

Iconic View Ltd

March 24, 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bank Facilities – Non-Fund based facilities (Garantie Financière Extrinseque D’Achèvement (GFA))	1,777	CARE MAU A+(SO)*; Stable [Single A Plus (Structured Obligation); Outlook: Stable]	Assigned
Total	1,777		

**The proposed Structure Obligation is for the ring-fencing of cash flow by escrow mechanism and any surplus cashflow can be up streamed to sponsor only with the approval of the bank.*

Rating Rationale

The rating assigned to the Bank Facilities (GFA) of Iconic View Ltd, derives strength from the legal structure under VEFA regulation which ring fences the cash flow by escrow mechanism and any surplus cashflow cannot be utilised for any other real estate development and can be available to developer only with the approval of the bank and zero-salability risk of the project as all units for the Legend Hill project have been fully sold. Further, the rating factors in the strength of the project being backed by GFA from banks guaranteeing the completion of the project to the end-buyers under VEFA regulation, the experienced promoter with over 20 years track record in development of high-end residential real estate in France and Mauritius - mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build model followed for all projects, satisfactory reputation of MJ Developpement Group for quality of construction & completion of most of the projects well within envisaged timelines and strong demand for luxury residential in Mauritius.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the project in case of any default by the contractor, timely receipt of payment from the customers, environmental risks 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

- Timely completion of projects within cost parameters

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

- Delay in construction of the villas within the envisaged rates and timeline
- Any environmental issue that may come up during construction
- Significant increase in construction costs and cancellation of bookings

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

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BACKGROUND

Incorporated on January 26th, 2018, Iconic View Ltd is a 100% subsidiary of Alliance Developer Ltd. The latter is held by Alliance Participations SAS (owning 75% stake) and SAMIC Investment Ltd (owning 25% stake). Alliance Participations SAS is a French Company held by SAS MJ Developpement (50%) and Desjoyaux Finance (50%). Iconic View Ltd (Iconic View) is a private limited company and acts as the property developer for the Legend Hill project in Mauritius. SAS MJ Developpement "MJ Developpement Group" (MJ Developpement) is a French real estate development company which was established in 2007 by Mr. Michael Ruel and Mr. Jean Etchepareborde. MJ Developpement Group operate several real estate projects in France and Mauritius. The group operates in two areas of expertise namely development & construction and operations & hotel management.

MJ Developpement Group's main fundamental competency clusters include:

1. Property Development & Real Estate – This cluster is responsible for development of real estate projects from inception to realisation. The main companies within this cluster include **Mabereva Ltd, Mire View Ltd, Iconic View Ltd** and **Tamarin Savannah Ltd**.

2. Hotel management and operations consist of two companies: **MJ Holidays** and **Private Holidays**

This cluster is a subsidiary of the group MJ Developpement, dedicated to hotel management and operations. The latter provides, upon agreement by the owner, maintenance and repair service, marketing of the property, collection of rent, sending receipts and other ancillary services depending on the nature and characteristics of the property. The company pays back the collected rent to the property owner after the deduction of its fee.

Financial overview of MJ Developpement Group is as under:

Companies [FY21]	Stake (%)	Revenue	EBIDTA	PAT	GCA	Total debt	TNW	Overall Gearing
SAS MJ Developpement	Holding entities of Iconic View Ltd	342	-3	44	47	396	147	2.69
Desjoyaux Finance		8,223	2,001	1,220	1,528	2,098	4,997	0.42
SAS Alliance Participations		-	-2	59	59	375	70	5.36
Subsidiaries of MJ Developpement Group								
Private Holidays	-	4	4	2	2	-	4	-
MJ Holidays		24	9	-8	-6	4	-7	NM
Iconic View Ltd		349	44	61	61	365*	-72	NM

**Bank debt of Iconic View Ltd is only MUR 15 million (short term facility). Iconic View has internal debt of MUR 350 million (shareholder's loan and bond (advance from customers)).*

Management: Iconic View Ltd is a professionally managed company and is governed by a 4-member Board of Director. The strategic affairs of the company are looked after by Mr. Jean Etchepareborde (the co-founder of the group and Managing Director). Mr. Jean Etchepareborde holds an MBA from the Instituto Tecnológico De Estudios Superiores, Mexico. He has consequently over 16 years of experience in the Real Estate Industry. He is assisted by the Co-Founder and President of the group, Mr. Michael Ruel who has over 20 years of experience in the real estate development and hotel management. Mr. Ruel has studied at Sales and Negotiation at Montpellier Business School. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

CREDIT RISK ASSESSMENT

Long track record of MJ Developpement Group

MJ Developpement Group is a French company founded in 2007 by Mr. Michael Ruel and Mr. Jean Etchepareborde. MJ Developpement builds, promotes, and operates real estate projects in France, Portugal and Mauritius. It specialises in development of residential estates for both individual and collective housing, business premises, managed serviced residences and managed leisure resorts. The group has delivered more than 1,800 units since its inception in 2007.

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The MJ Développement multi-product offer :



Michael Ruel and Mr. Jean Etchepareborde both have over 20 years of experience in the Real Estate and Hospitality industry. Mr. Jean Louis Desjoyaux, CEO of group Piscines Desjoyaux, world leader in the construction of swimming pools, has joined as shareholder of MJ Développement Group. In 2014, MJ decided to develop high end residential projects under the Property Development Scheme (PDS) approved by the Govt of Mauritius, mainly for foreigners and expats in Mauritius. It launched its first project, Marguery Exclusive Villas in Black River which was fully sold out within a short period of its launch. In 2017, another real estate project, Mythic Grand Gaube, was launched successfully. The company's residential projects have gained popularity among the South African and European (mainly French) buyers. MJ appoints trusted partners, i.e., contractors, Architects, interior decorators and civil engineer to adopt a sustainable approach in the design and implementation programme and to provide housing that combines comfort, warmth and aesthetic details.

Association with Phoenix Hotel Management Company: Mr. Thierry Naidu, founder, and CEO of Phoenix Hotel Management Company (Phoenix Hotels) will be indirectly involved, bringing its know-how, management methods (Taylor made) for the Legend Hill Project. Phoenix Hotels is managing several properties worldwide namely Chateau Chevre d'or 2 Star Michelin (Best resort in France Travel & Leisure 2019 & 2020), Hotel Bela Vista Portugal 1 Star Michelin and Le Cagnard. Mr. Thierry Naidu along with his company also offer asset management services and consulting for several properties in Europe.

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'Achèvement) – 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 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.

Successful track record of sales & timely delivery of past developments

Over the past 15 years, MJ Developpement Group has developed several projects in France and Mauritius which are all fully sold out. These projects are developed on the 'Sell and Build' concept whereby the projects are marketed to the public and once the prospective buyer shows interest to purchase and upon receipt of an initial payment, the developer starts construction in phases.

Iconic View receives 25% on signature of contract, 10% of the payment on completion of foundation, 35% on completion of building structure, 10% on completion of plastering, 10% on completion of internal painting and tiling, 5% on completion of works and 5% on submission of key.

Sales track record of major completed projects in Mauritius and France

Mauritius

Project	Commencement of work	Completion Date	No. of units	Units sold	Area (sqm)	Net revenue from the project (MUR Million)
Mauritius						
Mythic Suites and Villas	2017	2019	29	29	7,700	1,125
Marguery Exclusive Villas	2014	2017	40	40	6,100	1,170
Total			69	69	13,800	2,295

France

MJ Developpement, since its inception, has fully sold and delivered residential as well as non-residential projects in France. The net turnover of realised from the delivering of residential projects amounted to around MUR 10,922 million as at February 2023.

Prime location of existing & newly constructed properties

MJ Developpement has developed and delivered two residential projects in Mauritius namely Marguery Exclusive Villas and Mythic Suites & Villas. Marguery Villas is situated at the foothill of La Tourelle Mountain, Tamarin (west coast of Mauritius) which is a popular residential area whereby luxury apartments and high-end villas are mostly solicited by European tourists or expats who prefer the coastal areas and a warm climate. The village is renowned for its sunsets, beaches, nightlife, restaurants, hotels and shopping areas. There are two shopping malls in the vicinity namely CAP Tamarin and Cascavelle Shopping mall which is easily reachable by car or public transportation. Healthcare and educational institutions are also within easy reach as well as a wide range of sports activities with numerous fitness clubs. Mythic Suites & Villas is situated in Grand Gaube (north of Mauritius) 5 min away from the public beach and 15 min from Grand Baie. Grand Gaube is a well-known destination for exploring the islands lying on the north coast of Mauritius. It is also close to Cap Malheureux which is famous for the Red Church, Notre Dame Auxiliatrice Chapel.

Background of the Legend Hill Project and status of the project

Legend Hill is the third real estate (residential) project currently being developed by MJ Developpement Group in Mauritius. Situated on the slopes of La Tourelle Mountain (West coast of Mauritius at Tamarin), the project consists of construction of 52 units (23 high-end villas, 16 apartments, 9 boutique hotels and 4 penthouses) under the Property-Development-Scheme (PDS) of Government of Mauritius (GoM). Sale will be primarily to foreigners & expats (South Africans and Europeans - majority being French). The project also entails a club house (3,127m²) with 2 restaurants, a spa and 92 parking slots.



Architects Studio looks after the design aspect of the project. The Legend Hill project stretches on an area of more than 96,649m² blending perfectly with nature. The project site has been judiciously set out in such a way to develop the less steep area of the site i.e., 71,039m² and maintaining the balance of 25,610m² in a bare state. The project is being built in a single phase. The residential units are priced between MUR 28 million to MUR 165 million. Development of residential units under PDS scheme is as under:

- I. 23 high-end residential villas (Around MUR 70 – 165 million per unit)
- II. 16 apartments (Around MUR 28 million – 44 million per unit)
- III. 9 Boutique Hotels (Around MUR 28 million – 44 million per unit)
- IV. 4 penthouses (Around MUR 115 million per unit)

The entire Legend Hill project is on "Sale and Build" model. Iconic View has acquired the land at La Tourelle (Tamarin) on in February 2020 and has since started development of the Legend Hill project in 2020 after achieving break even sales. Since the project is being developed under the PDS Schemes (targeted for international clients), it requires a GFA from a reputed bank as per the VEFA Regulation. Banks provide GFA only when the developer has achieved breakeven of the project cost and after analyzing past track record of the promoter and group's popularity among the international clients. All the 52 units are fully sold out of which the promoter has received full payment for 4 units and part payment as per construction progress for the remaining 48 units.

Status of Legend Hill project:

Status of the projects	GFA from Bank	No of units	Units already sold
Villas Blackstone	SBM	3	3
Villas Chamarel	SBM	6	6*
Villas Bengali	SBM	14	14*
Apartment Vue Ocean	SBM	16	16*
Penthouses	SBM	4	4
Apartments 'Boutik Hotel'	SBM	9	9
Total units		52	52

**Full payment has been received for 3 villas (1 Chamarel and 2 Bengali) and one apartment. No GFA was availed for these 4 units*

The Legend Hill project is being constructed in a single phase. The planning of works is executed in such a way that there was a continuity of the different contracts within the project.

Iconic View has secured GFA from SBM Bank for the whole project as they have already achieved 100% sales for the 48 units (4 units outside GFA). As per the GFA regulations, GFA providing Bank creates a Designated Account, where in the sale proceeds from that development phase are deposited in that Designated Account. The bank monitors the expenses and releases the payments (in a different bank payment account) 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.

Total revenue from the Legend Hill project is estimated around MUR 3,930 million, including the commercial space, the 4 fully paid unit and amendments requests on the plan from the clients. At completion of the project in FY24, Iconic View has projected a total profit of MUR 380 million.

Mitigation of project risk through insurance covers and guarantees

There are biennial and decennial insurances in place to cover the villas, apartment blocks and hospitality buildings. Iconic View Ltd has subscribed to Sanlam General insurance Ltd for insurance cover amounting to MUR 2 billion on damage to construction. Additionally, all three contractors have provided a performance bond guarantee assigned to SBM Bank covering around 10% of the builders' cost for the different phases. The infrastructural work undertaken by Sinohydro for Legend Hill is near completion (90-95% completed). In case of any default by the developer, SBM Bank can claim the insurance amount to complete the project.

The construction is further secured by the presence of the "Advance Payment Guarantee" from contractors in favour of the bank. In the event of default, any advance payment made to the contractors shall be reimbursed by SBM. Thus, there is minimum risk that the contractor delays the construction works or uses the advance payment for other purposes. Furthermore, the project is backed by the Sponsor Support Agreement from Alliance Developer (Mauritius) Limited contingent on any cashflow shortfall and cost overruns on the project.

Industry Risk

Real Estate sector in Mauritius

Mauritius is recognized as one of the best countries in Africa to invest in Real Estate. Over the last few decades Mauritius has witnessed a booming real estate sector, to such an extent that today, the real estate sector attracts major Foreign Direct Investment for the country. As at 2021, the Island is a total of 7,800 residential building permits and 529 Non Residential building permits covering a total floor area of 1,298,680 sq mts and 1,061,852 sq mts respectively. This can be explained by an increasingly growing number of construction projects across the island in addition to government introducing schemes such as the Integrated Resort Scheme (IRS), the Real Estate Scheme (RES), the Property Development Scheme (PDS) and the Smart City scheme, lifestyle, good infrastructure, and economic stability. Such schemes have transformed the dynamics of the real estate market locally over the years. IRS, RES and PDS are programmes designed to facilitate the acquisition of property mainly luxury residential units by non-citizens in Mauritius.

IRS properties are based within large resorts for e.g., golf estates or marina located mostly on coastal regions. It consists of luxury and high-end freehold property types which are priced at or more than \$500,000 by GoM. The buyer receives a residence permit as long as they are owner of such a property however the buyer cannot purchase other properties in Mauritius except for another approved resort or scheme.

RES properties are more affordable as they are smaller residential developments built on an area ranging between 4,220 sqm to 100,000 sqm which can be sold at no minimum price. The buyer receives a residence permit only if the value of the property exceeds \$375,000 or its equivalent in other freely convertible currencies.

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Both the **IRS** and **RES** programs are now merged under a new scheme, the **PDS**, which is in force since 2015. The new regime allows for development of a minimum of 6 luxurious residential units on freehold land on an area of at least 1 arpent but not exceeding 50 arpents. However, the extent of land of each residential property, other than for an apartment or penthouse should be developed on land not exceeding 5,176 sqm. There is no restriction on the minimum price for the acquisition of a residential property under PDS. The latter provides high quality public spaces that help to promote socialization and a sense of community.

Besides above scheme to boost the Real Estate sector, The Government of Mauritius has provided further incentives such as:

1. MUR 2 billion has been earmarked to support the purchase of residential land and properties by individuals.
2. 5% refund on cost of acquisition of a house, apartment, or land to build a residence up to MUR 500,000.
3. A 5% refund on home loan to be refunded up to MUR 500,000
4. Exemption on registration duty on the first MUR 5 million of the cost of a residential property
5. Promoters under PDS may sell a plot of serviced land if the total area of all serviced land for sale does not exceed 25% of the area planned for construction of residential properties.

Performance of Iconic View Ltd

In FY20, the company posted a revenue of MUR 130 million and negative EBITDA and PAT of MUR 97 million and MUR 126 million respectively. EBITDA was negative in FY20 due to one off expenses of MUR 115 million incurred during the year for land transfer tax and government fees. As sales were secured and construction progressed, the company posted higher revenue in FY21 (MUR 349 million) and FY22 (MUR 753 million). EBITDA was positive in both years. The company achieved PAT of MUR 71 million in FY22 (MUR 61 million in FY20). As the company progresses with the construction, profitability will be eventually higher. The Legend Hill project has no salability and construction risk (fixed price contract). Since all units are fully sold and CRP has been signed, the projected figures look achievable. Iconic View is a debt-free company, it has a shareholder loan of MUR 54 million and advances from clients (treated as bond) which will be repaid in terms of villa (4 villas fully sold and payment fully received which has been treated as bond until construction is completed). The same will be written off in the accounts in FY24 when the villa will be delivered to the clients.

Financial Performance

Financials – Summary table (Standalone – Iconic View Ltd)

For the Year ended	2020	2021	2022
	MUR Million		
Total income	130	349	753
EBIDTA	(97)	44	77
Depreciation	-	-	-
Interest	-	-	-
Profit/(Loss) Before Tax	(126)	61	77
Profit/(Loss) After Tax	(126)	61	71
Gross Cash Accruals (GCA)	(126)	61	71
Equity share capital	0	0	0
Tangible network	(132)	(72)	(1)
Total debt (Internal debt)	347	365	350
Cash & Bank balances	138	-	43
EBITDA / Total operating income	NM*	12.69	10.26
PAT / Total income	NM	17.34	9.38
RONW (%)	95.73	NM	NM
Overall gearing ratio	NM	NM	NM
Long-term Debt/EBITDA (times)	NM	8.24	4.53
Total debt/EBITDA (times)	NM	8.57	5.22

*NM=Not Meaningful

Adjustments

1. Tangible net worth 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 Network.

Annexure I

Details of Rated Facilities

GFA provider	Name of instrument	Amount	Commission rate
The State Bank of Mauritius (SBM)	Bank Facility (GFA)	MUR 1,777 million	1.50% p.a.

Disclaimer

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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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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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