

Cyber Properties Investments Ltd (“CPIL”)

19 April 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bank Facility	350	CARE MAU A-; Stable (Single A Minus; Outlook Stable)	Assigned
Total	350		

Rating Rationale

The rating assigned to the Bank Facility of Cyber Properties Investments Ltd (CPIL), derives strength from the strong and experienced promoter, Landscape Mauritius Ltd, having a long track record in real estate development for over the past three decades, prime location of the properties with reputed and diversified tenants, high occupancy rate of both properties with established track record and good retention rate of the tenants, comfortable coverage ratios & Loan to Value of 12% and the steady demand for Grade A office properties.

The rating is constrained by the shorter tenure of lease tenure, renewal risk of the lease, proposed capex for the renovation project and risk of cost overrun, exposure to interest rate risk and risk of development of new office properties in Ebene.

Rating Sensitivities:

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

- Ability to maintain high occupancy ratio.
- Renewal of the existing the lease.
- Completion of renovation of the building without any cost overrun.

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

- Non- renewal of lease agreements and fall in occupancy rate below 75%.
- Additional debt taken by CPIL.

BACKGROUND

Incorporated in July 2002, Cyber Properties Investment Ltd is a subsidiary of Landscape (Mauritius) Ltd (LML), a public limited entity, which promotes development of properties in Mauritius. The other major shareholders of CPIL include National Pension Fund (NPF with 8.53% stake), State Insurance Company of Mauritius (SICOM with 5.33% stake), MCB Equity fund (MEF with 8% stake) and The State Investment Corporation Ltd (SICL with 5.33% stake). The principal activity of the entity primarily includes development and leasing of commercial properties.

CPIL owns two buildings located in Ebene namely Cyber Tower 1 (CT1), also known as Shri Atal Bihari Vajpayee Tower and Cyber Tower 2 (CT2). CT1 is a thirteen-storey building with gross leasable area of 30,012 square metres (sqm) and occupancy rate of 85% as of March 2023. The key tenants include corporates like Ceridian Mauritius Ltd, Accenture Services (Mauritius) Ltd, Air Mauritius Ltd and Blue Connect Ltd among others. CT2 consists of a leasehold commercial land and building. The building consists of eleven-storey with a gross leasable area of 13,024 sqm and an occupancy

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

rate of 96% as of March 2023. Its main tenants include Orange Business Services Ltd, Batch Image Processing Indian Ocean Ltd, CityCall Ltd amongst others.

Management: Cyber Properties Investments Ltd is a professionally managed company and is governed by 1 executive director and 9 non-executive directors. The strategic affairs of the company are looked by the Chairperson, Mr. Preetam Boodhun and Mrs. Naila Kishani Hanoomanjee, the sole Executive Director. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Details of properties:

Property	Sri Atal Bihari Vajpayee Tower (Formerly known as Cyber Tower 1)	Cyber Tower 2	Total
Location	Ebene	Ebene	
Leasable Area (sq. ft)	323,019	140,555	4.64
Valuation (MUR Million) - Mar 2020	2215	825	3,040
Property Type	Office	Office	
Key Lessees' & Area Occupied	Ceridian Mauritius Ltd (25%) Blue Connect Ltd (8%) Accenture Services (Mauritius) Ltd (7%) National Computer Board (6%)	Orange Business Services Mauritius Ltd (67%) CityCall Ltd (10%) Batch Image Processing Indian Ocean Ltd (7%) Accuro Trust (Mauritius) Ltd (6%)	
Occupancy (in %): 30 June 2021	89%	87%	88%
30 June 2022	81%	94%	88%
31 March 2023	85%	96%	91%
Annual Lease rental: FY22	62.4	51.9	114.3
Weighted Lease Expiry based on occupied spaces as at March 2023	1.8	4.9	2.74

CREDIT RISK ASSESSMENT

Long track record of experienced promoter

CPIIL is a part of Landscape Mauritius Ltd (LML) which has long track record of development of properties in the Mauritius market. LML is promoted by Government of Mauritius (98.9%) with a vision of developing commercial and industrial properties and managing the same. LML owns and operates a total of 30 properties with commercial space of 56,195 sqm and industrial properties of 78,055 sqm. LML also owns land base of 3,474 acres. The total valuation of the properties stands around MUR 7 billion. With over 22 years of its foundation, Landscape Mauritius, since October 2001, its experience in property development in Mauritius, thus bound to have accumulated knowledge in this ever-evolving sector.

Brief financials of LML:

As on 30 June, 2022	MUR Million		
	Jun-20	Jun-21	Jun-22
	Audited		
Turnover	787	801	801
EBITDA	241	241	241
Interest	-	-	-
Non- operating Income (Gain on disposal of property)	20	19	19
PBT	621	1	1
PAT	797	335	336
GCA	776	303	303
Share Capital	776	303	303
Tangible Networth	921	930	930
Total Debt	17,794	18,208	20,651

As on 30 June, 2022	Jun-20	Jun-21	Jun-22
	Audited		
EBITDA Margin	367	395	395
PAT Margin	31%	30%	30%
Debt/ Equity	99%	38%	38%

Prime location of properties with reputed and diversified tenants

Both properties are located in a highly strategic region and in the new business district, Ebene, where most of the big companies and banks are located. Ebene hosts majority of offices in Mauritius – area of 312,000 sqm of office spaces closely followed by Port Louis. There is high demand for grade A offices and houses in Ebene. This area is preferred because of the ease to commute, lesser traffic congestion and access to daily amenities. It is centrally based and well reachable from any point of the island and more than 30% of the inhabitants of Mauritius reside in Plaines Wilhems.

High occupancy with established track record and high retention rate of tenants

Both properties have diversified tenants with a mix of Government institutions, reputed corporates and retail tenants. Area-wise, properties owned by CPIL are mostly rented as office spaces and a significant percentage as retail spaces. In all, there are over 50 tenants in these two properties. For most of the tenants, the lease term is for between 3 to 5 years, with the option to renew for another consecutive term. The weighted average lease expiry is 2.74 years. Occupancy rate of SABVT has increased from 81% in June 2022 to 85% in March 2023 and occupancy rate of Cyber Tower 2 has increased from 94% in June 2022 to 96% in March 2023. CPIL is in discussion with some potential tenants and the occupancy is expected to be at its optimum level in the next 1-2 years. Below table shows the occupancy trend for the properties:

Occupancy (in %):	CT1	CT2	Total
June 2020	96%	91%	94%
June 2021	89%	87%	88%
June 2022	81%	94%	84%
March 2023	85%	96%	91%

The fall in occupancy rate in 2021-22 was due to the pandemic with tenants implementing work from home for the staffs hence these companies downsized to a smaller space.

Shorter tenure of lease compared to term loan

The weighted average tenure of lease (WALE) for both properties is 2.74 years as of March 2023 compared to the duration of the loan of 10 years. Though WALE of the property is low, the clients are associated with the company for more than 10 to 15 years. Around 20% of the tenants are Government organizations, which generally enter into 3 year contracts and renews regularly. Additionally, around 20% of the tenants hold their data center in the properties thus they are more likely to renew. CPIL is presently undertaking capex to the extent of MUR 500 million in CT1 and also already completed renovation in CT2 at approximately MUR 150 million last year. The renovation is to upgrade the facilities and provide more amenities to the existing and prospective tenants which will further help to retain existing tenants and attract new ones.

Lease profile of the key tenants are as follows:

Tenant & Property leased	Profile
CERIDIAN (MAURITIUS) LTD	Ceridian is a global human capital management software company. The Mauritan branch provides services, such human resources, payroll, benefitd, workforce management, and talent management capabilities.
BLUE CONNECT LTD	BlueConnect is in partnership with Rogers Aviation and BlueLink, which specialise itself in remote customer relations in the field of business travel.
ACCENTURE SERVICES (MAURITIUS) LTD	Accenture is a Fortune Global 500 global management consulting and professional services firm. The Mauritius branches provides services in strategy, consulting, digital, technology and operations services.
NATIONAL COMPUTER BOARD	National Computer Board (NCB), is a para-statal body, administered by a Board of Directors and operate under the aegis of the Ministry of Information Technology, Communication and Innovation, with a vew to operate the development of Information and Communication Technologies (ICT) in Mauritius.
INFOSYS LTD	Infosys Limited is an Indian multinational information technology company, that provides business consulting, information technology and outsourcing services. The entity is founded in Pune and is headquartered in Bangalore.
AIR MAURITIUS	Air Mauritius, is the main domestic airline of Muritius with over 50 years of existence. The airline is headquartered in Port Louis, with its hub based at Sir Seewoosagur Ramgoolam Inyernational Airport. It operates directly to 7 destinations in Europe, India, Africa and the Indian Ocean Islands and particular points like Asia, Africa and Australia.
LANDSCOPE (MAURITIUS) LTD	Landscape (Mauritius) Lts is a public company with its main shareholder being the Government of Mauritius. Its main business activity includes property development and management in a diversified portfolio includiing offices, retail and industrial.
INFOMIL (MAURITIUS) Ltd	Infomil is a french based IT enterprise, founded in 2005. Infomil Mauritius, caters for the needs of its clients in the view of improving the expertises in technicalily and fuctionality.
EOS Mascarenes Ltd	Affiliated with the french Groupe EOS, is a finance investor and a global leader in acquisotion and management of receivables fpr own account or account of third parties.
INFOLEGALE (MAURITIUS) LTD	Infolegale is a french comapany implanted in Mauritius, and specialiese in marketing services to clients via remote operations.

Industry Risk - Real Estate (office)

The majority of offices is currently based in Ebene occupying some 312,000 sqm GLA out of which 80% are Grade A properties (as of FY21). Port-Louis ranks second with a total GLA of 174,000 sqm out of which only 31% are Grade A properties. In the recent past the Mauritian real estate scenery has been experiencing a decentralization of office spaces from Port Louis to areas like Ebene and Vivea Business Park in Moka Smart city. Vivea business Park has existing Grade A office property of 25,000 sqm from which they are generating steady rentals. The main drivers of this trend have been the lack of parking spaces, increasing traffic congestion to move in and out of Port Louis & Ebene and increasing prices. The

current total operational office stock situated in the main business nodes (Ebene, Port-Louis, Phoenix and Quatre Bornes) is 535,000 sqm of GLA – 75% are Grade A properties.

With the introduction of smart cities, a number of companies have started to relocate across the various smart cities being built. The most advanced projects as on date is Vivea Business Park (Moka) and Uniciti each with operational

Office Stock in Smart Cities				
Smart City	Operational	Existing (sqm GLA)	Ongoing (sqm GLA)	Planned (sqm GLA)
1 Uniciti	Yes	15,000	-	150,000
2 Moka Smart City	Yes	29,700	25,000	100,000
3 Mon Tresor Smart City	Yes	4,500	-	20,000
4 Beau Plan Smart City	Yes	2,500	-	72,700 – 131,400*
5 Jin Fei Smart City	Yes	6,700	-	50,000 – 100,000*
6 Cap Tamarin Smart City	Yes	-	1,200	12,000
7 Trianon Smart City	No	-	-	104,800*
8 Saint Felix Smart City	No	-	-	4,900
9 Yi Hai Gardens Smart City	No	-	-	3,500
10 Cote d'Or Smart City	No	-	-	28,000
11 Mont Choisy Smart City	No	-	-	0
Total		58,400	26,200	543,700 – 652,400

Source: JLL. (*) Assumptions based on available information.
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GLA of 25,000 sqm and 15,000 sqm respectively. Expansion plans are ongoing. The current operational office space within the smart cities is 58,400 sqm of GLA, with all Grade A properties. This brings the total existing office stock in Mauritius at 600,000 sqm GLA.

Demand-Supply- The total office space in Mauritius is expected to increase by 15% annually over the next three years. On average, some 30,000 sqm of office spaces are being built yearly. The construction of offices is expected to grow further by 64,000 sqm of GLA after three years to meet the high demand for business parks and modern Grade A offices. Over the past five years, demand for office space has been growing at an increasing pace and has exceeded the supply of Grade A office properties. The trend is expected to continue. The main drivers for demand are steady GDP growth, currency, political stability, and favourable investment incentives. However, the land available for office buildings construction around Ebene Cybercity and Port Louis is limited with the significant increase in offices built during the past few years. Developers will resort to development in the smart cities. Office developments in Mauritius is considered to be potentially lucrative.



Source: Google Maps, JLL

Rentals: The current rental for office buildings in Port Louis ranges around MUR 495 per sqm for a basic office to MUR 1,100 for grade A modern office buildings. The rental for office properties in Ebene ranges from MUR 330 per sqm (MUR 30 per sft) for basic office to MUR 900 sqm (MUR 84 sft) for the grade A modern office properties. We have seen that tenants are willing to pay higher rentals for Grade A modern office buildings. The main requirements of these tenants are offices being strategically situated mainly in the centre of the island, flexible layout within the building to cater for future expansion, sufficient parking spaces and attractive work environment (which is catered by business parks with green spaces, daily conveniences within reach and modern spaces).

Comfortable financial profile

In FY22, there was a dip in revenue by 5% as some tenants reduced the space occupied due to the Covid-19 pandemic as the companies opted for work from home concept. EBITDA also witnessed a dip from MUR 131 million in FY21 compared to MUR 128 million in FY22. The debt level has fallen by 17% and gearing was relatively low at 0.05x as on June 30, 2022. The coverage indicators namely interest coverage ratio and Cash Coverage Ratio are comfortably over 10x. The LTV of CPIL post the debt drawdown is at 12%.

Financial Performance - CYBER PROPERTIES INVESTMENT LTD

MUR Million

Particulars/ Year ended 30 June	Jun-20	Jun-21	Jun-22
	12M, Audited		
Rental income	304	278	264
Other income	6	2	3
Total Income	310	280	267
Operating Expense	139	149	138
PBILDT	172	131	128

Particulars/ Year ended 30 June	Jun-20	Jun-21	Jun-22
	12M, Audited		
Depreciation	2	2	2
Finance cost	6	6	7
Fair value gain	533	0	0
PBT	697	123	120
Tax	30	22	17
PAT	667	101	103
GCA	136	103	105
Equity Share Capital	938	938	938
Networth	3421	3522	3625
Total Debt	164	206	170
Cash & Cash Equivalents	281	154	131
Key Ratios			
EBIDTA / Total income	56%	47%	48%
PAT / Total income	215%	36%	39%
Overall gearing ratio	0.0	0.1	0.0
Interest coverage (times)	30	23	18
Total Debt/ EBIDTA	1.0	1.6	1.3
Debt to rental	0.54	0.74	0.64
Cash coverage ratio	24.9	19.1	15.6

Adjustments

1. Tangible networth is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networkth.

Annexure I

Details of Instrument

Particulars	
Type of instrument	Bank Facility
Size of Instrument	MUR 350 million
Interest rate assumed per annum	6%
Duration of Loan	10 years
Moratorium period	1 year
Banks	MCB Bank / SBM Bank (Mauritius) Ltd
Guarantee	Floating charge on CPIL buildings
Purpose	Renovation of Shri Atal Bihari Vajpayee Tower, Ebene Cybercity, Ebene

Disclaimer

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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.