where companies operate on Sale and Build model, annual profitability is not material due to timing mismatch in receipt of cashflow or booking of sales (in line with achievement on construction milestones) and expenses incurred on construction of the project. The profitability needs to be analysed over the tenure of project execution.

The project derives significant strength from the holding company KIH, which also extends short fall guarantee to the project. The company has been infused with MUR 692 million as capital contribution. The company has sold/CRP signed for 41 villas out of 52 villas which represents 79% of the inventory.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, 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. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. 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.

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Annexure II

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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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

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.

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