Ascencia Limited

27 November 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,500	CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Redeemable Secured Floating Rate Notes	4,760	CARE MAU AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Total	**6,260**		

Rating Rationale

The rating assigned to the bond issue and the redeemable notes of Ascencia Limited continues to derives strength from the satisfactory track record of Ascencia, experienced & resourceful promoters – ENL and Rogers, the experienced management team in handling the rental generating properties, 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 (above 98% as at 30 September 2023), lease agreements with annual rental escalation clause and strong financial position of the 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 enjoys a strong financial and liquidity position with satisfactory debt coverage indicator.

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 period of 4.2 years as at September 30, 2023 vis-à-vis longer debt maturity profile of around 7-15 years and the risk of competition from new mall in the vicinity.

Rating Sensitivities

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

- Substantial reduction of total debt with improvement in gearing below 0.5x times
- Renewal of the lease agreements well before expiry
- Ability to maintain high occupancy (above 90%) & footfalls in the malls
- Successful execution of renovation/expansion projects in different properties within the envisaged cost and timelines

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

- Significantly large debt-funded new acquisitions and renovations not envisaged adversely impacting its cashflow and debt coverage indicators
- Fall in occupancy rate (below 90%) and footfalls in the malls
- Delay in receipt of lease rentals and inability to renew lease agreements

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

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 a total of 136,033 square meters (sqm) 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) **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).
Prior to July 2022, Ascencia Limited owned 100% stake in Bagaprop Ltd (owning Bagatelle Mall), The Floreal Commercial Centre Ltd (owning So 'Flo Mall) and The Beauvallon Shopping Mall Limited (owning Bo'Valon Mall). In July 2022, the three companies have been amalgamated into Ascencia Limited. Ascencia Limited now directly owns all the seven malls.

Stable financial performance and strong financial position
Ascencia is a retail property company which is involved in the acquisition, investment and management of prime real estate. Its main source of revenue is rental income from the 7 malls. It also benefits from capital appreciation, rental recoveries, interest income and other operating income such as revenue from exhibitions and marketing. The sustained high overall occupancy levels (around 98%) in the past years have contributed to the stable cash flow of the company.
Performance in FY23: In FY23, Ascencia achieved a total income of MUR 1,758 million (MUR 1,566 million in FY22) due to higher rental income following the 5% yearly escalation and meagre increase of 1% in occupancy rate. Rental income increased from MUR 1,097 million in FY22 to MUR 1,215 million in FY23. It achieved an EBITDA of MUR 1,070 million (MUR 932 million in FY22) and PAT of MUR 1,061 million including fair value gains of MUR 487 million (MUR 1,005 million in FY22). A fair value gain relating to investment properties of MUR 487 million was recognized in FY23 and Ascencia paid a dividend of MUR 463 million.
With a group debt of MUR 6,337 million and a total asset value of MUR 16,468 million, the company reported a loan to value ratio of 38% (FY22 41%). Overall gearing in FY23 was slightly lower at 0.64x (0.68x in FY22) and debt to equity decreased from 0.68x to 0.63x. Interest coverage for FY23 was 3.01x (FY22: 3.56x) and the average cost of borrowings was at 5.61%. Ascencia had a cash balance of MUR 85 million as at 30 June 2023.

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Annexure I

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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