BH Property Investments Limited
14 October 2024

Rating

Instrument/Facilities	Amount	Rating[1]	Rating Action
Bank Facility -Term Loan	MUR 200 million	**CARE MAU A; Positive**	Reaffirmed

Rating Rationale
The rating assigned to the bank facility of BH Property Investments Limited ("BH Property Investments") continues to derive strength from experienced promoters with satisfactory track record in handling rental income generating properties, prime location of the properties, steady demand for Grade A office properties in Ebene, reputed anchor tenant – Absa Bank with low counterparty risk and strong financials, comfortable occupancy rate of 94% with retention of tenants and moderate weighted average lease expiry of 6.77 years. The rating also draws comfort from the moderate cash coverage ratios and the presence of a Debt Service Reserve Account providing comfort for liquidity.

The rating is, however, constrained by renewal risk of the lease, concentration of revenue from single property, interest rate risk, new office developments coming up in and around Ebene and refinancing risk of the remaining amount in the 10th year of maturity of the debt facility.

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

- Ability to achieve above 95% occupancy and to retain Absa Bank (Mauritius) Limited as tenant.
- Ability to sign lease agreements with new tenants for the remaining vacant space.
- Reduction of debt on a sustainable basis.

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

- Non- renewal of lease agreement by Absa Bank (Mauritius) Limited.
- Additional debt by BH Property Investments over and above the envisaged level.
- Reduction in occupancy level below 80% and difficulty in filling the vacant space.

BACKGROUND
Incorporated on October 16, 2015, BH Property Investments Limited ("BH Property Investments") is a 100% subsidiary of Lavastone Ltd (rated CARE MAU A-; Stable). BH Property Investments was fully acquired in July 2022 by Lavastone Ltd from Grit Services Limited. The core activity of BH Property Investments includes renting of investment property (office building). Its portfolio comprises of only one standalone building located in Ebene named Absa House which was built in the early 2000s. As on June 2024, Absa House had a total gross lettable area (GLA) of 8,070 sqm with 94% occupancy. Among the most eminent tenants, Absa Bank (Mauritius) Limited has been occupying space in the building for 14 years. As of June 30, 2024, Absa House had a Weighted Average Lease Expiry (WALE) of 6.77 years.

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

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Management: BH Property Investments is a professionally managed company, with experienced management. It is governed by a 2-member Board of Directors (Mr. Colin Taylor – non-executive director and Mr. Nicolas Vaudin – executive director). Mr. Colin Taylor is the Chairman of Lavastone, KAML and Taylor Smith Investment – a diversified group engaged in Marine Services, logistics and distribution, manufacturing, services, and property. Mr. Nicolas Vaudin joined Lavastone in 2017 and has around 15 years of established track record in the Mauritian real estate industry. He is assisted by a team of qualified professionals.

Performance in FY23: As per the 15 months results for BH Property Investments (change in financial year end date from June to September to align with Lavastone Ltd – parent's financial year end), the company posted a total income of MUR 52 million in FY23 (MUR 45 million in FY22) and EBITDA of MUR 43 million (MUR 35 million in FY22). The higher total income reported in FY23 takes into consideration the recognition of 15 months results against 12 months in FY22, the annual escalation clause in rentals of tenants and rentals from the two new tenants. PAT however remained at a similar level in FY23 at MUR 33 million (MUR 34 million in FY22). GCA was MUR 35 million and no dividend was paid in FY23.

As of September 30, 2023, total debt amounted to MUR 174 million (June 30, 2022, total debt: MUR 306 million). Overall gearing improved to 0.56 times as of June 30, 2023, compared to 1.87 times as of June 30, 2022. Interest coverage was 1.45 times in FY23, and cash balance amounted to MUR 7 million as of June 30, 2023. Occupancy rate as of June 2024 was 94% and WALE was 6.77 years.

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.

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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.