Ascencia Limited

December 12, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,500	**CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)**	**Reaffirmed**
Redeemable Secured Floating Rate Notes	4,760	**CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)**	**Reaffirmed**
Total	**6,260**		

Rating Rationale

The rating assigned to the bond issue and the redeemable notes of Ascencia Limited have been reaffirmed after considering the stable performance and high occupancy of all the malls in FY22 and high renewal rate of lease rentals agreements. The rating continues to derives its strength from the satisfactory track record of Ascencia 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 37%, 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% as at 30 June 2022), 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, shorter weighted average lease expiry period of 4.1 years as at 30 June 2022, vis-à-vis longer debt maturity profile of around 7-15 years and the risk of competition of a new mall, being constructed in near vicinity to Bagatelle mall.

Rating Sensitivities

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

- Substantial reduction of total debt (between MUR 700-800 million)
- Ability to maintain high occupancy (above 90%) & footfalls in the malls
- Successful execution of renovation/expansion projects in different properties within the envisaged cost and timelines

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 its cash flow and debt coverage indicators
- Fall in occupancy rate (below 90%) and footfalls in the malls
- Delay in receipt of lease rentals and inability to renew lease agreements

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

Background

Incorporated in June 2007, Ascencia Limited ("**Ascencia**"), a subsidiary of ENL Limited (CARE MAU A Stable) & 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 134,653 square meters (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 (8 million people annually) of Mauritius – **Bagatelle Mall** (opened in 2011). **Prior to July 2022, Ascencia Limited owned 100% stakes in Bagaprop Ltd (owning Bagatelle Mall), The Floreal Commercial Centre Ltd (owning So 'Flo Mall) and in The Beauvallon Shopping Mall Limited (owning Bo'Valon Mall). In July 2022, the three companies have been amalgamated into Ascencia Limited. Ascencia Limited now directly owns all the seven malls.**

<u>**Consolidated performance in FY22**</u>**:** In FY22, Ascencia achieved a total income of MUR 1,566 million (MUR 1,362 million in FY21), EBITDA of MUR 932 million (MUR 841 million in FY21) and PAT of MUR 565 million excluding fair value gains (MUR 421 million in FY21). Rental income increased from MUR 968 million in FY21 to MUR 1,097 million in FY22. Operating expenses increased by around 20%. A fair value gain of MUR 440 million was recognized in FY22 and Ascencia paid a dividend of MUR 439 million. With a group debt of MUR 6,375 million and a total asset value of MUR 15,408 million, the company reported an LTV of 41%. Ascencia raised a bond of MUR 1,500 million bond in FY21 and redeemable notes of MUR 4,741 million in FY22 to refinance the existing term loans of MUR 4,400 for Ascencia company and its subsidiaries. Ascencia was able to refinance its term loans at a lower interest rate. Overall gearing in FY22 was 0.68x (0.70x in FY21) and debt to equity remained at 0.68x. Interest coverage for FY22 was 3.56x (3.76x in FY21) and the average cost of borrowings was at 4.11%. Ascencia has a cash balance of MUR 818 million and cash parked with group companies of MUR 434 million.

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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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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.