Commercial Investment Property Fund Limited ("CIPF")

Brief Rationale

CRAF upgrades rating assigned to the existing Senior Tranche bond issue of CIPF and assigns 'CARE MAU A; Stable' to the proposed Senior Tranche bond issue of MUR 1,000 million and 'CARE MAU A-; Stable' to the proposed Junior Tranche Bond issue of MUR 350 million

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond (Senior Tranche) *	400	CARE MAU A Stable [Single A Outlook: Stable]	Rating Upgraded from CARE MAU A- (SO); Stable
Proposed Bond $ (Senior Tranche)	1,000	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned
Proposed Bond $ (Junior Tranche)	350	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Assigned

**Total existing bond issue = MUR 560 million. Rating assigned to only Senior Tranche of MUR 400 million.*
$Existing Bond issue of Mur 560 million to be repaid from proposed Bond issue of MUR 1,350 by Jan 2022.
$New Bond Issue is backed by the first charge on the leased properties owned by CIPF. Interest payment on the Senior Tranche of Bonds have first priority on lease rentals received by CIPF in an escrow account as per waterfall mechanism. Further, a Debt Service Reserve Account (DSRA) equivalent to one quarterly interest payment for all Bondholders has been created and will be maintained during the tenure of the Bond.

Existing Bond: - The rating of existing Bond issue of Senior Tranche (MUR 400 million) 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 Senior Tranche Bonds, as per the terms of the transaction and this is not a standalone rating of Commercial Investment Property Fund Limited ("**CIPF**").

The structure involves pooling of the various properties into Commercial Investment Property Fund Ltd. (CIPF; a wholly owned subsidiary of ENL Commercial). CIPF has entered into 20 years lease agreement, in 2017, with the subsidiaries/associate of ENLC and lease rentals are utilized towards debt servicing of the bond. ENLC has provided shortfall undertaking to CIPF for replenishment of DSRA within a month's time of its utilization.

New Bond: - CIPF proposes to issue a Bond (floating rates linked to Repo Rate) of MUR 1,350 million for a period of 15 years (Annual repayment ranging between Mur 60 million- Mur 125 million between 5th -15th year) in two Tranches – Senior Tranche (Mur 1,000 million) and Junior Tranche (Mur 350 million). Interest payment on the Senior Tranche of Bonds have first priority on lease rentals received by CIPF in an escrow account as per waterfall mechanism. CIPF will utilise the part proceeds to repay the existing Bonds of MUR 560 million and balance to acquire the following: -

- ✓ Purchase new showrooms of Jaguar /Land Rover at Bagatelle from ENLC.
- ✓ Purchase showrooms of Citroen/Suzuki/Peugeot, at Bagatelle Motor City, from Officea.
- ✓ Purchase Decathlon building, at Bagatelle, from Ascencia (CARE MAU AA- Stable). Decathlon provides the largest sportswear in Mauritius. Tenancy Agreement is for 10 years.
- ✓ Purchase Nabridas showroom, at Pailles, from ENLC.

Rating Rationale

The rating factors the strong parentage of the ENL group, more than 85% of the proposed lease rentals to be received from profitable subsidiaries [Axess Limited (CARE MAU A+ Stable), Ensport (Decathlon), Grewals and Nabridas) of ENLC, similar lease tenure compared to bond tenure with low exit risk, satisfactory 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 volatile financial performance of some of the tenants during last 3 years including FY21, future performance of the rental paying subsidiaries and their ability to pay rental in timely manner, interest rate risk and refinancing risk at the time of bond redemption.

Rating sensitivities

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Timely receipt of lease rentals
- Improvement in performance of subsidiaries /lessees

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Additional debt by CIPF
- Higher than projected dividend payout to group companies' vis a vis profit
- Non increase in annual rentals by 5%
- Operational and financial performance of Axess and any downward revision in rating of Axess

BACKGROUND

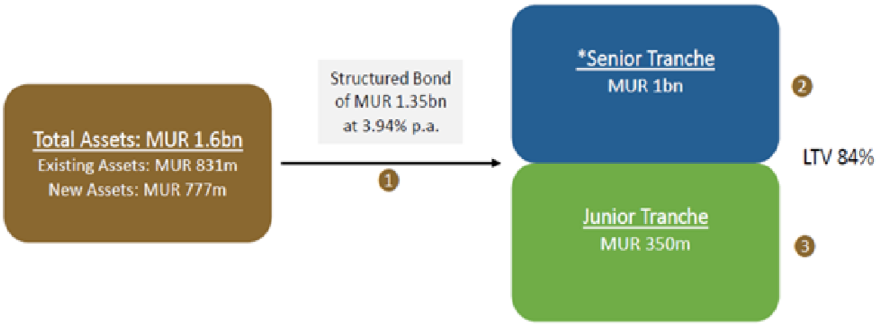
Incorporated in 2016, CIPF is a property fund. It is a wholly owned subsidiary of ENLC and owns seven offices/industrial assets located predominantly in the Moka/St. Pierre region in Mauritius. These properties are occupied and currently used by the subsidiaries of ENLC.

In January 2017, CIPF entered into 20 years lease agreement with all the tenants (subsidiaries and associates of ENL Commercial). ENLC had infused equity of MUR 112 million in FY16-17 and additional equity of MUR 50.2 million in FY20 (transfer of land and buildings located at Pailles -mainly Axess Warehouse and Michelin Building).

Post new Bond issue and acquisition of the targeted properties (as stated above), CIPF will enter into 20 years Agreement with Axess (JLR and Citroen/Suzuki/Peugeot showroom) and 10 years Agreement with Decathlon.

As per the early redemption clause in the previous bond issue Memorandum- on the 5th year, the company is entitled to an early call option to repay the bond. Accordingly, the company proposes to issue a new Bond at a cheaper rate & repayable in 10 variable tranches (unlike bullet repayment).

Proposed Bond structure



The notes shall be structured into - Senior Bond (MUR 1,000 million) and Junior Bond (MUR 350 million). Both the Bonds will share an identical security package; however, the Junior Tranche shall be subordinated to the Senior Bonds.

The senior secured Bond shall have maturity between 5Y and 15Y. To optimise the borrowing costs, each maturity will be between MUR 60M and MUR 125M. The targeted floating rate of interest for the senior bond shall be between 3.45% and 4.15% per annum

The junior secured bonds shall have a maturity of between 13Y and15Y. Each maturity will be between MUR 100m and MUR125m and the target floating rate shall be between 4.15%-4.25%

Performance of CIPF

Performance of CIPF has improved in FY21 compared to FY20. As per Rental Agreement, Rental for all tenants has been increased by 5% since July 2021. CIPF also posted higher PBT of MUR 35 million in FY21 compared to MUR 26 million in FY20. Henceforth, annual escalation will be in line with the % increase in CPI subject to min 5% p.a. and max 10% p.a. In FY21 CIPF paid interest expenses of Mur 23.2 million on the bond of MUR 560 million.

[Madam Aruna Radhakeesoon did not participate in the Rating Committee discussion of this case because of her association with Rogers & Co. Ltd, an associate company of CIPF]

Annexure I

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.