

Brief Rationale

CRAF reaffirms CARE MAU A- (SO) and CARE MAU A2+ (SO) rating assigned to the Secured Credit-linked Notes Issued by CM Structured Finance (2) Ltd (“CMSFL2”) with the removal of Credit Watch

Ratings

Instrument	Amount*	Rating	Rating Action
Secured Credit Linked Notes (“CLN”)	EUR 8 million (MUR 396 million)	CARE MAU A- (SO); Stable [Single A Minus (Structured Obligation); Outlook: Stable]/ CARE MAU A2+ (SO) [A Two Plus (Structured Obligation)]	Rating reaffirmed with removal of Credit Watch with Negative Implications

* 1 Euro = MUR 49.5

Rating Rationale

The rating assigned to the Secured Credit-linked Notes issued by CM Structured Finance (2) Ltd (“CMSFL2”) was reaffirmed with the removal of Credit Watch with Negative Implications to CARE MAU A- (SO); Stable/ CARE MAU A2+ (SO) since the credit rating of the reference entity Compagnie des Villages de Vacances de l'Isle de France Limitée (“COVIFRA”) - has been reaffirmed to ‘CARE MAU A; Stable’, due to re-opening of the Resort (October 15, 2021) by Holiday Villages Management (Mauritius) Services (“HVMS” or the “Lessee”) and resumption of lease payment by HVMS to COVIFRA post re-opening of the international borders as from October 01, 2021.

The rating assigned to the Secured Credit-linked Notes of CMSFL2 is dependent on the financial performance of the reference entity, COVIFRA, since the debt repayment will be made out of the operational cashflow of COVIFRA.

The rating assigned to CMSFL2 continues to derive strength from the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the interest on the rated Credit-linked Notes as per the terms of the transaction and is not a standalone rating of CMSFL2. The rating assigned to CMSFL2 derives strength from the performance of the reference entity, COVIFRA. The rating is however constrained by the ability of the Underwriter to arrange funds on the execution of Put option by the Investor on the interest reset date, regulatory risk associated with issue of Credit-linked Notes and interest rate risk.

The uncertainty surrounding limited air access to Mauritius, timely receipt of rentals from HVMS, operational & financial performance of HVMS and Club Med S.A.S (“Club Med” or the “Guarantor”), ability to reduce level of indebtedness vis-à-vis operational cash flow and ability of the Underwriter to arrange funds in a timely manner on interest reset dates are the key rating sensitivities.

BACKGROUND

CM Structured Finance (2) Ltd (“CMSFL2”), a public limited company, was incorporated as a Special Purpose Vehicle (SPV) under the laws of Mauritius on June 27, 2019. It is wholly-owned by MCB Capital Markets Ltd, which is a wholly-owned subsidiary of MCB Group Limited (CARE MAU AAA Negative), listed on the Official Market of the Stock Exchange of Mauritius (SEM). The Mauritius Commercial Bank Limited (wholly owned by MCB group) is rated CARE MAU AAA (IS) Negative.

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CMSFL2 (SPV) issued Secured Credit Linked Floating Rate Notes (collateralized loan obligation) to investors. CMSFL2 subscribed to the Bond issued by COVIFRA and funded same with proceeds of the issuance of Secured Credit Linked Floating Rate Notes (CLN) to investors. The return of CLNs is linked to the repayment of the COVIFRA Bond.

CMSFL2's sponsor (MCB Capital Markets Ltd) credit-enhanced the Notes by EUR 360,245. This amount shall be used as a first-loss cash-collateralized guarantee and is held in an account at any Bank duly authorized to carry out banking business in Mauritius by the Bank of Mauritius or any licensed deposit taking institution in Mauritius or be invested in sovereign securities with a credit rating at least equivalent to that of Mauritius at the time of the investment.

Analytical Approach

CMSFL2 raised EUR 8 million (Mur 396 million and repayable on maturity after 10 years) via two tranches (01-FLRN-EUR10Y/1Y and 02-FLRN-EUR10Y/5Y) and subscribed to the Bond issue of COVIFRA (Reference Entity). For Tranche 01-FLRN-EUR10Y/1Y, Interest Rate will be reset over six months for Euro 1.4 million (next reset date June 30, 2022). In December 2021, the interest rate has been reduced from 2.00% p.a. to 1.50% p.a. The interest reset date was also changed from 1 year to 6 months and hence next interest reset date will be on June 30, 2022. As at June 30, 2021, the Issuer's share capital is Euro 360,245 which shall be used as a first-loss cash-collateralized guarantee.

The rating is dependent on the financial performance of COVIFRA, since the debt repayment will be made out of the operational cashflow of COVIFRA.

COVIFRA has started receiving rentals from HVMS and as on December 31, 2021 has adequate liquidity to meet its scheduled debt servicing obligations (interest payment on Bonds and term loans) and other fixed expenses till June 30, 2022. CMSFL2 has confirmed they have received interest from COVIFRA (reference entity) well within the stipulated timelines and has made timely interest payments to all the CLN holders.

This apart the Noteholder shall have the right, upon receipt of the Circular Notice, to request and compel the Issuer to redeem, purchase or arrange for the purchase of, the whole or part of its Notes ("Put Option") on the Spread Reset Dates.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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.

Rating Symbols

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {'+' (plus) / '-'(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.

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