

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

Ratings

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

**Bond Issue (Senior Tranche) is backed by the first charge on the leased properties of CIPF. Interest payment on the Senior Tranche of Bonds has 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 has been created and will be maintained during the tenure of the Bond.*

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 on the rated Bonds, as per the terms of the transaction and this is not a standalone rating of Commercial Investment Property Fund Limited (CIPF).

The structure involved pooling of the various properties previously under ENL Commercial Limited (ENLC) and its subsidiaries into an SPV - Commercial Investment Property Fund Ltd. (CIPF; a wholly owned subsidiary of ENLC) which has issued 10 year bonds of MUR 560 mn (including MUR 400 million of senior tranche and MUR 160 million of junior tranche) the proceeds of which were utilized for buying the properties from ENLC and its subsidiaries which in turn used the sale proceeds to repay their existing debt (i.e. debt in ENLC and its subsidiaries). CIPF has entered into lease agreements with the subsidiaries/associate concerns of ENLC and lease rentals are utilized towards maintenance of properties and debt servicing of the bond issue. Further, ENLC has provided shortfall undertaking to CIPF for replenishment of DSRA within a month of its utilization in case of any shortfall in lease rental for interest payments on the bond issue.

The rating is based on the strong parentage of the ENL group, more than 70% of the lease rentals being received from profitable subsidiaries (Axxcess, Grewals, Plastinax and Nabridas) of ENLC, long lease tenure compared to bond tenure with low exit risk, moderate financial risk profile of the lessee’s belonging to diverse industries, financial support from ENLC in the form of funded DSRA for one semi-annual interest payment & shortfall undertaking to maintain the same over the tenure of the bond.

The rating is, however, constrained by the subdued financial performance of some of the lessees (Box Manufacturing, Cogir, Pack Plastic and Lepongerie) & of ENLC in FY17, interest rate risk and refinancing risk at the time of bond redemption.

Improvement in the performance of the loss-making subsidiaries during the tenure of the instrument, timely receipt of lease rentals, continued 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 the key rating sensitivities.

CRAF has received a letter from the Trustee to the rated bond issue confirming Transfer of Properties to CIPF, signed copy of the lease agreement between CIPF and the rent paying subsidiaries of ENLC, letter from MCB confirming creation of requisite DSRA, shortfall

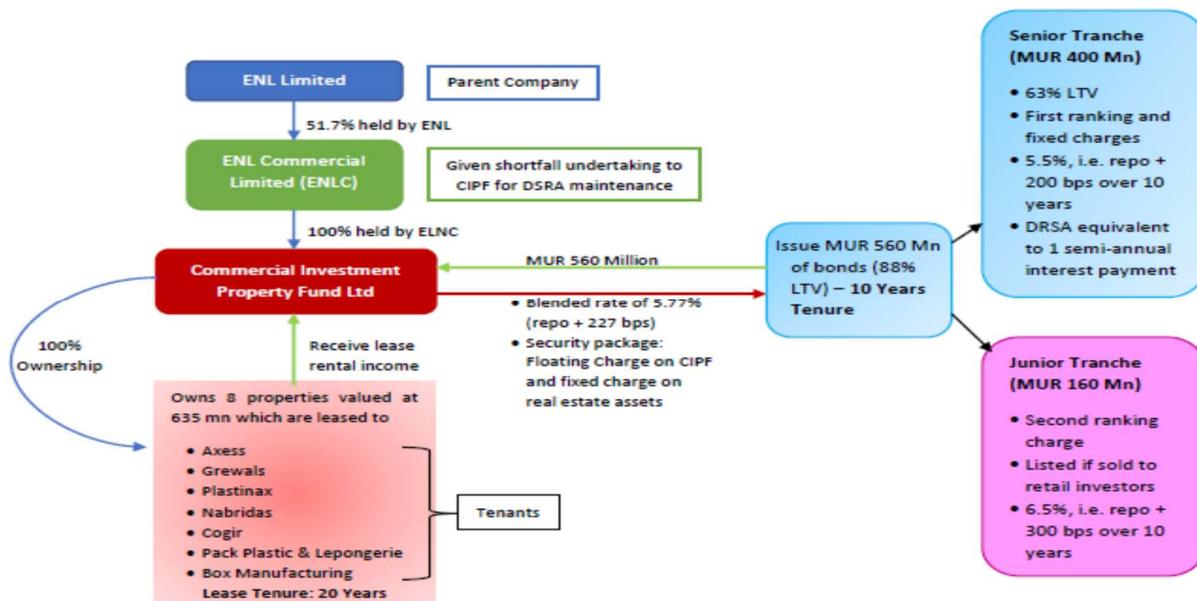
undertaking for replenishment of DSRA by ENLC and fulfilment of other terms and conditions which were part of the Private Placement Memorandum to the satisfaction of CRAF, on the basis of which, the final rating has been assigned.

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 owns eight offices/industrial assets located predominantly in the Moka/St. Pierre region of Mauritius. These properties were previously owned & used by ENLC and its subsidiaries. The properties have now been transferred to CIPF and the earlier users have entered into a new 20 years lease agreement with CIPF.

CIPF has issued bond of MUR 400 mn [Senior Tranche rated **CARE MAU A- (SO); Stable**] and MUR 160 million (Junior Tranche: **unrated**) backed by the lease rentals to be received from its let-out properties which are being utilized for interest payment and bond repayments.

Transaction Structure



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