

CM Structured Products (1) Ltd ("CMSPL1")
5 September 2023

Ratings

Instrument	Amount (MUR Million)	Rating ¹	Rating Action
Secured Credit-Linked Floating rate Notes	1,300	CARE MAU A(SO); Stable [Single A (Structured Obligation); Outlook: Stable]^	Assigned

[^]The structured obligation rating is on account of the legal structure of CMSPL1, the credit enhancement in the form of Class A shares by MCB Capital Markets Ltd and the shortfall and underwriting provided by MCB Stockbrokers Ltd

Rating Rationale

The rating assigned to the Secured Credit-Linked Floating rate Notes (CLNs) of CM Structured Products (1) Ltd (CMSPL1) derives strength from the comfortable credit profile of the reference entities: ENL Limited (rated CARE MAU A+; Stable) and ENL Property Limited (rated CARE MAU A; Stable).

The ratings assigned to the facilities/instruments of ENL Limited (ENL) and ENL property Limited (ENL Property) derive strength from the continuous strong demand for land in the Moka region, improved price realisation for the past 10 years, steady increase in sale of land, improved financial performance of the major dividend paying group companies and improved cash coverage indicators. The ratings continue to derive strength from the established track record of the ENL group, prime location of the Moka Smart City, reputation of ENL group for developing quality shopping malls, residential projects, and office spaces in prime areas of Mauritius and its moderate project execution risk.

The rating of the CLNs of CMSPL1 further derives strength from the shortfall underwriting provided by MCB Stockbrokers Ltd (MCBSB) guaranteeing to buy back the notes in the event of the execution of put options by the noteholders, the credit enhancement to the notes provided by MCB Capital Markets Ltd (MCBCM) in the form of Class A shares and the ultimate parentage from MCB Group limited providing reasonable assurance and support.

The ratings of ENL and ENL Property are, however, constrained by the risks associated with the sale of land at envisaged prices, the higher debt at group level vis-à-vis cashflow from operations and refinancing risk of existing debt, the volatility in rentals of newly completed buildings & profitability of the group/associate companies, regulatory risk associated with Smart City project and interest rate risk associated with floating rate debt.

The rating of CMSPL1 is however, constrained by the inherent risk involved with potential execution of all put options of the CLNs by the noteholders on the same interest reset date, the ability of MCBSB to arrange for funds to settle the put option proceeds in a timely manner, and the weakening in the operational and financial performance of the reference entities.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improved operational and financial performance of the reference entities
- Ability of MCBSB to place notes with new noteholders in the event of an execution of the put options

¹Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

Negative Factors - Factors that could lead to negative rating action/downgrade:

- A deterioration in the operational and financial performance of the reference entities leading to a weaker credit profile
- Inability of MCBSB to place the notes with new noteholders in the event of the execution of put options by noteholders

BACKGROUND

CM Structured Products (1) Ltd (CMSPL1) is a wholly owned subsidiary of MCB Capital Markets Ltd (MCBCM), which in turn is a 100% subsidiary of MCB Group Limited (CARE MAU AAA; Stable). CMSPL1 has a capital of MUR 10,000 (1,000 ordinary shares at MUR 10 each) and on or prior to the issue date, it is expected that the Company will issue an additional 97,500 Class A Shares, at an issue price of MUR 1,000 each. The ordinary shares and the Class A Shares will be held entirely by MCBCM.

CMSPL1 is a special purpose vehicle incorporated to issue Secured Credit-Linked Floating Rate Notes (CLNs) to investors. CMSPL1 proposed to raise MUR 1,300 million, from the issue of the CLNs, to subscribe mainly to the notes issued by ENL Entities comprising ENL Limited (CARE MAU A+; Stable) and ENL Property Limited (CARE MAU A; Stable) (the "Reference Entities"). Any residual exposure shall be restricted to sovereign securities or bank deposits.

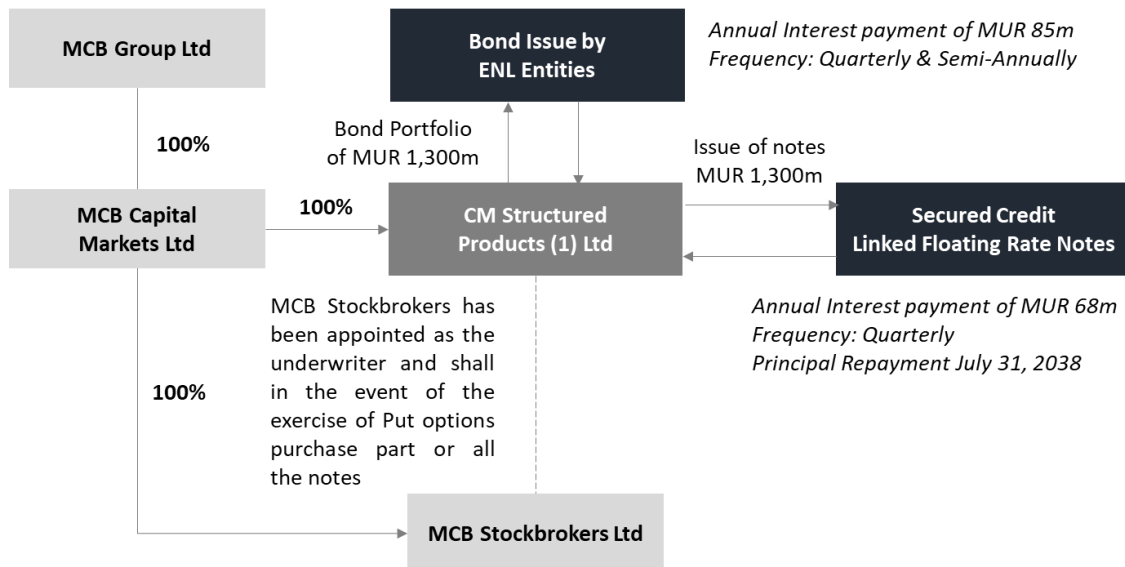
Credit Linked Note structure: CMSPL1 proposes to issue Secured Credit Linked Floating Rate Notes of MUR 1,300 million and will utilize the proceeds to subscribe to the bond issues of ENL Entities. CMSPL1 was incorporated as a special purpose vehicle, without any tangible assets or employee. Management and underwriting services are provided by the subsidiaries of MCB Group Ltd. The rating of the CLNs is largely linked to the underlying performance of the reference entities, given that the interest and principal payments of the notes will be made from cash flows of the bond issues of the reference entities.

CMSPL1 will issue the CLNs for a period of 15 years. However, as per the terms of the notes, CMSPL1 will issue a circular notice to all noteholders, informing them about revised interest rates and interest period. Except in the case of a credit event or an 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 the notes, i.e., noteholders can exit on every quarter and CMSPL1 has to arrange for the funds.

The interest rate on the CLNs shall be reset on the third anniversary of the issue date. Therefore, the first interest reset date shall be in October 2026. The issuer shall initially set the interest rate at the aggregate of the reference rate (Key rate at 4.50%) and the margin which is at 0.75% p.a - the interest rate is expected to be around 5.25% p.a. The broad structure of the CLNs is as per below:

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001



Shortfall and Underwriting by MCB Stockbrokers Ltd

MCB Stockbrokers Ltd, a 100% subsidiary of MCBCM has been appointed as the underwriter and shall provide the following shortfall undertaking equivalent to the size of the reference portfolio.

- i. In the event of the exercise of a put option by a holder of the notes in accordance with the terms of the listing particulars, the underwriter shall purchase and/or cause for the purchase of, all the notes in respect of which a put option has been exercised.
- ii. The performance of the underwriting services shall be done pursuant to, and in line with, the procedure set forth in the listing particulars or such other procedure as may be agreed with the Stock Exchange of Mauritius (SEM) from time to time.
- iii. The underwriter shall pay the put proceeds to each existing investor on the transfer date.

CMSPL1 has also entered into a Market Maker Agreement with MCBSB to provide the noteholders with the possibility of exiting part or all of their outstanding investments prior to the maturity date. During any interest period, the aggregate number of notes acquired by the market maker shall not exceed five percent (5%) of the total number of notes in issue. At any time, the aggregate number of notes held by the market maker shall not exceed twenty percent (20%) of the total number of notes in issue and the acquisition shall be effected on the interest payment date immediately following the acquisition notice.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
 Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
 Phone: +230 59553060/58626551 • www.careratingsafrica.com
 BRN: C14127054 • FSC License No.: CR14000001

Summary of financials for CMSPL1

Year ended/ as at 30 June	FY19	FY20	FY21	FY22
MUR million	Audited			
Interest Income	26.21	27.13	27.59	11.58
Interest Payable	23.91	24.27	24.51	14.07
PBT	1.23	1.91	2.05	(2.49)
PAT	1.09	1.85	1.98	(2.70)
Dividend	-	-	-	-
Equity share capital	0.01	0.01	0.01	0.01
Tangible network	(1.06)	0.46	2.50	(0.14)
Cash and Cash Equivalents (non-banking segment)	8.46	10.16	0.83	0.20
Total debt (Credit linked Notes)	492.52	506.32	524.73	-
PAT / Total income	4.16%	6.82%	7.18%	(23.32%)

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001

Details of Rated Instrument

Instrument	Amount (MUR Million)	Interest Rate	Repayment
Secured Credit-Linked Floating rate Notes	1,300	5.25% (Key rate [4.50%] +0.75%)	Bullet repayment on 31 July 2038

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. 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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
 Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
 Phone: +230 59553060/58626551 • www.careratingsafrica.com
 BRN: C14127054 • FSC License No.: CR14000001

Annexure I**Rating Symbol****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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001

Contact us**Contact**

Name : Mr. Saurav Chatterjee
Title : Chief Executive Officer
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact

Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@careratingsafrica.com

About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001