CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

Ascencia Limited

06 November 2020

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Proposed Bond	1,000	CARE MAU A+; Stable	Assigned
Bank facilities	4,400	CARE MAU A+; Stable	Assigned
Total	**5,400**		

* Details in Annexure I * MUR Million = Mauritian Rupee Million

Rating Rationale

The rating assigned to the proposed bond issue of MUR 1,000 million and the bank facilities of MUR 4,400 million of Ascencia Limited derives strength from satisfactory track record of Ascencia Group and the experienced & resourceful promoters – ENL Group, the experienced management team in handling the rental generating properties, satisfactory loan to value (LTV) ranging between 38-40%, stable portfolio of rental generating properties located in prime location of the island with consistent footfalls, steady operation of all the malls with high occupancy levels (more than 95%), lease agreements with assured annual rental escalation clause and strong financial position of the reputed lessees including well-known food chains, luxury brands and supermarket outlets. Ascencia has a steady source of income from lease rentals of the retail space with comfortable revenue visibility and enjoys a steady financial position with satisfactory debt coverage indicator.

The rating is however constrained by the concentration in the commercial retail sector, tenant concentration risk in the malls, the risk of non-renewal of lease agreement by the tenants after the lock-in period, longer debt maturity profile (around 7-10 years) vis-à-vis the weighted average lease expiry period (4.7 years), liquidity risk due to the company's dividend distribution policy (5% of NAV) vis-à-vis minimal debt repayment over last few years, project execution risk and the risk of competition from the new malls, being constructed in near vicinity to Bagatelle mall.

The rating is sensitive to the Mauritian economy entering into a prolonged economic downturn, which can have a negative impact on the retail spending – and accordingly the revenue of the malls, interest rate risk, the timely receipt of lease rentals, the ability of the company to maintain the high occupancy level and footfalls in the malls, renewal of lease agreements well before the lease expiry date and successful execution of projects within the envisaged cost and timelines without affecting the cashflow and coverage indicators.

Background

Incorporated in June 2007, Ascencia Limited ("**Ascencia**"), a subsidiary of ENL & Rogers, is the largest listed retail property company in Mauritius. Its primary activities include acquisition, investment and management of prime real estate. Ascencia's portfolio of assets comprises of the largest shopping malls of the island with a total of 129,571 square meters

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

(sqm) shopping space. Ascencia owns and manages three regional malls – Phoenix Mall (opened in 1994 but acquired by Ascencia in 2008), Riche Terre Mall (opened in 2003 but acquired by Ascencia in 2008) and Bo'Valon Mall (opened in November 2019), three convenience shopping centers – Kendra (opened in 2013), Les Allées (opened in 2013) and So'Flo (opened in 2017) and the largest and most visited mall (22 million people annually) of Mauritius – Bagatelle Mall (opened in 2011).

Riche Terre Mall, Phoenix Mall, Kendra and Les Allées are the assets under Ascencia Limited. Ascencia Limited owns 100% stake in Bagaprop Ltd (owning Bagatelle Mall) and The Floreal Commercial Centre Ltd (owning So'Flo Mall). This apart Ascencia Limited holds 33.3% in The Beauvallon Shopping Mall Limited (joint venture between Atterbury and EnAtt).

Ascencia's main source of revenue is rental income from the 7 malls. It also benefits from capital appreciation, rental recoveries, interest income and other operating income such as revenue from exhibitions and marketing. The sustained high overall occupancy levels (more than 95%) in the past years have contributed to stable cash flow of the company.

In between FY16-19, the malls reported satisfactory performance with increase in revenue by 17% in FY19 (from MUR 1.2 billion in FY18 to MUR 1.4 billion in FY19) due to 5% increase in lease rentals as per escalation clause, full year rental income from So'Flo mall and high occupancy level. EBIDTA witnessed an increase of 21% in FY19 (MUR 901 million in FY19 as compared to MUR 744 million in FY18) due to higher revenue and good management of operating expenses. The property portfolio increased from MUR 11.2 billion in FY18 to MUR 12.3 billion in FY19. Interest coverage has remained satisfactory over the last 4 years and has improved till FY19 due to higher EBIDTA level and stagnant interest cost. Overall gearing has remained satisfactory at 0.6x for last few years. Total debt/EBIDTA at 5.0-6.0x is satisfactory considering the longer maturity profile of the term loans of the company (stated below). Loan to value of the company has ranged between 38-40% during last three years.

In 9MFY20 (July- March 31, 2020), Ascencia has reported a revenue of MUR 900 million (MUR 1,035 million in 9MFY19) and a PAT of MUR 153 million (MUR 390 million in 9MFY19). Total debt was MUR 4,472 million and cash and bank balance was MUR 525 million

Impact of Covid-19 Pandemic on the FY20 Financials of Ascencia

In CY20, Covid-19 Pandemic slowed down the economic activities across the island and worldwide. The economy in Mauritius contracted by 2% year-on-year during the first quarter of 2020. Ascencia's portfolio features the most visited malls of the island. Till 9MFY20, the company posted robust performance. However, the financials are expected to be impacted in Q4FY20 due to the 2.5 months lockdown (March 20 – May 31) in Mauritius resulting in part closure of the malls. During the lockdown, malls in general, reported a lower physical footfall since all outlets other than those classified as essential services (e.g. grocery stores and pharmacies), were closed. The impact of this lockdown on Ascencia's revenues are as follows: almost all of the tenants have paid their basic rental with some discounts and with the closure of most outlets, the turnover rental has only been paid by the essential services tenants. Supermarkets however witnessed mass purchases. As such, the EBITDA is expected to be impacted by (i) one-time cost of fumigation, cleaning of the mall before reopening, purchase of masks and sanitizers and setting up temperature control access, and (ii) the foregone income during the lockdown period.

Ascencia is currently carrying out an extension project in Bagatelle Mall and outside the Mall (Decathlon project). This will feature a new visitor's entrance, increase in GLA by 7,345 sqm in the Bagatelle mall, additional GLA of 3,000 sqm for Decathlon outside the mall and additional parking space.

Ascencia has already commenced execution of the projects and till June 30, 2020 it has incurred MUR 250 million in all 3 projects (Bagatelle Mall – MUR 83 million and Decathlon project – MUR 145 million) out of own funds (parked with Rogers Limited).

Proposed Bond issue: As of June 30, 2020, Ascencia Limited has long-term debt of MUR 1,866 million and a bond of MUR 211 million. The wholly owned subsidiaries, Bagaprop Limited has long-term debt of MUR 2,229 million and Floreal Commercial Centre Limited has long-term debt of MUR 375 million which were both used in financing construction/acquisition of the malls.

In September 2020, Ascencia proposes to issue a Bond of MUR 1,000 million (Tranche 1: MUR 700 million and Tranche II: MUR 300 million) to be repayable in 5 years (MUR 200 million in FY26), 7 years (MUR 300 million in FY28) and 10 years (MUR 500 million in FY31). The utilization of the Bond proceeds (Tranche I) is as under:

Purpose	Amount (MUR Million)
Expansion of the Bagatelle Mall	670
Construction of a building for Decathlon (next to Bagatelle Mall)	260
Total	**930**

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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.

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