

## RATING REPORT

## DOLMEN CITY REIT

**REPORT DATE:**

November 29, 2023

**RATING ANALYST:**

Nikeeta Rani

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## RATING DETAILS

Rating Category	Latest Rating	Previous Rating
REIT Rating	AAA(rr)	AAA(rr)
Rating Action	Reaffirmed	Reaffirmed
Rating Date	November 29, 2023	October 25, 2022

## COMPANY INFORMATION

<b>REIT Name:</b> Dolmen City REIT	<b>Shariah Advisor:</b> Alhamd Shariah Advisory Services (Private) Limited
<b>RMC:</b> Arif Habib Dolmen REIT Management Limited	<b>Scheme:</b> Perpetual, listed closed-end Rental REIT
<b>Chairman of the Board:</b> Mr. Arif Habib	<b>Listing:</b> Pakistan Stock Exchange (PSX)
<b>Chief Executive Officer:</b> Mr. Muhammad Ejaz	<b>Valuer:</b> MYK Associates (Private) Limited
<b>Property Manager:</b> Dolmen Real Estate Management (Pvt.) Limited	<b>Auditor:</b> KPMG Taseer Hadi & Co. Chartered Accountants.
<b>Trustee:</b> Central Depository Company of Pakistan Limited (CDC)	

## APPLICABLE METHODOLOGY(IES)

Real Estate Investment Trust (REIT) Fund (September 2023)

<https://docs.vis.com.pk/docs/REIT-Methodology-2023.pdf>

## APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

## DOLMEN CITY REIT

OVERVIEW OF  
THE REIT FUND

Dolmen City REIT (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 (which have been recently updated as on November'22). The fund received the approval of the scheme on 29th May 2015 and was subsequently listed on the stock exchange.

## RATING RATIONALE

**Company Profile**

Dolmen City REIT (DCR) is a perpetual, listed, closed-end, Shariah compliant rental REIT scheme launched by Arif Habib Dolmen REIT Management Limited. The REIT property is located in one of the most affluent areas of Clifton, Karachi. Comprising Harbour Front (office space) and Dolmen Mall (retail mall), the REIT property has now been in commercial use for several years and features prominent local and international brands and corporations as tenants.

**Key Rating Drivers****Diversified Income Streams and Strong Tenant Profile**

- The assigned rating takes into account, diversified income sources from the shopping mall (Dolmen Mall) and office space combination (Harbour Front) of the property.
- Current revenue mix includes 80% of rental revenues from Dolmen Mall while 20% are being generated by the Harbor Front.
- Rating incorporates diversified tenant profile, featuring a strong mix of local and international brands that have an ongoing record of timely rental payments. Multinational companies and high profile corporate tenants predominantly occupy the Harbour Front building.
- The tenancy mix including top tier corporates like Engro Corporation, Carrefour, Khaadi, Cnergyco PK Limited, Procter & Gamble, Chevron, Citibank and Maersk depicts lower counterparty credit risk.

**Rating incorporates resilient Occupancy and Strong Competitiveness**

- Comfort is drawn from occupancy levels remaining above 97% even amidst subdued economic activity. The competitiveness of the property, based on the established quality of services, provision of amenities and maintenance of the office and mall space in addition to its geographic location are other important rating drivers.
- At end-June'23, Weighted Average Lease Expiry based on the leasable area was 6.5 years and 3.9 years for Dolmen City Mall and Harbour Front, respectively, keeping vacancy risk low.
- Average footfall of the shopping mall also shows consistent increase to 8.50m visitors in FY23 (FY22: 7.02m visitors), thereby maintaining its economic viability for retail tenants.
- Going forward, maintaining high occupancy levels is viewed as an important rating driver.

**Financial Performance and Growth of DCR**

- As of June 30, 2023, DCR's fund size stood at PKR 69.50 billion, marking it as the largest closed-end, Shariah-compliant, publicly listed instrument in Pakistan.
- With the improvement in footfall metrics, DCR gradually phased out rental waivers and implemented rent increases, leading to a 21% growth in its revenue base in FY23.
- The net operating profit also saw an increase, reaching Rs. 3.9B in FY23, up from Rs. 3.2 billion in FY22. However, the net profit experienced a 5% decline, primarily due to a lower change in the Fair Value of investment Property, which amounted to Rs. 5.2B in FY23 compared to Rs. 6.5B in FY22. The Company as per the regulations appointed MYK Associates (Pvt) Ltd as the new valuator. Valuation of Rs. 68B as of June 30, 2023 was based on DCR revenue income capitalization value.

**Unleveraged capital structure and sound sponsor profile provide support to the Rating.**

- Rating incorporates unleveraged capital structure of DCR, given no debt on its books.
- The assigned rating also takes into account the profile of Dolmen and Arif Habib Groups. Both these groups are financially sound and have sufficient prior experience in the real estate sector.

**DOLMEN CITY REIT**
**Appendix I**

Dolmen City REIT( Financial Summary)				(PKR Mln)			
<b><u>BALANCE SHEET</u></b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>1QFY24</b>
Non-Current Assets- Investment Property	41,119	44,954	50,413	56,334	62,821	68,047	68,047
Bank Balances	1,480	1,619	347	734	950	1,131	1,097
Total Assets	42,998	47,022	52,034	58,084	64,819	70,295	70,370
Non-Current Liabilities	214	200	204	-	-	-	-
Accrued Expenses and other liabilities	317	360	326	217	285	247	290
Total Current Liabilities	552	589	548	660	790	799	849
Total Liabilities	766	789	752	660	790	799	849
Paid up Capital	22,237	22,237	22,237	22,237	22,237	22,237	22,237
Net Equity (Total Unit Holder's Fund)	42,232	46,233	51,282	57,424	64,029	69,496	69,521
Net Asset Value per unit	18.99	20.79	23.06	25.82	28.79	31.25	31.26
<b><u>INCOME STATEMENT</u></b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>1QFY24</b>
Rental Income	3,047	3,344	2,814	2,939	3,574	4,319	1,200
Total Income (including other income)	3,370	3,667	3,157	3,216	3,922	4,821	1,346
Net Operating Profit	2,773	3,014	2,568	2,664	3,279	3,979	1,094
Profit before change in fair value of investment	2,776	3,034	2,659	2,689	3,276	4,066	1,136
Profit Before Tax	5,055	6,870	8,118	8,610	9,763	9,292	1,136
Profit After Tax	5,055	6,870	8,118	8,610	9,763	9,292	1,136
<b><u>RATIO ANALYSIS</u></b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>1QFY24</b>
Operating Profit Margin	91.0%	90.1%	91.3%	90.7%	91.7%	92.1%	91.2%
FFO	2657	2,896	2,478	2,621	3,146	3,831	1,048
Gearing (x)	-	-	-	-	-	-	-
Current Ratio (x)	3.41	3.51	2.96	2.65	2.53	2.81	2.73

REGULATORY DISCLOSURES			Appendix II
<b>Name of Rated Entity</b>	Dolmen City REIT		
<b>Sector</b>	Rental REIT Fund		
<b>Type of Relationship</b>	Solicited		
<b>Purpose of Rating</b>	Fund Rating		
<b>Rating History</b>	<b>Rating Date</b>	<b>REIT Rating</b>	<b>Rating Action</b>
	29-Nov-23	AAA (rr)	Reaffirmed
	25-Oct-22	AAA (rr)	Reaffirmed
	22-Sep-21	AAA (rr)	Reaffirmed
	04-Sep-20	AAA(rr)	Reaffirmed
	18-Oct-19	AAA(rr)	Harmonized
	17-Sept-18	RR1	Reaffirmed
	24-July-17	RR1	Reaffirmed
	25-July-16	RR1	Reaffirmed
	26-May-15	RR1	Initial
<b>Instrument Structure</b>	N/A		
<b>Statement by the Rating Team</b>	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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<b>Due Diligence Meetings Conducted</b>	<b>Name</b>		<b>Designation</b>
	<b>Date</b>		
	1	Mr. Razi Haider	CFO & Company secretary
	2	Mr Aamir Hafeez	VP - Finance
			8 <sup>th</sup> November 2023
			8 <sup>th</sup> November 2023