

Brief Rationale

CRAF assigns ‘Provisional CARE MAU A- (SO); Stable’ rating to the proposed bond issue of MUR 400 Million of Commercial Investment Property Fund Limited (CIPF)

Ratings

Instrument	Amount (MUR Million)	Rating
Bond - Senior Tranche	400	Provisional CARE MAU A- (SO); Stable [Provisional Single A Minus (Structured Obligation); Outlook: Stable]*

**Bond (Senior Tranche) are backed by the first charge on the leased properties. Interest payment on the Senior Tranche of Bonds would have first priority on lease rentals received by CIPF in an escrow account as per waterfall mechanism. Further, a funded Debt Service Reserve Account (DSRA) equivalent to one semi-annual interest payment to Senior Tranche bondholders would be maintained during the tenure of the Bond.*

The rating is provisional and will be confirmed once CIPF meets the following conditions to the satisfaction of CRAF:

- Transfer of properties to CIPF which are currently owned by ENL Commercial Limited (ENLC) and its subsidiaries as per the details submitted in Private Placement Memorandum
- Signing of lease agreement (having terms and conditions as provided in draft lease agreement and Model) between CIPF and subsidiaries of ENLC
- Creation of funded DSRA equivalent to one semi-annual interest payment to senior tranche bondholders and submission of shortfall undertaking for replenishment of DSRA by ENLC
- Private Placement memorandum to contain the following conditions,
 - a. The interest payment to Senior Tranche bondholders would get priority over interest payment to Junior Tranche bondholders from lease rentals.
 - b. The value of property should not fall below 1.1 times of bond value of senior tranche. In this regard, property should be valued annually by an authorised valuer approved by bondholders’ representative. Such report shall be shared with CRAF also.
 - c. ENL Limited would hold majority stake in ENLC and ENLC will hold majority stake in CIPF and various subsidiaries (who will be paying the rentals) till the tenure of the bond.
 - d. Mode of arrangement of funds for redemption of bonds would be decided in one and half years before the bond maturity date.

Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the interest of the rated Bonds, as per the terms of the transaction and is not a standalone rating of Commercial Investment Property Fund Limited.

The rating is based on the strong parentage of the ENL group, strength of the lease rentals to be received from profitable subsidiaries (Axxcess, Platinax and Nabridas) of ENLC, long lease tenure compared to bond tenure with low exit risk, moderate financial risk profile of Lessee’s-belonging to diverse industries, financial support from ENLC in form of funded DSRA for one semi-annual payment & shortfall undertaking to maintain the same over the tenure of the bond. The rating is constrained by subdued financial performance of some of the lessees & ENLC in FY16, interest rate risk and refinancing risk at time of redemption. Improvement in the performance of the loss making subsidiaries during the tenure of the instrument, timely receipt of lease rentals, creation &

CARE Ratings (Africa) Private Limited

Registered Office: 1st Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

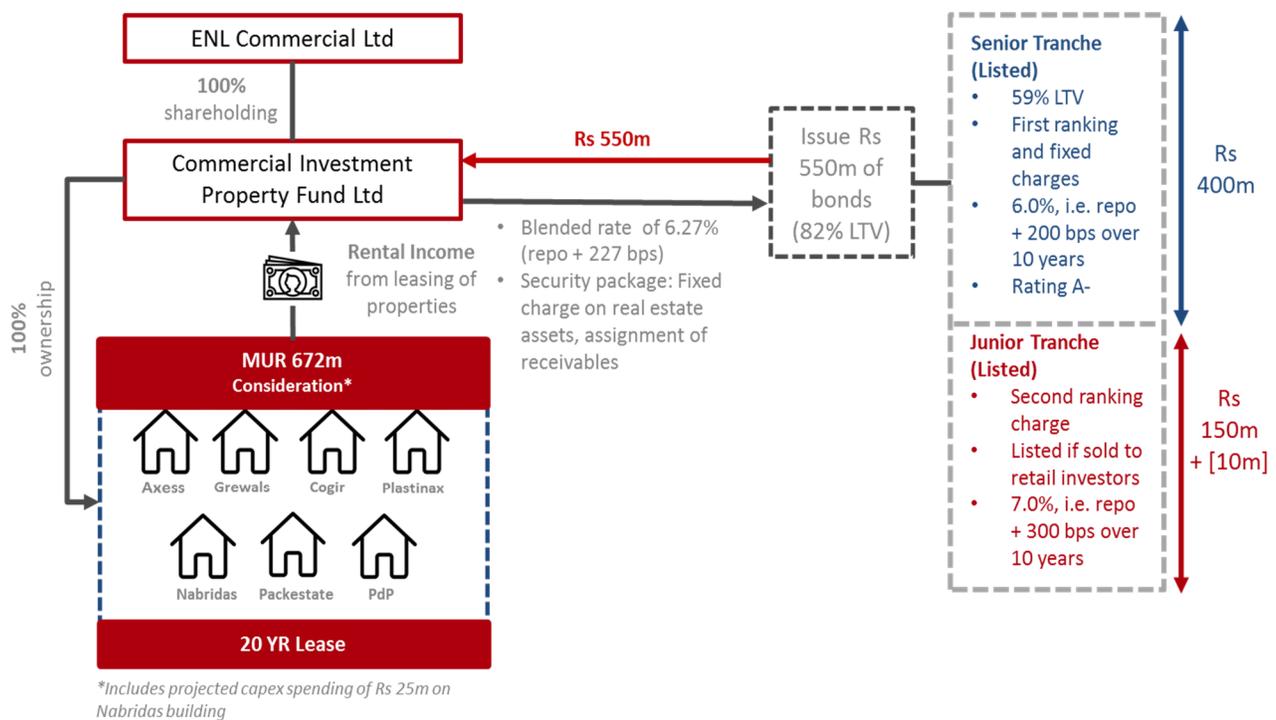
maintenance of funded DSRA equivalent to one semi-annual interest payment by ENLC and mode of arrangement of funds for redemption of bonds within stipulated time are key rating sensitivities.

Background

Incorporated in 2016, Commercial Investment Property Fund Limited (CIPF) is a property fund. It is a wholly owned subsidiary of ENL Commercial Limited (ENLC) and would own nine offices/industrial assets located predominantly in the Moka/St. Pierreregion in Mauritius. These properties are owned & used by ENLC and its subsidiaries. As per arrangement, the properties would be transferred to CIPF and users would enter into 20 years lease agreement with CIPF.

CIPF would issue bond of MUR 400 mn [Senior Tranche rated **Provisional CRAF MAU A- (SO Stable)**] and MUR 150 million (Junior Tranche: **unrated**) which would be backed by the properties and lease rentals thus received would be utilized for interest payment and bond repayments. The bonds proceeds would be paid as purchase consideration to present owners which would be then utilized for debt repayment.

Transaction Structure



The interest payment to Senior Tranche bondholders would get priority over interest payment to Junior Tranche bondholders from lease rentals.

CARE Ratings (Africa) Private Limited

Registered Office: 1st Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com