

RATING REPORT

Dolmen City REIT

REPORT DATE:

July 25, 2017

RATING ANALYSTS:

Jazib Ahmed, CFA

jazib.abmed@jcrvis.com.pk

RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	REIT Rating	
REIT Rating	RR1	RR1
Rating Date	July 25, '17	July 25, '16

COMPANY INFORMATION

REIT Name: Dolmen City REIT	Shariah Advisor: Mufti Muhammad Ibrahim Essa
RMC: Arif Habib Dolmen REIT Management Limited	Scheme: Perpetual, listed closed-end Rental REIT
Chairman of the Board: Mr. Nasim Beg	Listing: Pakistan Stock Exchange (PSX)
Chief Executive Officer: Mr. Muhammad Ejaz	Valuer: MYK Associates (Private) Limited
Property Manager: Dolmen Real Estate Management (Pvt.) Limited	
Trustee: Central Depository Company of Pakistan Limited (CDC)	

APPLICABLE METHODOLOGY(IES)

Real Estate Investment Trusts (January 2015) (<http://www.jcrvis.com.pk/Images/RentalREITs-Mehtodology%202015.pdf>)

Dolmen City REIT (DCR)

OVERVIEW OF THE FUND	RATING RATIONALE
<p>DCR is a perpetual, listed, close-end rental REIT and was established on 20th January 2015 under Trust deed between Arif Habib Dolmen REIT Management Limited, as the REIT Management Company and Central Depository Company of Pakistan Limited as the Trustee of the fund. DCR is governed under the REIT Regulations 2015. The fund received the approval of the scheme on 29th May 2015 and was subsequently listed on the stock exchange.</p>	<p>The assigned rating incorporates high level of occupancy of the REIT Property including the Dolmen Mall and The Harbour Front (office building), year on year increase in footfall in the Dolmen mall and diversified tenant profile both in the Mall as well as the Harbour Front. The prestigious standing of the property is based on its geographical location, provision of amenities, established quality of services, security and maintenance of mall and office space.</p> <p>Management of the property and tenants is conducted by Dolmen Real Estate Management (Pvt.) Limited (DREM) which has an extensive track record of more than 30 years. The property manager has ensured the provision of high quality services and high occupancy rate.</p> <p>The occupancy level reported for DCR increased to 99.74% at end 9MFY17 (FY16: 98.38%). Harbour Front occupancy ratio was reported at 100%, whereas Dolmen City Mall had an occupancy ratio of 99.62%. Although client concentration is considered high and has further increased on a year on year basis, comfort is drawn from strong financial profile of clients as well as their extensive track record. The Harbour Front building is rented by names such as Citibank, Procter & Gamble, Engro Corporation and Siemens Pakistan. Whereas Dolmen Mall tenants include Debenham, Hyperstar Habitt, Crocs, Khaadi and Bareeze. Absence of comparable competition in the vicinity with reference to similar facilities as offered by DCR has improved assurance of return in the medium term.</p> <p>Due to increase in occupancy levels coupled with escalation of yearly rentals, revenues as well as profit available for distribution has increased and has exceeded the projections comprehensively.</p> <p>Since last review, valuation of the property witnessed a sizeable increase. This is on account of revaluation based on the ‘Income Capitalization’ approach, which is incorporated in the Net Asset Value of the fund. However, this increase has not manifested itself in the price of the fund, owing to the closed end nature of the rental REIT scheme.</p>

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Dolmen City REIT

Appendix I

BALANCE SHEET (Rs. In Millions)	9M17	FY16
Non-current Assets-Investment property	38,685	37,659
Paid up capital	22,237	22,237
Net Equity (Total Unit holder's Fund)	40,921	40,261
Net Asset Value per unit	18.4	18.11
INCOME STATEMENT (Not annualized)		
Rental Income	2,108	2,526
Total Income	108	2,664
Net Operating Income	1,936	2,319
Profit after tax	2,973	17,743
Dividend paid	2,313	170
TOTAL RETURN ANALYSIS		
Net Dividend Yield (%)	8.80%	10.40%
Capital Appreciation (%)	3.7%	-1.9%
Total Return	13.3%	-1.2%

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REGULATORY DISCLOSURE		Appendix II	
Name of Rated Entity	Dolmen City REIT		
Sector	Miscellaneous		
Type of Relationship	Solicited		
Purpose of Rating	REIT Rating		
Rating History	Rating Date	REIT Rating	Rating Action
	26-May-15	RR1	Initial
	25-July-16	RR1	Reaffirmed
	24-July-17	RR1	Reaffirmed
Instrument Structure	N/A		
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.		
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