

## RATING REPORT

### DOLMEN CITY REIT

**REPORT DATE:**

December 02, 2024

**RATING ANALYSTS:**

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**RATING DETAILS**

Rating Category	Latest Rating	Previous Rating
REIT Rating	AAA (rr)	AAA (rr)
Outlook/Rating Watch	Stable	Stable
Rating Date	December 02, 2024	November 29, 2023
Rating Action	Reaffirmed	Reaffirmed

**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

<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

## RATING RATIONALE

*Dolmen City REIT (DCR) was established through a Trust Deed dated January 20, 2015, between Arif Habib Dolmen REIT Management Limited (AHDRML) as the REIT Management Company (RMC) and Central Depository Company of Pakistan Limited (CDCPL) as the Trustee. The Scheme is governed under the Sindh Trust Act, 2020, and the Real Estate Investment Trust Regulations, 2022 (REIT Regulations, 2022). The Trust Deed was registered on January 20, 2015, and the SECP granted approval for the REIT Scheme's registration on May 29, 2015. The Scheme operates as a perpetual, closed-end, Shariah-compliant rental REIT.*

**Company Profile**

Dolmen City REIT (DCR or the 'Scheme') is a perpetual, listed, closed-end, Shariah-compliant rental REIT scheme launched by Arif Habib Dolmen REIT Management Limited (AHDRML). The REIT property, located in the Clifton area of Karachi, comprises Harbour Front (office space), Dolmen Mall (retail mall), and an associated parking facility. It has been commercially active for several years, with both local and international brands and corporations as tenants. All activities undertaken by the Scheme, including deposits, bank placements, and rental and marketing income, align with Shariah principles. The Scheme's primary activity is to generate rental income through its investment property and distribute this income to unitholders in the form of dividends.

**Auditor's Opinion**

The FY23 and FY24 financial statements were audited by KPMG Taseer Hadi & Co., categorized as 'Category A' on the SBP's Panel of Auditors. The auditor issued an unmodified and unqualified opinion on the state of the Scheme's affairs as at 30<sup>th</sup> June 2024, and of the profit, other comprehensive income, the changes in unitholder's fund and its cashflows for the year then ended.

**Key Rating Drivers****Diversified revenue streams and strong tenant profile**

The assigned rating reflects the diversified income sources generated from the shopping mall and office space (Harbour Front). During the year under review, DCR reported a rental income increase of over 12%, reaching Rs. 4,854.7 mn (FY23: Rs. 4,318.8 mn). This growth can be attributed to higher occupancy levels and the onboarding of new tenants, which collectively contributed to improved overall revenues.

DCR's real estate maintains a high occupancy rate, supported by credible tenants that primarily consist of international brands and multinational corporations known for their financial stability. Dolmen Mall Clifton, anchored by Carrefour, features a blend of local and international brands, including Adidas, Nike, Khaadi, Levi's, and Charles & Keith, which collectively drive consistent customer traffic. Meanwhile, the Harbour Front houses significant corporations such as Engro, Citibank, and Procter & Gamble, reflecting lower counterparty credit risk.

**Sustained high occupancy rates and diversified tenant mix**

Since its inception in 2015, DCR's real estate has maintained high occupancy levels, standing at 97.5% as of Jun'24 (Jun'23: 97.8%). New tenants, including Prime Textile, Maria B., Bella Vita, and The Closet (PUMA), have further added to the mall's already diverse consumer offering. Key factors driving the property's competitiveness include its quality of services, amenities, facility maintenance, and geographic location.

As of Jun'24, the Weighted Average Lease Expiry (WALE) based on the leasable area was approximately 2.57 years for Dolmen Mall and 4.11 years for Harbour Front, with a cumulative average lease expiry of 3.34 years for DCR. This reflects tenants' multi-year lease commitments, supporting predictable rental income streams and strong financial performance in the medium-term. Moreover, customer-focused marketing and branding efforts at the mall sustained footfall, with an average monthly footfall of 722,666 visitors (FY23: 708,278) and a total of 8.7 mn visitors (FY23: 8.5 mn) in FY24.

Going forward, maintaining high occupancy levels will remain important from the rating perspective.

**Financial performance**

By end-Jun'24, DCR's Net Asset Value (NAV) increased by over Rs. 3.0 bn, recorded at Rs. 73.2 bn (Jun'23: 69.5 bn). The Scheme's revenue surged by approximately 12.7%, while the administrative and operating expenses rose to Rs. 989.8 mn (FY23: Rs. 737.7 mn), driven by higher property management fee and renovation expense of the investment property. Rising expenses coupled with lower unrealized gain on remeasurement of fair value of investment property constrained the bottom-line to Rs. 8.1 bn (FY23: Rs. 9.3 bn) in FY24. As of Jun'24, DCR was valued at Rs. 71.7 bn (Jun'23: Rs. 68.0 bn) under the income capitalization approach using projected Net Operating Income (NOI) based on the existing rental agreements and expected rent for the vacant area.

**Unleveraged capital structure and strong sponsor profile**

The rating reflects DCR's unleveraged capital structure, as it carries no debt on its books. Additionally, the assigned rating considers the profiles of Dolmen and Arif Habib Groups. Both groups are financially sound and possess significant experience in the real estate sector.

## DOLMEN CITY REIT

## Appendix I

Financial Summary		(PKR in Millions)			
<b>Balance Sheet</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>1QFY25</b>	
Non-Current Assets - Investment Property	62,821.19	68,046.86	71,671.88	71,671.88	
Bank Balances	950.21	1,131.45	1,790.62	1,789.74	
Total Assets	64,819.39	70,295.22	74,054.97	74,041.25	
Non-Current Liabilities	-	-	-	-	
Accrued Expenses and other liabilities	285.04	247.05	261.79	265.28	
Total Current Liabilities	790.09	798.87	865.97	1,963.07	
Total Liabilities	790.09	798.87	865.97	1,963.07	
Paid up Capital	22,237.00	22,237.00	22,237.00	22,237.00	
Net Equity (Total Unit Holder's Fund)	64,029.29	69,496.35	73,189.00	72,078.18	
Net Asset Value per unit	28.79	31.25	32.91	32.41	
<b>Income Statement (PKR Millions)</b>					
	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>1QFY25</b>	
Rental Income	3,573.66	4,318.76	4,854.66	1,286.26	
Total Income (including other income)	3,921.97	4,821.49	5,497.55	1,460.66	
Net Operating Profit	3,278.83	3,979.19	4,348.05	1,064.93	
Profit before change in fair value of investment	3,275.90	4,066.15	4,515.03	1,112.88	
Profit Before Tax	9,762.89	9,291.82	8,140.06	1,112.88	
Profit After Tax	9,762.89	9,291.82	8,140.06	1,112.88	
<b>Ratio Analysis</b>					
	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>1QFY25</b>	
Operating Profit Margin	91.75%	92.14%	89.56%	82.79%	
Gearing (x)	-	-	-	-	
Current Ratio (x)	2.53	2.81	2.75	1.21	

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>Outlook/Rating Watch</b>	<b>Rating Action</b>
	02-Dec-24	AAA (rr)	Stable	Reaffirmed
	29-Nov-23	AAA (rr)	Stable	Reaffirmed
	25-Oct-22	AAA (rr)	Stable	Reaffirmed
	22-Sep-22	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. Muhammad Ejaz	CEO	30 <sup>th</sup> October, 2024	
	2. Mr. Razi Haider	CFO		