BH Property Investments Limited

October 18, 2022

Ratings

Instrument	Amount	Rating[1]	Rating Action
Term Loan – Long Term	MUR 280 million	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned

Rating Rationale

The rating assigned to the bank facilities of BH Property Investments Limited ("BH Property Investments") derives strength from experienced promoters with satisfactory track record in handling rental income generating properties, prime location of properties, steady demand for Grade A offices in Ebene, reputed lessee – ABSA Bank with low counterparty risk and strong financials, stable occupancy rate of 86% with retention of tenants and lease agreement for ten years which matches the facility tenure. The rating also draws comfort from the moderate cash coverage ratios for interest and principal repayment and the presence of a Debt Service Reserve Account

The rating is, however, constrained by renewal risk of the lease, interest rate risk, new office developments coming up in and around Ebene and refinancing risk of the remaining amount in the 10th year of maturity of the debt facility.

Rating Sensitivities

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

- Ability to achieve 100% occupancy and retain ABSA Bank as tenant
- Significant reduction in the debt

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

- Non- renewal of lease agreement by ABSA Bank
- Additional debt by BH Property Investments weaking the coverage ratios
- Difficulty in filling the vacant space
- Significant payment of dividend to parent entities

BACKGROUND

Incorporated on October 16, 2015, BH Property Investments Limited ("**BH Property Investments**") is a 100% subsidiary of Lavastone Ltd (rated CARE MAU A-; Stable). BH Property Investments was fully acquired in July 2022 by Lavastone for a total purchase consideration of MUR 207 million for Grit Services Limited.

The core activity of BH Property Investments primarily generate income from rental of investment property (office building). Its portfolio comprises of only one standalone building located in Ebene named as ABSA House which was built in the early 2000s. As on September 2022, ABSA House has a total Gross Leasable Area (GLA) of 8,266 sqm with 86% occupancy generating a rental of around MUR 40 million annually. The sole tenant occupying space in the building is ABSA Bank (Mauritius) Limited (rated Ba1 long-term deposit by Moodys). ABSA Bank has been occupying space in the building for around 12 years. The Lease Expiry for the building is 10 years for four floors and around 7 months for one floor.

Management: BH Property Investments is a professionally managed company, with an experienced management. It is governed by a 2-member Board of Directors (Mr. Colin Taylor – non-executive director and Mr. Nicolas Vaudin – executive

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

director). Mr. Colin Taylor is the Chairman of Lavastone, KAML and Taylor Smith Investment - diversified group engaged in Marine Services, logistics and distribution, manufacturing, services, and property. Mr. Nicolas Vaudin joined Lavastone in 2017 and has around 15 years of established track record in the Mauritian real estate industry. He is assisted by a team of qualified professionals.

Performance in FY21: BH Property Investments achieved a similar level of revenue (MUR 48 million) and EBIDTA (MUR 42 million) in FY21 as compared to FY20. Profitability was impacted due to fair value losses on investment property of MUR 12 million and foreign exchange losses of MUR 42 million arising on the EURO long-term facility. The company posted a cash loss of MUR 36 million. Debt to rental for the year was 6.64x times and interest coverage was 1.82x times.

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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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.