Commercial Investment Property Fund Limited ("CIPF")

December 08, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond (Senior Tranche)	1,000	**CARE MAU A; Stable [Single A; Outlook: Stable]**	**Reaffirmed**
Bond (Junior Tranche)	350	**CARE MAU A-; Stable [Single A; Minus; Outlook: Stable]**	**Reaffirmed**
Total	**1,350**		

Rating Rationale

The ratings assigned to the bond issue of Commercial Investment Property Fund Limited, continue to derive strength from the constant annual increase rentals of its properties having 100% occupancy and the average lease tenure of 20 years. The ratings also derive strength from the experienced promoter and strong parentage of the ENL group, which has an established track record in real estate development in Mauritius, the satisfactory financial risk profile of the lessees belonging to diverse industries, the existence of a structured payment mechanism with lease rentals being received in an escrow account and interest payment on senior tranche bond having first priority on the lease rentals as per the waterfall mechanism and the comfortable coverage ratios.

The rating is however, constrained by the volatile financial performance of some of the tenants during the last three years, future performance of the rental paying subsidiaries and their ability to pay rental in a timely manner, interest rate risk and refinancing risk at the time of bond redemption.

Rating Sensitivities

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

- Improvement in credit profile of the lessees
- Timely receipt of agreed lease rentals
- Increase in rentals and improvement in performance

Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Additional debt by CIPF resulting in deterioration of gearing and debt serving capability
- Higher than projected dividend pay-out to group companies' vis-vis profit
- Inability to increase the annual rentals as per the escalation clause

BACKGROUND

Incorporated in 2016, CIPF is a property fund and wholly owned subsidiary of ENL Commercial Limited ("**ENL Commercial**" is a wholly owned subsidiary of ENL Limited (CARE MAU A Stable)). It owns twelve offices and industrial assets located predominantly in Moka/St. Pierre region and Pailles in Mauritius. These properties are occupied and currently used by the subsidiaries and associates of ENL Commercial.

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

CIPF has entered into 20 years lease agreement with all the tenants. ENL Commercial 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). Total value of the properties as at June 2022 is MUR 1,746 million generating a rental income of MUR 71 million in FY22. The company utilises the rent received from these properties for debt servicing and cash build up for repayment of the Bonds.

Performance in FY22: CIPF has reported positive results for FY22. With new property acquisitions and the 5% increase in rentals, total income has witnessed a growth of 26% (increase from MUR 77 million to MUR 97 million). EBITDA was higher at MUR 92 million and PAT has increased from MUR 29 million in FY21 to MUR 30 million in FY22. GCA was at a similar level compared to FY21. Interest cost increased during FY22 with issue of the new bond. Similarly, overall gearing increased to 5.2 times compared to 2.4 times in FY21 due to the new bond of MUR 1,350 million. The new bond was partly utilised to pay existing bond of MUR 560 million. Interest coverage for FY22 was 2.5 times.

Annexure II

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".

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.

(Subsidiary of CARE Ratings Ltd.)

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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.