

Iconic View Ltd
29 March 2024
Ratings

Facilities	Amount (Mur Million)	Rating ¹	Rating Action
Bank Facilities - Non-Fund based facilities (Garantie Financière Exrinseque D'Achèvement (GFA))	1,777	CARE MAU A+(SO); Stable	Reaffirmed

*** Structured Obligation is for the ring fencing of cash flow by way of escrow mechanism completely under the purview of bank as per the VEFA regulation. Any surplus cash can be paid to the sponsor only with the prior approval of the bank in charge of the escrow account.**

Rating Rationale

The rating assigned to the Bank Facilities (GFA) of Iconic View Ltd, continues to derive strength from the legal structure under Vente en État Futur d'Achèvement ("VEFA") regulation which ring fences the cash flow by escrow mechanism and any surplus cashflow cannot be utilised for any other real estate development and can be available to developer only with the approval of the bank and bank guaranteeing the completion of the project. The rating also takes into the zero-saleability risk of the project as all units for the Legend Hill project have been fully sold, the overall satisfactory progress of the project, the strong demand for luxury residentials in Mauritius, the experienced promoter with over 20 years track record in development of high-end residential real estate in France and Mauritius - mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build model followed for all projects, and satisfactory reputation of MJ Developpement Group for quality of construction & completion of most of the projects well within envisaged timelines.

The rating, is however, constrained by the project implementation risk associated with development and construction of the project in case of any default by the contractor, delay in progress of the project, timely receipt of payment from the customers, environmental risks and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

Rating sensitivities

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

- Timely completion of projects within cost parameters

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

- Further delay in construction of the villas within the envisaged rates and timeline
- Climate related and environmental risks
- Additional increase in construction costs and inability of the contractor to complete the project

BACKGROUND

Incorporated on January 26th, 2018, Iconic View Ltd is a 100% subsidiary of Alliance Developer Ltd. The latter is held by Alliance Participations SAS (owning 75% stake) and SAMIC Investment Ltd (owning 25% stake). Alliance Participations SAS is a French Company held by SAS MJ Developpement (50%) and Desjoyaux Finance (50%). Iconic View Ltd (Iconic View) is a private limited company and acts as the property developer for the Legend Hill project in Mauritius. SAS MJ Developpement "**MJ Developpement Group**" (**MJ Group**) is a French real estate development company which was established in 2007 by Mr. Michael Ruel and Mr. Jean Etchepareborde. MJ Developpement Group operate several real estate

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

projects in France and Mauritius. The group operates in two areas of expertise namely development & construction and operations & hotel management.

Management: Iconic View Ltd is a professionally managed company and is governed by a 4-member Board of Director. The strategic affairs of the company are looked after by Mr. Jean Etchepareborde (the co-founder of the group and Managing Director). Mr. Jean Etchepareborde holds an MBA from the Instituto Tecnológico De Estudios Superiores, Mexico. He has consequently over 16 years of experience in the Real Estate Industry. He is assisted by the Co-Founder and President of the group, Mr. Michael Ruel who has over 20 years of experience in the real estate development and hotel management. Mr. Ruel has studied at Sales and Negotiation at Montpellier Business School. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Financial Guarantee backing from banks under VEFA regulation

As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d'Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank. A GFA is a financial guarantee given by a financial institution such as bank or insurance company to ensure the buyer that the property he bought off plan will be built and delivered even in the event the developer defaults. In other words, the Bank or the Insurance Company guarantees the full completion of the project should, for any reason, the developer fails to do so and is not able to complete construction.

Banks provide GFA only when the developer has achieved breakeven of the project cost and after analysing past track record of the promoter and group's popularity among the international clients. As per the GFA regulations, GFA providing Bank will create a designated account, where in the sale proceeds from that development phase will be deposited in that designated account. Bank will monitor the expenses and will release the payments in line with the expenses schedule submitted by the developer and on receipt of bills from the contractors. If the bank is not satisfied with the progress of work, they will not release any payment. If the development is also not in line with the plan committed by the developer, the bank will step in, take charge of the project, complete the project, and then hand over the same to the buyer.

Performance of Iconic View

In FY22, the company recognised revenue of MUR 687 million and negative EBITDA of MUR 55 million. PAT stood at MUR 5 million due to unrealised FX gain during period. EBITDA was on the negative side since expenditure on land and development costs were higher at MUR 722 million. The volatility of the total revenue for the past three years of Iconic View Ltd is directly correlated to the phases of project execution, invoicing, and receipt of cash payment from clients/booking of sales.

Disclaimer

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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 II

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".

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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