

**CRAF reaffirms the rating assigned to the bond issue of  
Commercial Investment Property Fund Limited (“CIPF”)**

**Ratings**

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

*\*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 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 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 in turn issued 10-year bond of MUR 560 mn (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 agreement 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’s time of its utilization in case of shortfall of lease rental for interest payments on the bond issue.

The rating factors the strong parentage of the ENL group, more than 70% of the lease rentals being received from profitable subsidiaries (Axess, Plastinax and Grewals) of ENLC, interest income on loan extended to 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 tenants in FY19, interest rate risk and high 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.

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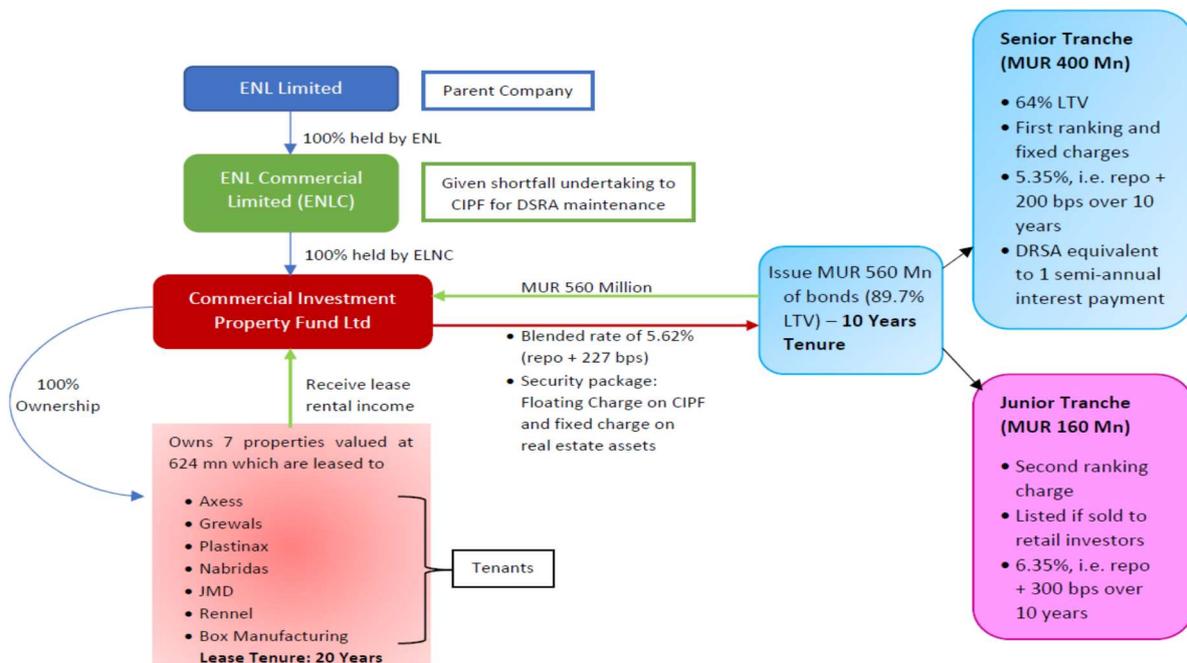
## Background

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 and associates of ENLC. As per arrangement, the properties have been transferred to CIPF and users have entered into 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.

On December 31, 2018, ENL Commercial Limited, ENL Limited, ENL Land Limited and ENL Finance Limited were merged into La Sablonniere Limited, and subsequently on January 3, 2019 the merged entity was renamed ENL Limited. On January 24, 2019, another entity called ENL Commercial Limited (“ENLC”) was established as a wholly owned subsidiary of ENL Limited (rated CARE MAU A; Stable). All assets held by erstwhile ENLC (pre-merger) were transferred to the new ENLC. As on December 2019, CIPF is a wholly owned subsidiary of the new ENLC, which is in turn a 100% subsidiary of ENL Limited.

## Transaction Structure



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

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In FY19, CIPF has achieved a Turnover of Mur 67 million and PAT of Mur 16 million. Performance of CIPF has improved in FY19 over FY18. As per Rental Agreement, rental for all tenants has been increased by 10% since July 2019. Annual escalation thereafter will be in line with the percentage increase in CPI subject to minimum of 5% p.a. and a maximum of 10% p.a.

**Note:** Ms. Aruna Radhakeesoon, employed as Attorney-at-Law/Executive Director/Chief Legal Executive by Rogers and Company (an ENL Group company), is one of CRAF's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the Rating Committee Meeting.

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## Annexure I

### *Long /Medium-term Instruments*

<i>Symbols</i>	<i>Rating Definition</i>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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.