

**Rating Rationale**  
**MaxCity Property Fund Ltd (“MPFL”)**

**Ratings**

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue (Senior Tranche) *	600	<b>CARE MAU A (SO); Stable</b> [Single A (Structured Obligation); Outlook: Stable]	<b>Reaffirmed</b>
Bond Issue**	USD 11.1 million@ (MUR 444 million)	<b>CARE MAU A- (SO); Stable</b> [Single A Minus (Structured Obligation); Outlook: Stable]	<b>Reaffirmed</b>

*\* 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 priority on lease rentals received by MPFL. @1USD=MUR40*

**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 1 CyberCity Phase 2. 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 & 2) 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 Senior Tranche Bond issue (MUR 600 million).

**Bond of USD 11.1 million (MUR 444 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 July 2019, whereby the proceeds were utilized for buying out 50% stake of HVOM Ltd 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 that 1 CyberCity Phase 2 became operational in July 2018 and the occupancy rate reached 83% in November 2020. The occupancy rate of all the properties together was around 87% in November 2020.

The ratings are constrained by shorter lease tenure compared to bond tenure, vacancy in the buildings, worsening of the global situation from the pandemic affecting collection of rentals, 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.

### **Update since last Rating exercise in March 2020**

- **Impact of COVID-19:** MPFL maintained its overall occupancy post the lockdown and COVID-19 pandemic at 87%, the same level in March 2020 and in November 2020. MPFL has been resilient to the covid-19 pandemic and lockdown, cash inflow from rentals was insignificantly impacted. Almost 100% of rental income from offices were collected between April 2020 to November 2020. Out of total rental income from offices of MUR 181 million (January 2020 to November 2020), only MUR 1 million is yet to be collected (provision). Rental income of Centre Commercial Emerald Park (only retail property), between January 2020 to November 2020, is MUR 36 million - of which MUR 6 million is yet to be collected. Total provision for the year is expected to be MUR 7 million. As per the agreements, MPFL will receive MUR 215 million full year rental income in FY20. Annual escalation is expected to be around 3% to 5% annually for most tenants going forward.
- In November 2020, the occupancy in Phase 2 (Towers B&C in 1 CyberCity) was 83% (81% in FY19). As of December 2020, Overall Average Occupancy of the six properties is 87% (increase from December 2019 – 85%). 1 CyberCity (Phase 1 & 2) witnessed an increase in occupancy (from 75% in FY19 to 85% in FY20 for Phase 1 and increase from 81% in FY19 to 83% in FY20 for Phase 2).
- The average rent per sq. ft (MUR 49 for FY20) is also in line with the projected rate considered during the last review.

### **Background**

Incorporated in April 2017, MPFL is a wholly owned subsidiary of MaxCity Properties Limited (“MPL”). MPFL owns six properties - two Grade-A prime properties namely 1 CyberCity and One Cathedral Square, one operating in a niche segment, designed, and built specifically for retail operators in the Home DIY/Housewares sector namely Centre Commercial Emerald Park and the three other properties are Court View Building, Max Tower Building and Max Plaza. Following the amalgamation of MEL into MPFL, 1 CyberCity (Phase 1 – 105,946 sq. ft and Phase 2 – 164,242 sq. ft), a Grade A prime property, is now under the ownership of MPFL. Accordingly, the total leasable area is 441,777 sq. ft.

## **Credit Risk Assessment**

### **Experienced promoters with MaxCity group having established track record in real estate development in Mauritius**

MPFL is a part of MaxCity group which has long track record of development of properties in Mauritius market. MPL (holding company of MPFL) is the property development arm of MaxCity group ultimately owned by Hanwell Ltd and specializes in large scale and upmarket property development. It has over 25 years of experience in property development in Mauritius and over the years, has gained a profound knowledge of the Mauritius property market. Past projects include the innovative mixed-use development of Grand Baie La Croisette mall, the prestigious 1 CyberCity office building in Ebene, One Cathedral Square office building in Port Louis, Centre Commercial Emerald Park, etc.

Mr. Maxime Fon Sing is the founder of MaxCity Properties. He is assisted by his sons Mr. Danny Fon Sing (Director) and Mr. Max Tony Fon Sing (Director) who joined the group in 1994 and 1992 respectively.

### **Prime location of properties with reputed and diversified tenants**

All the six properties are located at prime location in Mauritius. Over 80% of the total gross leasable area is in the Plaines Wilhems region where more than 30% of Mauritius' inhabitants live. All properties have diversified tenants with mix of Government, Finance & Insurance, Retail, and others. Further, the tenants in the properties under MPFL includes reputed companies and government departments. Area-wise, properties owned by MPFL are mostly rented as office spaces and a significant percentage as retail spaces. In all, there are over 50 tenants in these six 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 3.1 years.

**Table 1: Details of Properties**

Property	1 Cybercity Ebene (Tower A)	1 Cybercity Ebene (Tower B & C)	One Cathedrale Square	Centre Commercial Emerald Park	Court View Building	Max Tower	Max Plaza	Total
Location	Ebene	Ebene	Port Louis	Trianon	Port Louis	Port Louis	Pereybere	
Leasable Area (sq. ft)	105,946	164,242	42,494	102,065	17,099	7,131	2,800	441,777
Valuation (MUR Million) (Report Date)	2,232 #(Dec 2019)		359 # (May 2017)	423 (January 2019)	74 (May 2017)	29 (May 2017)	21 (June 2019)	3,138
Type	Commercial (Office)	Commercial (Office)	Commercial (Office + retail)	Commercial (Mall)	Commercial (Office)	Commercial (Office)	Commercial (Office + retail)	
Key Lessees' & Area Occupied	Ocorian (25%) Standard Bank (20%) Citco (Mauritius) Ltd (10%) Dale International (10%)	Accenture (32%) Standard Bank (10%) Ebene Gate (7%) Ocorian (6%)	Registrar of Companies (43%) Economic Development Board (37%) Pick n Eat (10%) Jubilee Insurance (5%)	Mr. Bricolage (43%) Moving Fitness (14%) Parabole Maurice (10%) Alpes Cuisine (6%)	National Insurance Company (29%) Mauritius Bar Association (21%) National Solidarity Fund (20%)	Small Tenants	Small tenants	
Occupancy (in %): CY20	85%	83%	96%	96%	76%	69%	84%	87%
CY19	75%	81%	95%	96%	96%	81%	84%	85%
Annual Lease rental: CY20	62.3	86.3	23.9	39.0	6.5	1.7	0.9	221
WALE based on occupied spaces	2.6	4.5	1.0	2.1	3.6	1.4	0.8	3.1

#Valuation refers to value of the property owned and excludes properties sold namely floors 4,5,6,7,8 and 11 of One Cathedral Square and Floor 1,7 & 8 of Tower A for 1 CyberCity. Floor space is occupied by the property management department is excluded from the weighted average lease occupancy since they do not generate leasable rental.

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**Tenants profile is as follows:**

<b>Tenant &amp; Property leased</b>	<b>Profile</b>
<b>Accenture Services (Mauritius)</b> (1 CyberCity Ebene)	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.
<b>Ocorian Corporate Services Limited</b> (1 CyberCity Ebene)	Ocorian is an international provider of integrated advisory, corporate and business services, with a special focus on Africa and Asia. The Mauritius office provides structuring, establishment and ongoing administration of Mauritian global businesses, trusts, limited partnership structures and foundations
<b>Standard Bank (Mauritius) Limited</b> (1 CyberCity Ebene)	Standard Bank (Mauritius) Limited is a wholly owned subsidiary of the Standard Bank Group, the largest bank in Africa in terms of assets. The Bank is present in Mauritius since 2001, and their two main pillars of business are Corporate and Investment Banking and Wealth and Investment.
<b>Citco (Mauritius) Ltd</b> (1 CyberCity Ebene)	Citco Group of Companies is known as a high-quality service provider in financial services space. The founding family still runs Citco and continues to provide a broad range of financial services to its clients. Group has over 70 years of track record with USD 995 bn of assets under management with 60 offices all over the world.
<b>Bricomax/MR. BRICOLAGE</b> (Centre Commercial Emerald Park- CCEP)	Mr. Bricolage has two stores in Mauritius and an area of 6,000 m <sup>2</sup> dedicated to House and Home. The stores have a full range of ironmongery such as tools, electrical items, bathroom and kitchen fittings and fixtures, wood, and other materials. There are also decorative items, including paint, lamps and lighting, cushions, curtains artworks etc.
<b>Moving Fitness Club Ltd</b> (CCEP)	A well-known fitness club in the city.
<b>Registrar of Companies</b> (One Cathedrale Square)	The Corporate and Business Registration Department is a government office, which falls under the aegis of the Ministry of Finance and Economic Development.
<b>Economic Development Board</b> (One Cathedrale)	EDB marks a new beginning in the economic landscape of Mauritius and emphasizes on economic planning, trade promotion, investment and trade facilitation.
<b>KFC Mauritius</b> (One Cathedrale Square)	KFC is a global food chain with more than 18,000 KFC outlets in 115 countries and territories around the world. It has 21 restaurants in Mauritius.
<b>Dale International Trust</b>	Dale International Trust Co. Ltd provides offshore management services.
<b>Embassy Japan</b>	Embassy of Japan emphasizes on enhancing the bilateral relationship between Mauritius and Japan. They help to promote the welfare of Mauritians living in Japan as well as facilitate exchanges between the two countries.
<b>National Solidarity Fund</b> (P. Hennessy - Court View Building)	The National Solidarity Fund (NSF) was set up as a body corporate under the National Solidarity Fund Act 1991(amended 2005 and 2011) under the aegis of the Ministry of Social Security, National Solidarity and Reform Institutions. It falls under Ministry of Social Security, National Solidarity and Environment and Sustainable Development.
<b>Ebene Gate</b> (1 CyberCity Ebene)	Ebene Gate is involved in consumer lending, personal insolvency, and software companies.
<b>Saudi Consulate</b> (1 CyberCity Ebene P2)	A diplomatic office of Saudi Arabia to be set up in May 2019 at 1 Cybercity Ebene.
<b>The Business Exchange (Mauritius)</b> (1 CyberCity Ebene P2)	The Business Exchange Mauritius is a new concept in co-working in exclusive, high quality comfortable environment. TBE has capacity to provide workspaces for more than 100 employees. TBE creates opportunities for small enterprises to save money on rent.

**High occupancy with established track record and good retention rate of tenants**

All six properties have high occupancy levels with limited movement of tenants as majority of customers are well known companies and government department. The overall average rent is also moderate at MUR 49 per sq. ft. per month with the highest being 1 CyberCity Phase 1 & 2, which are favourably located in Ebene as being among the prime properties, closely followed by One Cathedral Square which is based in Port-Louis.

As of December 2020, Overall Average Occupancy of the six properties is 87% (increase from December 2019 – 85%). During the year, Immodir (473 sq. ft – One Cathedral building), Satguru (958 sq. ft - Courtview), La Promoliere (904 sq. ft - Max Tower) and

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Fincross (1 CyberCity Phase 2) vacated the properties whilst a few new tenants such as Batismart, Afrinex, WTS, Safyr and Loinette moved in. The management is currently in advance stage of discussion with few prospective clients for 50% of the vacant leasable area for 1 CyberCity.

### **Refinancing Risk at time of redemption; albeit some comfort on considering cumulative cash balance**

In terms of cumulative cash surplus in MPFL, the overall coverage for the senior bond tranche is 1.21 times. The overall refinancing risk is expected to be moderate considering likely increase in overall value of properties with completion of Phase 2 of 1 CyberCity resulting in a lower loan to value ratio (LTV) at end of bond tenure. Also, redemption mode would be decided one and half years before the bond maturity date providing buffer time for arranging finance. The non-exhaustive list for redemption includes (i) A term loan – the amount equivalent to outstanding amount; (ii) A new bond issuance; (iii) An equity solution through an IPO, trade sale or raising private capital in MPFL. Finally, the sale of real estate is the last resort.

### **Shorter tenure of lease agreement compared to bond tenure**

The weighted average tenure of lease in all properties is around 3.1 years compared to bond tenure of 7 years. Thereby, there is potentially a high renewal risk associated with the properties which can adversely affect overall cash flows and consequently debt servicing. However, it may be noted that government tenants enter into a lease tenure of up to 3 years and most of the tenants has been using the property for more than 8 years and the leases are renewed well before expiry.

### **Foreign Exchange fluctuating risk at MEL**

Approximately 41% of lease rentals of 1 Cybercity Ebene (Phase I & II) - MUR 88 million are in USD and in absence of active hedging policy its profitability is exposed to foreign exchange fluctuations. The company has raised part of the new Bond in USD (USD 26.1 million i.e., around MUR 960 million), which will act as a natural hedging.

### **Prospects**

The prospects of the company depend on timely renewal of lease agreements with existing tenants, maintain high occupancy in the existing properties especially during the pandemic and timely receipt of lease rentals.

### Financial Snapshot for MaxCity Property Fund Ltd

Particulars/ Year ended 31,	Dec-18	Dec-19
	12m, Audited	12m, Audited
<b>Revenue</b>	<b>70.1</b>	<b>200.7</b>
Less: Operating and Administrative Expenses	15.8	58.4
<b>EBIDTA</b>	<b>54.3</b>	<b>142.2</b>
Less: Interest	52.3	113.9
Add: Other income	23.6	42.8
Net gain on fair value of investments & share of profits	246.4	37.9
<b>PBT</b>	<b>272.1</b>	<b>108.4</b>
Tax	-	17.1
<b>PAT</b>	<b>272.1</b>	<b>91.3</b>

As per Audited Annual Report (January - December 31), Total income of MPFL is MUR 200.7 million with a PBT of MUR 108.4 million. The occupancy ratio is around 87%.

Cash Interest coverage for MUR 600 million and MUR 1,200 million Bond issue is expected to remain comfortable for the projected period i.e., between 2.69-3.92x times reflecting the ability to absorb non-receipt of some of the lease rentals due to delay in renewal of lease post expiry.

MaxCity management has also stated that Senior tranche Bond holders (MUR 600 million) are entitled to a cash build-up account which is pledged to the Noteholders Representative. As per the covenant, MPFL must deposit 50% of the repayment amount (MUR 600 million) from its internal cashflows in this account for the repayment of the MUR 600 million at maturity.

Given that MPFL must build up MUR 300 million of cash from its surplus cashflow for repayment of 50% of the Senior Tranche (MUR 600 million), the company will have excess cashflow, which can be partly utilised for the repayment of the Bond issue of Mur 1,200 million. As per MaxCity's management, part of the Bond issue of Mur 1,200 million will be refinanced through a term loan or a new Bond issue.

The refinancing both the Bonds at maturity should not be any major issue due to high occupancy level with well renowned tenants at various properties, established track record and good retention rate of tenants. In addition, considering the low LTV, refinancing risk would be low.

### Bond Details

Terms	Senior Tranche	Junior Tranche
<b>Amount</b>	MUR 600 Million	MUR 200 Million
<b>Issuer</b>	MPFL	
<b>Tenure</b>	10 years	10 years
<b>Trustee</b>	Mauritius Union Assurance Company Limited (4, Leoville L'Homme Street)	
<b>Interest rate</b>	Year 1-5: Fixed coupon of 5.50% p.a. Year 6-7: Fixed coupon of 5.75% p.a. Year 8-10: Repo +2.25% p.a.	Year 1-5: Fixed coupon of 6.25% p.a. Year 6-7: Fixed coupon of 6.50% p.a. Year 8-10: Repo + 3.00% p.a.
<b>Maturity date</b>	10 years from issue date	10 years from issue date
<b>Interest payment date</b>	Semi Annually in arrears, Senior tranche interest payment has first right on income.	Semi Annually in arrears
<b>Call option/ Early redemption</b>	Annually from the fifth anniversary of the date of issue at par, Solely at the option of the Issuer (in whole or in part)	
<b>Redemption</b>	18 months before the Maturity Date, the Issuer shall appraise the Noteholders' or Trustee of the repayment method (the "Preferred Repayment Method") which the Issuer has elected for in respect of the repayment of the total outstanding Aggregate Nominal Amount. The Preferred Repayment Method may include, inter alia, a term loan, a new bond issuance, an equity injection through an initial public offering, a trade sale, raising private capital in the Issuer or any other financial instrument available to the Issuer. Also, the Issuer may, at its sole discretion, alter the Preferred Repayment Method, provided that: <ul style="list-style-type: none"> <li>• Such alteration is notified to the Noteholders at least 3 months before the Maturity Date.</li> <li>• The Issuer will be able to, by applying the new repayment method, pay the total outstanding Aggregate Nominal Amount.</li> </ul>	
<b>Security</b>	First charge on the properties owned by MPFL valued at MUR 3,138 Mn along with new Bond issue of MUR 1,200 million (value <b>1.74 times</b> )	Second charge on the properties
<b>Provision for Coupon Payment</b>	From monthly income (rental income + interest income) an amount equivalent to one coupon payment to be accumulated in escrow account before payment of management fees or any dividend. For every six months, same mechanism would repeat.	Nil
<b>Other covenants</b>	The value of property should not fall below 1.5 times of bond value (Senior Tranche).	

**Note: Overall valuation to bond issue (Mur 2,000 million including junior Bond of Mur 200 million) is 1.57 times**

### Bond Details

Terms	Tranche I	Tranche II	Tranche III
<b>Amount</b>	USD 15 Million	USD 11.1 Million	MUR 300 million
<b>Issuer</b>	MPFL		
<b>Tenure</b>	5 years	5 years	7 years
<b>Trustee</b>	MCB Financial Advisors		
<b>Interest rate</b>	1.40% USD 3 Months LIBOR + 1.15% p.a.		5.50% p.a.
<b>Maturity date</b>	5 years from issue date	5 years from issue date	7 years from issue date
<b>Interest payment date</b>	Quarterly payment in arrears in January, April, July, and October of each year.		
<b>Redemption</b>	<ul style="list-style-type: none"> <li>• The issuer may, at its sole distribution, upon giving to the Noteholders and the Noteholder's Representative 15 days' written notice before each interest Reset date, redeem the whole or part of the notes</li> <li>• Minimum Redemption Amount or Higher Redemption Amount are not applicable</li> <li>• The Optional Redemption Amount will be calculated on the basis of a price per Note equal to the Nominal Amount</li> <li>• The Optional Redemption Date shall be the Interest Payment Date following immediately the date on which the notice is sent to the Noteholder's Representative.</li> </ul>		
<b>Security</b>	First charge on the properties owned by MPFL valued at MUR 3,138 Mn along with Senior Tranche		

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Terms	Tranche I	Tranche II	Tranche III
	of existing Bond issue of MUR 600 million.		
<b>Other covenants</b>	<ul style="list-style-type: none"> <li>• To repay total outstanding Aggregate Nominal Amount per Tranche and any accrued interest or additional payment as per terms of the pricing supplement.</li> <li>• Issuer shall not exceed maximum LTV of 60%</li> <li>• Minimum interest coverage of 1.5 times</li> <li>• Management fees subordination</li> <li>• Non-payment of dividend</li> </ul>		

**Disclaimer**

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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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