

Investcorp (Holdings) Ltd
25 September 2023

Ratings

Instrument	Amount (MUR Million)	Rating ¹	Rating Action
Bond Issue	1,123	CARE MAU BBB+; CWD[^] [Triple B Plus; Credit Watch with Developing Implications]	Continue to be on Credit Watch with Developing Implications

[^]The rating was placed under credit watch with developing implications due to the Financial Intelligence Unit (FIU) restriction order on the assets of Mr. Nawaz Khan Chady, the promoter of Investcorp (Holdings) Ltd, in association with the ongoing investigation of Mr. Sherry Singh, the former CEO of Mauritius Telecom. Mr. Chady owns 100% stake of Blue Valley Limited which in turn holds 100% stake in Investcorp. **CARE Ratings Africa Private Limited will take a view on the ratings once the exact implications of the above on the credit risk profile for the company are clear.**

Ratings Rationale

The rating assigned to the bond issue of Investcorp (Holdings) Ltd – IHL continues to derive strength from prime location of the properties (Ebene, Port Louis & Grand Baie), diversified & established tenants with 13% of existing tenants being part of HYVEC Group, improved occupancy rate to 74% with respect to previous year, Debt Service Reserve Account (DSRA) of one semi-annual repayment, presence of covenant restricting dividend payment till full repayment of bond and steady demand for Grade A office properties in Ebene. The rating also takes into consideration that IHL is part of HYVEC Group and the promoter's experience in real estate development.

The rating is, however, constrained by the risk of tenanting the new office properties in Ebene, low interest coverage ratio (1.56x in FY22 in line with bond covenant), short tenure of lease, refinancing risk at maturity and ability to retain the existing tenants in the wake of new office developments in & around Ebene. In the repayment year, IHL will have around MUR 402 million as reserve and it will require around MUR 700 million which will be generated from sale of property or refinancing.

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

- Ability to increase cumulative occupancy rate over 80% for the portfolio of properties.
- Timely disposal of some of the building earmarked for sale as envisaged by FY26 and FY27
- Ability to achieve the projected occupancy and rentals in the new buildings
- Removal of restriction order for the promoter by the FIU

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

- Addition of significant debt by IHL on consistent basis
- Delay in filling the vacant space above 80% level beyond two years.
- Reduction in occupancy below 70%

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

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BRN: C14127054 • FSC License No.: CR14000001

Background

Incorporated in June 2008, Investcorp (Holdings) Ltd – IHL is a 100% subsidiary of Blue Valley Limited which is fully owned by Mr. Nawaz Khan Chady. Mr. Chady is the founder and CEO of the HYVEC Group. As at June 2023, IHL has a portfolio of nine properties (mix of new & mature properties) with gross leasable area (GLA) of 23,945 sqm into operations with 74% occupancy (72% occupancy as on December 31, 2022). These rentals are underpinned by MUR denominated rentals from office space and premium luxury apartments for vacation residence. The Weighted Average Lease Expiry on June 30, 2023, was 4.22 years.

Office Properties (GLA – 22,075 sqm) – Hennessy Tower (completed in 2011) is based in Port Louis. The remaining seven office properties are in Ebene namely AXIS building – completed in 2013, Hennessy Tower – completed in 2008, HYVEC House – completed in 2016. The other four office properties were completed in September 2020.

Luxury Apartment – The premium luxury apartments (Grand Bay suites – completed in 2009 with GLA of 1,870 sqm), of 25 suites with swimming pool & spa, is rented to one of the group companies of Mr. Chady for a period of 15 years. The rentals are irrespective of the occupancy of the apartments and full rentals have been received until July 2023.

Management: The strategic affairs of the company are looked after by the Executive Management Team which comprises of the CEO, Mr. Raju Jaddoo and the Deputy CEO, Mrs. Christine John Chuan. They are assisted by a team of qualified and experienced professionals. Mr. Raju Jaddoo is a Chartered Accountant with over 30 years of experience having worked for De Chazal Du Mee, Mauritius Chamber of Commerce and Industry and Board of Investment. Mrs. Christine John Chuan is an MBA graduate with more than 40 years of experience with State Bank of Mauritius and ABSA bank at various management positions.

Financial Performance of IHL for FY22: IHL financials has improved vis-a vis FY21. Following the amalgamation of subsidiaries into IHL, rental income for FY22 increased to MUR 76 million compared to MUR 61 million in FY21 for Group. EBIDTA for FY22 was MUR 66 million compared to MUR 15 million in FY21 (MUR 52 million in FY21 for Group). IHL posted a PAT of MUR 33 million compared to negative PAT of MUR 4 million in FY21 (MUR 14 million in FY21 for Group). Debt to rental for FY22 was 14.8x compared to 58.4x in FY21 (14.2x in FY21 for Group). Cash Interest Coverage was 1.17x and interest coverage was 1.56x as on December 31, 2022.

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. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. CRAF's ratings do not factor in any rating related trigger 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 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.

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