Ascencia Limited

21 February 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**1,500**	**CARE MAU AA-; Stable**	Reaffirmed
Redeemable Secured Floating Rate Notes	**4,760**	**CARE MAU AA-; Stable**	Reaffirmed

Rating Rationale

The ratings assigned to bond issue and the redeemable notes of Ascencia Limited continues to derive strength from the satisfactory track record of Ascencia, experienced & resourceful promoters – ENL and Rogers, the experienced management team in handling the rental generating properties. Rating also factors in the comfortable loan to value (LTV); diversified 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, lease agreements with annual rental escalation clause and 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 complemented by a strong financial and liquidity position with satisfactory debt coverage indicators. 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 after the lock-in period, shorter weighted average lease expiry of around 3.7 years vis-à-vis longer debt maturity profile of around 7-13 years and the risk of competition.

Rating Sensitivities:

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

- Substantial reduction of total debt with overall gearing improving below 0.5x.
- Ability to maintain occupancy with passing the incremental rate escalation and renew the lease rentals at higher rate.
- Sustained improvement of footfalls in malls leading to improvement in tenants performance eventually leading to improved turnover rental and profitability.

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

- Significantly large debt-funded capex or new acquisitions not envisaged adversely impacting its cash flow and debt coverage indicators.
- Decrease in occupancy rate below 90% and footfalls in the malls leading to a decline in top line and profitability.
- Significant decrease in rent reversion leading to a deterioration in debt coverage metrics.

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 over 139,000 square meters (sqm) of 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)

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

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 (+22 million people annually) of Mauritius – Bagatelle Mall (opened in 2011).

Investment properties of Ascencia Limited

Phoenix Mall (opened in 1994), previously known as Le Continent, is the first shopping mall of Mauritius with a hypermarket. In 2008, it was acquired by Foresite Property through its property fund, Ascencia and was renamed Phoenix Mall. The mall's design is inspired from old colonial houses, and it is home to more than 75 shops, an expansive food-court, separate McDonalds' drive through restaurant, kid's corner, fitness center and a renowned hypermarket of the island - Jumbo Score (rebranded as Carrefour). The mall is centrally located in the Plaines Wilhems area, where the majority of the population resides. **Gross lettable area is 29,414 sqm with 99% occupancy as of June 30, 2024.**

Riche Terre mall (opened in 2003) was the first shopping mall set up in the Riche Terre area. In 2008, Foresite Property through its property fund, Ascencia Ltd acquired Riche Terre Mall and the mall was revamped in 2012 so as to stand out amidst competition. Riche Terre Mall is well located about 5km from Port-Louis, and it provides adequate parking facilities, free Wi-Fi and houses a diversified mix of tenants with many international brands as well as local brands. It has over 60 retail shops, a food-court, a gym, the well-known hypermarket – Jumbo Score (rebranded as Carrefour) and an outdoor kids' corner. **Gross lettable area is 21,172 sqm with 100% occupancy as of June 30, 2024.**

Kendra (opened in 2013) is located in St. Pierre (near Moka). It has a number of shops, food outlets and Winner's Supermarket. The mall organizes events and exhibitions. **Gross lettable area is 4,682 sqm with 100% occupancy as of June 30, 2024.**

Les Allées (opened in 2013), in general serves as a meeting point for students, colleagues, and families due to the proximity of schools, gyms and residential & commercial area in Moka. The Mall is located close to Vivea Business Park, an office hub (developed by ENL). It features a few restaurants, shops, a pharmacy, beauty salon, wine store and Carrefour City. **The gross lettable area is 2,686 sqm with 99% occupancy as of June 30, 2024.**

Bo'Valon mall (opened in November 2019) is located in Grand Port close to the airport of Mauritius. The mall houses more than 40 diversified shops, a spacious food-court, and King Savers supermarket. The mall boasts a historic and fishing port design taking into consideration the rich maritime history of Grand Port and there has been maximum retention of the surrounding Flora and Fauna to preserve its natural beauty. **Gross lettable area of the mall is 10,889 sqm with 99% occupancy as of June 30, 2024.**

Bagatelle mall (opened in September 2011 and previously held by Bagaprop Limited before amalgamation) is the core asset in the investment property portfolio of Ascencia. The anchor tenants of the mall are Intermart hypermarket, Star Cinema, Engen and Woolworths. Bagatelle Mall comprises of over 200 shops hosting the best international luxury and local brands, cinema theatres and a number of food outlets. It is the most visited mall of the island. Bagatelle Mall has a dedicated section for home and interior décor with the separate building 'Home & Leisure'. It also features a leisure center with bowling and pool tables. There are several duty-free shops. Bagatelle Mall offers more than 2,000 free parking lots to customers. In July 2021, extension phase 1 of the mall including Burger King outlet and Decathlon outlet was completed and opened for commercial use. The new extension features many luxury brands (GAP, GANT, Ralph Lauren, Lacoste, Adidas and Go Sport), additional parking spaces and a food market (42 Street Market) which has gained popularity in a short time. **Gross lettable area of the mall is 63,188 sqm with 98% occupancy as of June 30, 2024.**

So 'Flo (opened in November 2017 and previously held by The Floreal Commercial Centre Limited before amalgamation) is located in Floreal and is home to some 20 retail stores, a food-court, over 250 parking lots and the anchor tenant, Intermart supermarket. Around 200,000 people visit the mall monthly. **Gross lettable area of the mall is 7,596 sqm with 98% occupancy as of June 30, 2024.**

Management: Ascencia is a professionally managed company and is governed by 13-member Board of Directors with 1 executive, 9 non-executive and 3 independent directors. Mr. Gilbert Espitalier-Noel is the Chairman of the board, and he holds a BSc from the University of Cape Town, a BSC (hons) from Louisiana State University and an MBA from INSEAD Fontainebleau, France.

Mr. Simon Harel has taken over as the new Chief Executive Officer of Ascencia Limited as from January 15, 2024. He holds a Bachelor of commerce in accounting and finance. He is also a member of both the Chartered Accountant Australia & New Zealand and the Chartered Financial Analyst Institute. Mr. Harel is supported by a team of experienced professionals.

Improved financial performance and strong financial position in FY24

During FY24, the malls of Ascencia recorded an average monthly footfall of 2,022,933, improving by 4% from 1,939,989 in FY23, trading densities improved by 2% from MUR 11,797 per sqm in FY23 to MUR 12,088 per sqm in FY24 and the overall occupancy rate across the 7 malls was slightly higher than FY23 at 99% (FY23: 98%). The company achieved a year-over-year growth of 7% in rental income driven by yearly rental escalation agreement with tenants of around 5% on average. Ascencia posted a total income of MUR 1,909 million in FY24, increasing by 9% over MUR 1,758 million in FY23. Accordingly, EBITDA grew by 5% to MUR 1,128 million. For FY24, Ascencia recorded fair value gains on its investment properties portfolio of MUR 602 million (FY23: MUR 487 million) and PAT improved by 12% to MUR 1,188 million from MUR 1,061 million in FY23. Adjusted PAT, excluding fair value gains amounted to MUR 597 million, representing a minor improvement of 2% over FY23. For FY24, EBITDA and PAT margin was 59.09% and 62.25% (FY23: 60.83% & 60.37%) respectively, GCA was comfortable at MUR 597 million and Ascencia declared record dividends of MUR 502 million.

During FY24, Ascencia secured a green loan of MUR 132 million over a tenor of 12 years and repaid debentures of MUR 53 million. As of June 30, 2024, total debt increased to MUR 6,421 million against MUR 6,337 million as of June 30, 2023. The sustained performance of Ascencia during FY24 resulted in an improvement of tangible networth to MUR 10,599 million and overall gearing improved to 0.61 times as of June 30, 2024, from 0.64 times as of June 30, 2023. Interest coverage was satisfactory at 2.82 times in FY24.

Performance in Q1FY25: Ascencia posted a higher total income in Q1FY25 at MUR 480 million compared to MUR 447 million for Q1FY24. EBITDA and PAT grew by 5% and 7% in Q1FY25 over Q1FY24. As of September 30, 2024, overall gearing improved to 0.60 times and interest coverage was 3.44 times, indicating a better overall financial position for the company.

Disclaimer

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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.

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.