

MaxCity Property Fund Ltd ("MPFL")
November 18, 2022

Ratings

Instrument	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue - Long Term	1000	CARE MAU A-; Stable [Single A; MINUS; Outlook: Stable]	Reaffirmed
Bond Issue - Long Term	300	CARE MAU A-; Stable [Single A; MINUS; Outlook: Stable]	Reaffirmed
Bond Issue *	USD 11.1 (MUR 483 million)	CARE MAU A-; Stable [Single A; MINUS; Outlook: Stable]	Reaffirmed

* Total bond issue size was USD 26.1 million; however, rating is assigned to USD 11.1 million only. All the Bond Issues are backed by the first charge on the six leased properties. @1USD=MUR42.5

Rating Rationale

The ratings assigned to the bond issues of MaxCity Property Fund Limited continue to derive strength from Steady lease rentals being generated from properties at prime location, reputed and diversified tenant base, continued high occupancy ratio (87% as at September 2022) & 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 rating is, however, 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, market risk, level of debt in the company, refinancing risk at time of redemption of bonds and foreign exchange fluctuation risk.

Rating Sensitivities

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

- Timely renewal of lease rentals
- Ability to maintain high occupancy rate in all the properties
- Potential impact of the proposed rental yielding acquisition

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

- Inability of the company to retain its tenant thus witnessing a drop in occupancy which will hinder rental income.
- Additional debt raised by MPFL

BACKGROUND

MaxCity Property Fund Limited (MPFL) was incorporated in April 2017 by the Maxime Fon Sing Family. MPFL was wholly owned by the Maxime Fon Sing Family until December 2020 when Swan Limited made an equity infusion of MUR 250 million in MPFL, post which Swan Limited holds 14.74% stake in MPFL.

MPFL owns six properties, with a total leasable area of 439,570 sq. ft (40,852 sqm), as under:

- ✓ 2 Grade-A prime commercial properties - 1 CyberCity Ebene and One Cathedral Square, Port Louis
- ✓ 1 operating in a niche segment – Centre Commercial Emerald Park which is designed and built specifically for retail operators in the Home DIY/Housewares sector. It also holds some offices.

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

- ✓ 3 commercial properties - Court View Building, Max Tower Building and Max Plaza.

The company utilises the rent received from these properties for debt servicing and cash build up for repayment of the Bonds.

Performance in FY21: As per Audited Annual Report FY21 (January – December 31), MPFL reported a total income of MUR 302 million (MUR 277 million in FY20), EBITDA of MUR 233 million (MUR 209 million in FY20) with PAT of MUR 71 million (MUR 81 million in FY20). The occupancy ratio was at 87% as at September 2022.

Cash Interest coverage for repayment of the Bond issues considering the opening cash balance is expected to remain comfortable for the projected period (FY22-30) i.e., between 1.27x – 20.43x reflecting the ability to absorb non-receipt of some of the lease rentals due to delay in renewal of lease post expiry. Interest is paid prior to payment of management fees.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

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CRAF's ratings do not factor in any rating related 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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Annexure II

Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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".

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.

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