CareEdge RATINGS AFRICA

ENVOLT Limited ("ENVOLT")

11 September 2023

Ratings

Facility/Instrument	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facility	**138**	**CARE MAU A-(SO)*; Stable [Single A Minus (Structured Obligation); Outlook: Stable]**	**Reaffirmed**
Proposed Bond Issue – Green Bond II	**510 (Enhanced from MUR 500M)**	**CARE MAU BBB+; Stable [Triple B Plus; Outlook: Stable]**	**Reaffirmed**

**The Structured Obligation rating is on account of the waterfall mechanism, ringfencing the operational cash flow of the MSDG I project phase to be utilised towards the debt servicing and operational expenses of the MSDG I phase till the MSDG II phase comes into operations.*

Rating Rationale

The rating assigned to the bond issue and bank facility of ENVOLT Limited (ENVOLT) derives strength from the strong and resourceful promoter group, ENL Limited providing reasonable assurance and support, satisfactory operational track record of the existing solar facilities which is in line with the P-90 estimates, long-term revenue visibility with the 20-year lease agreement with clients and experienced operation and maintenance contractor in the field of renewable energy. The rating also considers the diversified client portfolio having a comfortable credit risk profile, increasing demand for renewable energy in Mauritius, comfortable collection period and adequate liquidity level.

The rating is, however, constrained by the execution risk pertaining to the project under development, exposure to climatic and technology risks affecting the operational performance adversely, leveraged capital structure due to debt funded CAPEX and regulatory risks.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Actual generation levels better than P-90 estimates on consistent basis
- Satisfactory receivable cycle on a sustained basis to ensure strong liquidity position
- Ability to maintain strong financial and operational performance

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Lower power generation below P90 levels
- Higher system degradation and production losses thus impacting revenue
- Weakening of the credit profile of key counterparty
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[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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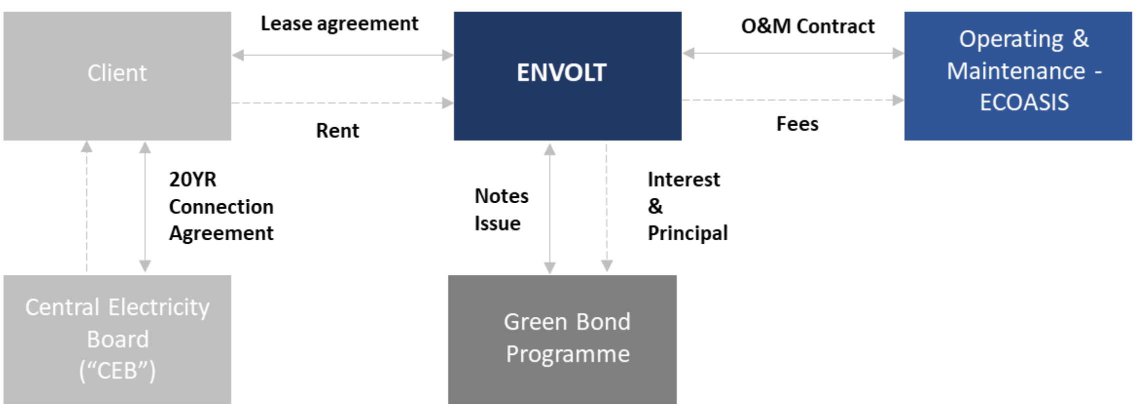
BACKGROUND

ENVOLT Limited ("ENVOLT" or the "Company") was incorporated in 2013 with the objective of providing tailor-made renewable energy solutions. It is specialized in the installation and operation of rooftop and ground mounted solar photovoltaic ("Solar PV") facilities. The Company is a wholly owned subsidiary of ENL Limited ("ENL" or the "Group") rated CARE MAU A+; Stable.

ENVOLT, pioneered by ENL as part of its green initiatives, started operations in 2019 with 5 rooftops solar projects and, with group entities as clients namely Ascencia Limited (CARE MAU AA-: Stable) and Oficea Company Limited (CARE MAU A: Stable). The portfolio was further expanded to 10 rooftops solar PV installations and to date, the Company operates facilities having a total capacity of 4,104 kw under the Medium-Scale Distributed Generation (MSDG) Renewable Energy (RE) I Scheme.

Business Model: As part of its operational mechanism, ENVOLT enters into a lease agreement with its clients for the setting up of a solar photovoltaic electricity generation system either rooftops or ground mounted. ENVOLT will be responsible for all downstream activities from solar PV system financing, installation, operation, and maintenance and incur all upfront costs associated with the solar PV plant. Under the lease agreement, a pre-agreed monthly rental will be payable to ENVOLT. The clients will also have a connection agreement with the CEB under the MSDG scheme for the generation of the solar energy. ENVOLT has in place an O&M contract for each facility for the proper maintenance and optimization of the systems.



CEB MSDG Scheme: The CEB has in collaboration with the Ministry of Energy and Public Utilities introduced the MSDG scheme. The aim is to offer the opportunity to medium-sized power producers to install and produce their own renewable energy which will be interconnected with the CEB's grid. The producers generating electricity using solar or wind energy sources will be able to offset their monthly energy imported from the CEB's grid with the energy generated by their MSDG RE installations and exported to the grid. In each billing period, prior to billing and invoicing of the electricity consumption, energy imported (Kwh) shall be reduced by the balance of energy exported. In accordance with the terms and conditions of the scheme, as from the COD of the solar PV system, all the energy (kwh), as metered, produced and exported to the CEB grid shall be valued at a Tariff.

Brief Snapshot of ENVOLT's portfolio

Particulars	Details	
	Existing Facility	***New development***
Capacity *(Kw)*	4,104	14,352
EPC Contractor	Ecoasis Energy Solutions Ltd	
O&M	Ecoasis Energy Solutions Ltd	
Operational Performance	P90 Estimates	
Solar PV Module Supplier	Suntech Power or an equivalent Tier PV manufacturer	
Inverter Supplier	Solaredge	
Connection Agreement	A 20- year connection agreement signed between the Client and the CEB	
Feed-In-Tariff Rate	Floating Rate: • Running Charge for commercial and bulk consumers – MUR 7.82 kwh • Running Charge for commercial and bulk consumers with total declared load exceeding 500Kva – MUR 7.46 kwh	Fixed at MUR 4.20 per Kwh
Lease Agreement	A lease of 20 years has been signed with the Client	

ENVOLT has a strong and diversified client portfolio with low credit risk profile. The portfolio is a mixture of commercial retail, commercial office, and hotels. As at to date, the existing capacity held by ENVOLT is at 4,104 kw with 75% comprising of ENL's subsidiaries. As part of its growth strategy, ENVOLT is planning a major ramp up in its energy production capacity with the expansion of its existing portfolio to integrate an additional capacity of 14,352 kw.

As at 30 June 2022, Ascencia's share of revenue accounted for 74%, followed by NMH with 23% and Oficea contributing to 4%. As per the management, there has been no delay in payment from the clients.

ENVOLT currently operates with a P90 estimates energy capacity and the capacity utilization factor (CUF) was at 15% at January 2023.

Financial Performance: ENVOLT started operating in the year 2019 and reported a revenue and PAT of MUR 6 million and MUR 0.4 million, respectively. Upon the rolling out of its 6 solar PVs facility as at July 2019, the Company achieved a revenue of MUR 19 million in the financial year 2020.

The financials of the Company picked up in the year 2022 with revenue attaining MUR 26 million, EBITDA of MUR 19 million and PAT of MUR 0.3 million. The Company's main expenses comprise depreciation and O&M expenses accounting for around 70% of the total expenses. PAT margin and ROCE were at 1.24% and 3.76%, respectively.

The overall gearing stood at 2.87x at 30 June 2022. The capital structure of the Company is leveraged to finance CAPEX incurred in relation to acquisitions and installations of solar PVs. The DSCR and interest coverage of the Company was at 1.17x and 2.42x, respectively in the year 2022.

ENVOLT managed to yield a positive operational cash flow in the years 2020 and 2021 albeit the financial challenges and the cash position of the Company at 30 June 2022 was at MUR 15 million.

Details of Rated Facility/Instrument

Bank Facility

Facility	Amount (MUR Million)	Repayment Terms
Bank Facility	138	The interest and capital are to be repaid for a duration of 180 months (15 years) in equal and consecutive monthly instalments

Proposed Bond Issue – Green Bond II

Instrument	Type	Tranches	Amount (MUR Million)	Interest Rate	Repayment
Proposed Bond Issue	Fixed Rate	3 years – 13 Years	510 (Enhanced from MUR 500m)	5.70% - 6.58%	July 26 – July 36
	Floating Rate	14 years – 17 years		6.20% - 6.32% (Key Rate + Margin)	July 37 – July 40

Disclaimer

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Annexure I

Rating Symbol
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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About CARE Ratings (Africa) Private Limited:

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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.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.