

Rating Rationale
CM Structured Finance (2) Ltd (“CMSFL2”)

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 also derives strength from the financial 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), a company listed on the Official Market of the Stock Exchange of Mauritius (SEM). The

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Mauritius Commercial Bank Limited (wholly owned subsidiary of MCB group) is rated CARE MAU AAA (IS) Negative.

CMSFL2 was incorporated with a capital of MUR 10,000 (1,000 Class A Shares issued at MUR 10 each), fully subscribed by MCB Capital Markets Ltd. As of date, MCB Capital Markets Ltd. infused equity of EUR 360,000 (subscribing to 360 Class B Shares at a price of EUR 1,000 each) for the purpose of credit enhancement of the CLNs.

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 the 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.

The Issuer had no employee, and it shall rely on affiliates of the Issuer to provide it with management and underwriting services. 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 comfortable 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.

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. The management of CMSFL2 has informed that it has received put requests from its Note holders (the "Put Amount") for December 2021 and it has successfully placed the Notes

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with new investors and will pay all the Noteholders on redemption on Dec 31, 2021. Next Circular Notice to be issued on June 2022.

The financial performances of CMSF (2) Ltd are as under.

For the period ended as on June 30,	2020	2021	Q1FY22	2020	2021	Q1FY22
	Audited	Audited	Unaudited	Audited	Audited	Unaudited
	EUR			MUR Million		
Interest Income	433,750	332,672	61,372	20.8	16.5	3.1
Interest expense	236,350	177,480	41,578	11.3	8.8	2.1
PBT	96,057	94,763	7,378	4.6	4.7	0.4
PAT	91,327	91,278	7,140	4.4	4.5	0.4
Dividend	-	-	-	-	-	-
Equity share capital	675,245	360,245	360,245	32.4	17.8	17.8
Tangible net worth	766,572	542,850	549,990	36.8	26.9	27.2
Cash and Cash Equivalents	808,607	535,239	540,441	38.8	26.5	26.8
Total debt (Credit linked Notes)	15,000,000	8,036,318	8,036,772	720.0	397.8	397.8

*1 Euro = MUR 48 (FY20) / MUR 49.5 (FY21)

MCB Stockbrokers Ltd is a 100% subsidiary of MCB Capital Markets Ltd and step-down subsidiary of MCB Group Limited. MCB Stockbrokers Ltd has provided an undertaking that it is able to leverage its access to a variety of readily available sources of finance within MCB Capital Markets Ltd and MCB Group Ltd should a significant portion of the underwriting risks materialize.

MCB Group Limited [MCBG: CARE MAU AAA; Negative], has a diversified ownership base of more than 22,000 shareholders, with foreign shareholding accounting for around 10% of the total.

Financial Indebtedness

As on November 30, 2021, the Issuer (CMSFL2) warrants that it does not have any underwriting obligation. Save/Except for the Permitted Financial Indebtedness, the Issuer shall be prohibited from entering any Issuer Financial Indebtedness without the consent of the Noteholders' Representative.

Interest Rate and Repayment Terms of the CLN -CLN will be repaid out of cashflow from COVIFRA.

	01-FLRN-EUR10Y/1Y	02-FLRN-EUR10Y/5Y
Interest Rate = Reference Rate + Spread	Interest Rate during First Spread Period= EURIBOR (floored at 0%) + 1.50% p.a.= 1.50% p.a. (1.50% p.a.)	Interest Rate during First Spread Period= EURIBOR (floored at 0%) + 2.05% p.a.= 2.05% p.a. (0.00% p.a. +2.05% p.a.)
Indicative Amount	EUR 1.4 million	EUR 6.6 million
Frequency of Interest Payment	Interest shall be paid quarterly in arrears on the 22 nd of January, April, July and October (each an "Interest Payment Date") of each year.	
Next Spread Reset Date	30 June 2022 Subsequent Spread Reset Dates will be notified to the Noteholders by way of the Circular Notice	18 July 2024 Subsequent Spread Reset Dates will be notified to the Noteholders by way of the Circular Notice
Circular Notice	Subject to a Circular Notice being served, the Issuer (CMSFL2) shall have the option of revising the Spread and the Interest Payment Dates. In setting out the Spread at each Interest Reset Date, the Issuer shall take into account various market conditions, including but not restricted to (i) Relevant EUR deposit rates, (ii) Rates offered by other short-term EUR credit investment products (if applicable), and (iii) Rating of the Notes (if applicable).	
Maturity date of the CLNs	Bullet repayment 18 July 2029	

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Interest Rate and Repayment Terms of the Bond issued by COVIFRA

Frequency of Interest Payment	Quarterly
Repayment Terms of the Loan	Year 10 (July 18, 2029) - 100% of the loan amount [EUR 8 million]
Source of Repayment	Operational cashflow of COVIFRA [Lease rentals from Holiday Villages Management (Mauritius) Services (the "Lessee")]
Guarantee	Rental income is guaranteed by Club Med S.A.S (holding company of the lessee)
Put option (available to the Noteholders)	Except in the case of a Credit Event or an Issuer Event of Default, each Noteholder shall have the right, upon receipt of the Circular Notice, to request the Issuer to redeem, purchase or arrange for the purchase of, the whole or part of its Notes
Call option (available to the Issuer)	The Issuer may, at its sole discretion, at any time upon giving to the Noteholders at least five Business Days written notice (or such other delay as may be prescribed by the Applicable Procedures), redeem the whole or part of the Notes

Principal terms pertaining to the Secured Credit-linked Notes

TERMS AND CONDITIONS	
Nature of Instruments	Secured credit-linked floating rate notes
Issuer	CM Structured Finance (2) Ltd
Method of placing	Private placement with Eligible Investors
Aggregate Nominal Amount	Up to EUR 15,000,000
Nominal / Issue Price per Note	EUR 1,000
Currency	EUR
Use of proceeds	To subscribe to the Bond issue of the Reference Entity (COVIFRA)
Interest Rate	<ul style="list-style-type: none"> The Interest Rate shall be the aggregate of the Reference Rate and Spread. Based on a Reference Rate (Euribor) of 0.0% and a Spread of 1.5%, the Current Interest Rate is approximately 1.5% p.a.; for 01-FLRN-EUR10Y/1Y Tranche The Interest Rate shall be the aggregate of the Reference Rate and Spread. Based on a Reference Rate (Euribor) of 0.0% and a Spread of 2.05%, the Interest Rate during the First Spread Period is approximately 2.05% p.a.; for 02-FLRN-EUR10Y/5Y Tranche <p>Thereafter, the Issuer shall, through the Circular Notice, inform Noteholders of the Spread</p>
Interest Commencement Date	The Issue Date and each Interest Reset Date (in relation to new Spreads only)
Interest Payment Date	<p>The Interest Payment Dates shall be:</p> <ul style="list-style-type: none"> during the First Spread Period, on 22 October, 22 January, 22 April and 22 July of the relevant year (depending on the Tranche); and thereafter, as may be determined through a Circular Notice.
Redemption Price	Except in the case of a Credit Event, each Note shall be redeemed on the Maturity Date, a price per Note equal to the Nominal Amount. If there is a Credit Event which is continuing, the Issuer may elect to redeem the Notes as per Clause 0of this PPM and the price per Note shall be as calculated under the foregoing Clause
Put Option	Except in the case of a Credit Event or an Issuer Event of Default, each Noteholder shall have the right, upon receipt of the Circular Notice, to request the Issuer to redeem, purchase or arrange for the purchase of, the whole or part of its Notes on terms specified
Call Option	The Issuer may, at its sole discretion, at any time upon giving to the Noteholders at least five Business Days written notice (or such other delay as may be prescribed by the Applicable Procedures), redeem the whole or part of the Notes on terms specified
Credit Event Acceleration	Upon being notified, or upon taking cognizance of the occurrence of a Credit Event, the Issuer shall give notice thereof to the Noteholders' Representative and to the Noteholders and the Issuer shall redeem the Notes on terms specified
Switching of Tranche	Noteholders will have the option to, subject to the consent of the Issuer, switch their holding of Notes in one Tranche into Notes of another Tranche
Limited Recourse	Recourse of the Noteholders shall be limited to the Issuer, the Reference Underlying and the balance accruing on the Segregated Account (excluding interest accrued thereon), and no recourse shall extend to the Issuer's directors, shareholders, employees, service providers or agents who shall not be liable for any shortfall arising or losses sustained by Noteholders. The Noteholders shall have no rights whatsoever against the Issuer's directors, shareholders, employees, service providers or agents
Form of the Notes	The Notes will be issued in inscribed form. No certificates will be issued. Legal ownership of the Notes will be reflected in book entries recorded by the Registrar on the Register which shall constitute

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	the definitive evidence of the title of the Noteholder to the number of Notes shown against his name.
Status of the Notes	The Notes will constitute secured debt obligations of the Issuer and will rank: a) <i>pari passu</i> without any preference among themselves; and b) senior to: i. any unsecured creditors of the Issuer; and ii. holders of all classes of share capital of the Issuer.
Security Interest attached to the Notes	The Notes will be secured by way of: (a) a pledge of the Segregated Account in favour of the Noteholders' Representative in accordance with the Pledge of Segregated Account Agreement; and (b) a pledge of the Reference Underlyings
Credit enhancement	The Issuer shall, at all times, hold an amount (in EUR) equal to 4.5% of the outstanding aggregate nominal amount of the investment in the Reference Underlying (in cash or such other liquid instrument). If there is an Event of Default, the Noteholder Representative shall be entitled to enforce the Pledge of Segregated Account Agreement and recoup any losses incurred by the Noteholders from the Segregated Account.
Noteholders' Representative	BLC Robert & Associates Ltd
Registrar, Calculation, Transfer and Paying Agent	MCB Registry & Securities Ltd
Listing	The Issuer shall not list the notes
Rating	a) CARE MAU A-(SO)/CARE MAU A2+(SO); Under Watch with Negative Implications b) Rating Surveillance c) The assigned rating shall be monitored by CRAF during the lifetime of the Note. The Notes may be upgraded or downgraded. The conclusion of this annual review will be communicated by CRAF to the general public on the website, www.careratingsafrica.com
Governing Law	The laws of the Republic of Mauritius
Dispute Resolution	By way of mediation and/or arbitration pursuant to the corresponding rules made under the MARC in the manner as described in this PPM
Final Redemption Date	Within three (3) Business Days of the Maturity Date
Clause 6.8.10 (Put Option) in which case (CRAF has analysed the ability of CMSFL2 and MCB group to repay the Noteholders on the Interest reset date)	Put Option a) Except in the case of a Credit Event or an Issuer Event of Default and subject to the exercise of the Call Option, each 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 Date. b) The Put Option shall be exercised by way of a notice in writing ("Put Notice") served on the Issuer and the Noteholders' Representative within three Business Days of the date of the Circular Notice. Once sent, the Put Notice shall be irrevocable, except if waived by the Issuer or if a Credit Event has occurred between the date of the Circular Notice and the Spread Reset Date. c) Unless redeemed by the Issuer, the transfer of the Notes in respect of which the Put Option have been exercised shall be done in accordance with Clause 6.8.10 d) The proceeds payable to the relevant Noteholder ("Put Proceeds") will be calculated at a price per Note equal to the Nominal Amount per Note and will be paid together with accrued interest in respect of the applicable Interest Period. e) The Put Proceeds shall be payable on the Interest Payment Date immediately following the date on which the Put Notice is sent to the Issuer.
Clause 6.10.2 (Call Option)	Call Option a) The Issuer may, at its sole discretion and at any time, upon giving the Noteholders at least five Business Days written notice ("Call Notice"), redeem the whole or part of the Notes ("Call Option"). b) The redemption proceeds payable by the Issuer (or any person on its behalf) in relation to the exercise of a Call Option will be calculated at a price per Note equal to the Nominal Amount per Note and will be paid together with accrued interest from the last Interest Payment Date until the date of actual payment ("Call Proceeds"). c) The Call Proceeds shall be payable within five (5) Business Days from the date of the Call Notice. d) The Call Option shall always have prevalence on any Put Option that has been exercised before the Call Option. Accordingly, the exercise of the Put Option shall be processed only for the number of Notes that exceeds the number of Notes contemplated in the Call Notice.

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	<p>e) The Notes which are the subject of a Call Option shall be redeemed.</p> <p>f) Redemption of Class B Shares</p> <p>An amount equal to the Subscription Amount shall at the Issue Date be held in the Segregated Account. Following payment of the Call Proceeds, the Noteholders' Representative shall be authorised to release an amount corresponding to 4.5% of the Aggregate Nominal Amount of the Notes being redeemed from the Segregated Account. Such release shall result in the Subscription Amount being reduced.</p>
<p>Clause 6.11 <i>(Switching of tranches)</i></p>	<p>A Noteholder who elects to exercise a Put Option may, by written notice sent to the Issuer ("Switch Notice"), request the latter to apply the Put Proceeds (EXCLUDING accrued interest in respect of the applicable Interest Period) towards the subscription monies payable by that Noteholder for an investment in the Notes of another Tranche(s) (hereinafter the "Switched Tranche"). Switches will be made based on the price per Note of the relevant Tranche equal to the Nominal Amount. The Switch Notice must be served on the Issuer concomitantly with the Put Notice, i.e. within three Business Days of the date of the Circular Notice.</p> <p>The Issuer may in its sole discretion accept or reject a switching instruction. All switching instructions are accepted at the Noteholders' own risk.</p> <p>Switching will be transacted on the Interest Payment Date immediately following the date on which the Switch Notice is sent to the Issuer. Thereafter, all terms of this PPM applicable to the Switched Tranche will, for all intents and purposes, apply to the concerned Noteholders.</p>
<p>Clause 6.12 <i>(Limited Recourse)</i></p>	<p>(a) The Notes are direct and limited recourse obligations of the Issuer ("Limited Recourse"). The Issuer's payment obligations under the Notes will be wholly dependent upon receipt by it, in full, of payments of amounts payable under the Reference Underlying. Other than the foregoing and the Credit Enhancement Amount, the Issuer will have no other funds available to meet its obligations under the Notes.</p> <p>(b) Recourse to the Issuer shall be limited to the Reference Underlying or other assets subject to Security Interest (including the Credit Enhancement Amount) and the proceeds of such assets, as applied in accordance with this PPM. If such assets and proceeds prove ultimately to be insufficient (after payment of all claims ranking in priority to amounts due under the Notes) to pay in full all principal and interests on the Notes, then, the Noteholders shall have no further recourse against the Issuer or any other person for any shortfall arising or any loss sustained.</p> <p>(c) Such assets and proceeds shall be deemed to be "ultimately insufficient" at such time when the Issuer certifies to the Noteholders and the Noteholder's Representative that (i) no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and that (ii) neither assets nor proceeds will reasonably likely be so available thereafter.</p> <p>(d) The Noteholders shall, once such assets and proceeds are deemed to be ultimately insufficient, have thereafter neither further claims against the Issuer nor have recourse to the Issuer's directors, shareholders, employees, service providers or agents and their claims shall be extinguished.</p> <p>(e) For avoidance of any doubt, the Issuer's directors, shareholders, employees, service providers or agents shall not be liable for any shortfall arising or losses sustained by Noteholders and the Noteholders shall have no rights whatsoever against the Issuer's directors, shareholders, employees, service providers or agents.</p>
<p>Clause 6.10.4 <i>(Credit Event Acceleration)</i></p>	<p>Credit Event Acceleration</p> <p>(a) On the occurrence of a Credit Event:</p> <p>(i) the Issuer shall give notice thereof ("Credit Event Notice") within five Business Days of being notified or taking cognizance of the occurrence thereof to the Noteholders' Representative and the Noteholders;</p> <p>(ii) the Noteholders shall cease to have the right to receive interest payments under the Notes, starting from the Interest Payment Date immediately preceding the occurrence of the Credit Event;</p> <p>(iii) the Put Option and the Put Notice shall cease; and</p> <p>(iv) the Issuer shall be entitled to redeem the whole of the Notes following the receipt of any liquidation proceeds under the Reference Underlying Documentation in accordance with the terms of this Clause 0.</p> <p>(b) Where the Issuer has received any liquidation proceeds under the Reference Underlying Documentation after a Credit Event:</p>

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| | <ul style="list-style-type: none"> a. it shall distribute such amount, net of Expenses and Recovery Fee (the “Recovery Amount”) to the Noteholders, on a pro-rata basis; and b. Following the end of all recovery proceedings in respect of the Reference Underlying, should the Recovery Amount per Note be less than the Nominal Amount, the Noteholders’ Representative shall then be entitled to enforce the Pledge of Segregated Account Agreement. Accordingly, the Noteholders shall receive an amount, on a pro-rata basis, corresponding to the lower of, (i) the difference between the outstanding Aggregate Nominal Amount and the Recovery Amount or (ii) the Credit Enhancement Amount. |
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**Background of COVIFRA (visit <http://www.careratingsafrica.com/rating-symbols-definitions.php> for detailed Rationale of COVIFRA)
COVIFRA (Rated CARE MAU A; Stable)**

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF’s rating.

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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