Ascencia Limited

20 December 2021

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,500	CARE MAU AA-; Stable	**Upgrade from CARE MAU A+ Stable**
Bank facilities	4,400	CARE MAU AA-; Stable	**Upgrade from CARE MAU A+ Stable**
Total	**5,900**		

Rating Rationale

The rating assigned to the bond issue of MUR 1,500 million and the bank facilities of MUR 4,400 million of Ascencia Limited has been upgraded after considering stable performance & high occupancy of all the malls during last 12 months since last review, renewal of lease rentals Agreements in Bagatelle mall due for expiry in FY21 and operational of the expansion of Bagatelle mall with full occupancy.

The rating continues to derives strength from satisfactory track record of Ascencia Group and the experienced & resourceful promoters – ENL and Rogers, the experienced management team in handling the rental generating properties, satisfactory loan to value (LTV) ranging between 40-45%, stable portfolio of rental generating properties located in prime location of the island with consistent footfalls, stable operation of all the malls with high occupancy levels (at 97.3% as at 30 June 2021), 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 strong financial and liquidity 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 7-15 years) vis-à-vis the weighted average lease expiry period (3.9 years as of 30 June 2021) and the risk of competition from the new malls, being constructed in near vicinity to Bagatelle mall.

Rating Sensitivities

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

- Ability to maintain high occupancy & footfalls in the malls
- Timely receipt of lease rentals
- Renewal of the lease agreements well before expiry

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

- Significantly large debt-funded new acquisitions and renovations, not envisaged, adversely impacting cash flow and debt coverage indicators
- Fall in occupancy rate and footfalls in the malls

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

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- Delay in receipt of lease rentals and inability to renew lease agreements
- Increase in investment or cash parked in associate companies

Background
Incorporated in June 2007, Ascencia Limited ("**Ascencia**") is the largest listed retail property company in Mauritius and is a subsidiary of Rogers & Co Ltd. The latter is itself a subsidiary of ENL Limited (CARE MAU A Stable). Its primary activities include the acquisition, investment, and rental of prime real estate. Ascencia's portfolio of assets comprises of the largest shopping malls of the island with a total of 134,057 square meters (sqm) shopping space (as of June 30, 2021). 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).

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.

FY20 and FY21 were impacted by the COVID-19 pandemic, national lockdown, and prolonged closure of borders. Despite such challenging conditions and lockdown in March-May 2021, Ascencia's performance:

- ✓ Average monthly footfall was 1,586,421 in FY21 (only 9% drop from 1,746,929 in FY20).
- ✓ Rent to turnover of tenants was 8.6% in FY21 (8.9% in FY20)
- ✓ Trading density was Mur 9,085 in FY21 (Mur 8,554 in FY20).
- ✓ Occupancy was 97% in FY21 (99% in FY20) and weighted average lease expiry of 3.9 years.
- ✓ In FY21, Rentals of all the tenants has increased in line with escalation clause (5% or CPI)
- ✓ Total GLA – around 30% is Essential services (Supermarkets, Pharmacies, Banks and petrol pumps) and balance 70% in retail and food outlets as of June 30, 2021.

Performance in FY21: In FY21, Ascencia group achieved a total revenue of MUR 1,338 million (MUR 1,333 million in FY20), EBITDA of MUR 728 million (MUR 629 million in FY20) and PAT of MUR 421 million excluding fair value gains (MUR 297 million in FY20).

A fair value gain of MUR 537 million was recognized in FY21 and Ascencia paid dividend of MUR 312 million. With a group debt of MUR 6,124 million and a total investment property value of MUR 13,831million, the group reported an LTV of 44%. The MUR 1,500 million bond was successfully raised in FY21 which increased the overall gearing to 0.7x (0.58x in FY20) and debt to equity to 0.68x (0.57x in FY20). Interest coverage for FY21 was 3.76x times and the average cost of borrowings was at 3.66%. Ascencia has a cash balance of MUR 1,072 million and cash parked with group companies of MUR 453 million.

Performance in Q1FY22: Ascencia group achieved a total income of MUR 345 million and PAT of MUR 119 million during the first quarter of FY22. The performance is in line with budgeted figures for FY22.

Project: Ascencia has completed and launched the extension project at Bagatelle Mall in August 2021. Decathlon, next to Bagatelle was launched in May 2021. The Bagatelle extension project features a new visitor's entrance, new outlets, additional parking facilities and a new eating area spread out on GLA of 2,350 sqm. Total cost of the remaining projects will be financed partly from the bond issue and partly with cash from internal accruals.

[Madam Aruna Radhakeesoon did not participate in the Rating Committee discussion of this case because of her association with Rogers & Co. Ltd, holding significant stake in Ascencia Limited]

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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