Creative Properties Ltd

13 June 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bank Facilities – Non-Fund based (Garantie Financière Extrinseque D'Achevement (GFA)	1,847	CARE MAU A+ (SO); Stable [Single A Plus (Structured Obligation); Outlook: Stable]	**Reaffirmed**
Bank Facilities – Fund Based Overdraft facilities	285	CARE MAU A1 (SO) [A One Structured Obligation]	**Reaffirmed**
Bank Facility – Non-Fund Based	111	CARE MAU A+ (SO); Stable [Single A Plus (Structured Obligation); Outlook: Stable]	**Reaffirmed**
Bank Facilities – Non-Fund Based (Garantie Financière Extrinseque D'Achevement (GFA)	700	CARE MAU A+ (SO); Stable [Single A Plus (Structured Obligation); Outlook: Stable]	**Assigned**
Total	**2,943**		

Structured Obligation is for the ring fencing of cash flow by way of escrow mechanism completely under the purview of bank at each GFA level. Any surplus cash can only be paid to the sponsor only with the prior approval of the bank in charge of the escrow account.

Ratings Rationale

The rating, assigned to the bank facilities of Creative Properties Ltd, continue to derive strength from the experienced promoter with 20 years track record in development of high-end residential real estate in Mauritius- mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build concept followed for all projects, satisfactory reputation of Evaco group for quality of construction and completion of most of the projects well within envisaged timelines and strong demand for luxury residentials in Mauritius. The rating also takes into cognisance of the sales record for the developed projects (more than 95%), significant sale (64%) under phase I of the Cap Marina project and total sale of 204 units (318 units to be sold), GFA backing from banks provided to guarantee the completion of the project to the end-buyers under VEFA regulation and presence of structured mechanism and designated account – ensuring priority of usage of excess cashflow from Cap Marina project for debt servicing. The structured mechanism is to ring-fence the cashflow by escrow mechanism and any surplus cashflow cannot be utilised for any other future real estate development and can be up streamed to Evaco only with the approval of the bank. Additionally, rating also factors in the comfortable financial and cash position at Evaco level.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the various phases of the project, timely receipt of payment from the customers, marketing risk associated with sale of remaining luxury residentials and property development, the substantial rise in construction costs and inability to pass the expenses onto the buyer. Moreover, volatility in interest rate and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

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

Rating sensitivities

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

- Timely completion of projects within envisaged cost
- Ability to achieve targeted sale in a timely manner

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Delay in construction of the villas at Cap Marina thus delay in receipt of sale proceeds.
- Inability to achieve break-even sale for a specific phase.
- Significant increase in construction costs and inability to pass the costs onto the buyers.

Background of the Company

Incorporated on May 11, 2015, Creative Properties Ltd "CPL") is a 100% subsidiary of Evaco Ltd ('"Evaco" - rated CARE MAU A-(SO); Stable) and the owner of the land at Cap Malheureux. It also acts as the property developer for the Cap Marina project.

Evaco Ltd (incorporated on April 3, 2002) emerged from a real estate development company to a holding and investment entity. It is a 100% subsidiary of Société A. Mayer which is fully owned by Mr. Arnaud Mayer, the founder, and Chairman of Evaco Group. Evaco acts as a group corporate executive office with its global head offices located in Mauritius. It is a public limited liability company, and its principal activities consist of property and real estate development, construction, manufacturing, and hospitality & leisure. As of December 31, 2022, Evaco Group has developed real estate projects on a total area of 431,000 sqm. With over 20 years of experience, Evaco group is recognized as one of the key players in real estate sectors.

Management: Evaco Group is a professionally managed company and is governed by 7-member Board of Director with 4 Executive and 3 Independent Directors. The strategic affairs of the company are looked after by the founder and chairman, Mr. Arnaud Mayer.

Financial Guarantee backing from banks under VEFA regulation.

As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d'Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank. A GFA is a financial guarantee given by a financial institution such as bank or insurance company to ensure the buyer that the property he bought off plan will be built and delivered even in the event the developer defaults. In other words, the Bank or the Insurance Company guarantees the full completion of the project should, for any reason, the developer fails to do so and is not able to complete construction.

Banks provide GFA only when the developer has achieved breakeven of the project cost and after analysing past track record of the promoter and group's popularity among the international clients. As per the GFA regulations, GFA providing Bank will create a Designated Account, where in the sale proceeds from that development phase will be deposited in that Designated Account. Bank will monitor the expenses and will release the payments in line with the expenses schedule submitted by the developer and on receipt of bills from the contractors. If the bank is not satisfied with the progress of work, they will not release any payment. If the development is also not in line with the plan committed by the developer, the bank will step in, take charge of the project, complete the project, and then hand over the same to the buyer.

Performance of Creative Properties Ltd: In FY22, CPL achieved a revenue of MUR 416 million (MUR 81 in FY21) as 9 villas were completed and delivered during the year. Positive EBITDA and PAT were posted for the year amounting to MUR 59 million and MUR 55 million respectively. Overall gearing was 4.17x.

(Subsidiary of CARE Ratings Ltd.)
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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.

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