CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

Hermes Developments Ltd

10 July 2024

Ratings

Facilities	Amount (Mur Million)	Rating[1]	Rating Action
Term Loans	2,400	CARE MAU A-; Stable	Assigned
Bank Overdraft	100	CARE MAU A2	Assigned

Rating Rationale

The ratings assigned to the bank facilities of Hermes Developments Ltd ("HDL") derive strength from the healthy occupancy levels of Tribeca Mall which have translated into satisfactory profitability for the first full year of operation of the Mall, while the leverage position of the Company is maintained at a comfortable level. The ratings are also supported by the special attributes providing the mall a competitive edge over other malls, presence of high-profile & key tenants which contribute to the attractiveness of the mall, diversification of tenant profile mitigating the risks inherent to tenants' businesses and contributing to the resilience of the cash flows for HDL. The ratings further derive strength from the additional revenue streams which enhance the cash flow generating ability of HDL, comfortable Weighted Average Lease Expiry (WALE), and specific clauses in most of the lease agreements for profit sharing which provides upside potential for HDL.

The ratings are however constrained by the lack of track record of the mall and cash flow generation, risk of non-renewal of lease agreement and stiff competitive environment with the presence of long-established malls in the vicinity.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade: **Not applicable**

- Occupancy level of 100% being achieved and maintained over the next 3-4 years
- Improvement in overall gearing to below 0.3x
- Improvement in Total Debt to GCA below 8x

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Decline in occupancy to below 80%, impacting profitability and cash-generating ability of HDL
- Additional debt funded capex increasing the overall gearing and LTV ratios beyond 1x and 0.75x respectively

BACKGROUND

Incorporated in April 2018, Hermes Developments Ltd ("HDL") is the developer and operator of Tribeca Mall, one of the largest shopping malls in Mauritius which was built over an area of 30.5 arpents (128,736 m2) of land in Trianon, opposite to Ebene Cybercity, and which has 70,766 m^2 in Gross Leasable Area (GLA). Following its opening in late December 2022, Tribeca Mall has rapidly emerged as one of the main attractions in Mauritius, boosted by the level of confirmed tenants which have reached 81% as on 30 April 2024. The average occupancy for the year ended 31 December 2023 was at 65% as most of the tenants become operational after April 2023.

Tribeca Mall is a contemporary double-level shopping, dining and entertainment destination which houses over 200 stores, restaurants and other amenities such as leisure facilities. In addition to its excellent accessibility and transport links to every part of the island, the mall has the benefit of being highly accommodative with its 3,500 parking spaces. Among the tenants present at Tribeca Mall include some of the preferred household names in Mauritius namely Winner's Supermarket (the largest supermarket chain), Courts Mammouth (the largest furniture & home appliances retailer) and several market leaders

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

in the apparel, electronics, home decor & accessories and healthcare retail industries. Besides, the mall also accommodates three of the world's largest fast-food franchises namely Mc Donald's, KFC and Burger King.

HDL is governed by a 3-member board of directors with Mr. Cyril How Kin Sang being both the Chairman & CEO of the Company.

Satisfactory financial performance during first year of operation

Following its opening in late December 2022, FY23 was the first full year of operation for Tribeca Mall. While the majority of lease agreements were already signed prior to the opening, due to ongoing construction and fit out works, only part of the lessees moved into the mall right after the opening, while 62% of the GLA were already taken up by confirmed tenants at end of the first quarter of FY23. During the quarter which followed, most of the spaces became up and ready for use/operation and a growing number of lessees started moving into their spaces. Consequently, Tribeca Mall witnessed consistent increases in the level of confirmed and operational tenants which reached 79% as on 31 December 2023. On average for the year ending 31 December 2023, 65% of the total GLA was leased by confirmed tenants which were in operation, which resulted in HDL registering rental income of MUR 398 million and a PAT of MUR 141 million for FY23. Interest coverage for the year was comfortable at 1.87x. The Company is also in a comfortable leverage position as shown by its loan to value and overall gearing ratios which stood 0.32x and 0.50x respectively as on 31 December 2023. The debt-to-rental income of 6.97x for FY23 is deemed to be satisfactory considering that the mall operated at an average occupancy of only 65% for the year.

Annexure I
Details of Facilities

1. Term Loans

Bank	Facility	Amount (MUR million)	Tenor	Repayments
SBM Bank (Mauritius) Ltd	Term Loan I	1,800	15 Years	Capital repayable over 144 consecutive equal instalments; Syndicated Facility
MauBank Ltd	Term Loan I	200	15 Years	Capital repayable over 144 consecutive equal instalments; Syndicated Facility
	Term Loan II	57.50	5 Years	Capital repayable over 54 consecutive equal instalments
	Term Loan III	35	5 Years	Capital repayable over 54 consecutive equal instalments
SBI (Mauritius) Ltd	Term Loan I	300	6 Years	Capital repayable over 60 consecutive equal instalments

2. Bank Overdraft

Facility	Bank	Amount (MUR million)	Tenor	Repayments
Bank Overdraft	MauBank Ltd	100	1 Year	Capital repayable on demand

Note: Hermes Developments Ltd also has MUR 7.50 million of bank facilities which have been rated but not yet sanctioned.

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.

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.

Short term Instruments

Symbols	**Rating Definition**
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.