Creative Properties Ltd
13 July 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.

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.

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

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- 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. 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.

Evaco's three main fundamental competency clusters include:

1. **Evaco Property –** is divided into two divisions namely **Property Development and Property Management –** This cluster is responsible for development of real estate projects from inception to realisation.
2. **Evaco Services – Manufacturing, Logistic & procurement services and Corporate & Legal services –** The main aim of this cluster is to develop competitive solutions to move towards a sustainable future for the welfare of subsidiaries, consumers, and society at large.
3. **Evaco Worldwide –** The stepping-stone of this cluster is linked to the project Secret Croatia, leading to global expansion, by creating high-performing resorts through unique hospitality experiences alongside, delivering impeccable customer service at international level.
4. **Evaco Leisure's** aim is to enrich customers' lifestyle through its quality leisure programs, facilities and services. Evaco Leisure consists of the Beach Club – La Plage, high end restaurants and museums.

Management: Evaco Group is a professionally managed company and is governed by a 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. He has a Degree in Business Management from France and was ranked among the top entrepreneurs of Mauritius in 2008. In 2017, he received the title of Honorary Citizenship in light of his contribution to the economic and social development of the northern regions of Mauritius. Mr. Alexandre Gourel de St Pern is the Chief Executive Officer. He has over 25 years of experience as leading positions in top listed companies. He has a degree in Business Management and a post-graduate degree in Marketing & Management. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Credit Risk Assessment

Long track record of Evaco group & experienced promoters

Evaco is among the better performing real estate groups in Mauritius. It was formed in April 2002 by Mr. Arnaud Mayer (Chairman of the group) who is a first-generation entrepreneur with focus on the real estate sector. Over the last 20 years, Mr. Mayer has developed more than 10 residential & commercial real estate projects (Sale & build model) on a total area of 431,000 sqm in North of Mauritius.

Evaco buys land from local owners and develops high end residential projects under GoM approved schemes - Integrated Resort Scheme (IRS), the Real Estate Scheme (RES), the Property Development Scheme (PDS) mainly for foreigners and expats. The company's residential projects have gained popularity among the South African and European (mainly French) property buyers.

Over the period to achieve cost efficiency, Mr. Mayer has integrated the operations of Evaco Ltd by creating construction materials manufacturing company (engaged in manufacturing of blocks, concrete, fittings & furniture's, etc with experienced engineers from Europe and Mauritius) and consultancy company (sales team including executives from Europe and legal and finance team). Evaco also manages a beach club restaurant in the North, which is also very popular among the owners of residential properties, tourists, and expats.

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.

Successful track record of sales & timely delivery of past developments

Over the past 20 years, Evaco Group has acquired several plots of land in the North of Mauritius and has built several residential projects including Oasis, Les Villas Athena, Domaine des Alizees, Clos du Littoral and Grand Baie Business Park. These projects are developed on the 'Sell and Build' concept whereby the projects are marketed to the public and once the prospective buyer shows interest to purchase and upon receipt of an initial payment, the developer starts construction in phases.

Evaco receives 15% of the payment on reservation, 15% on signature of contract, 5% of the payment on completion of foundation, 35% on completion of building structure, 10% on completion of plastering, 10% on completion of internal painting and tiling, 5% on completion of works and 5% on submission of key.

Details of some of the major completed projects and profit as on date:

Project	Land Acquisition	Completion Date	No. of units	Units sold	Area (sqm)
Oasis	-	2004	51	51	n/a
Les Villas Athena	-	2011	37	37	12,000
Le Domaine des Alizees	May-10	2013	90 apart	85*	7,175
Le Clos du Littoral (Phase I)	Jan-11	2016	63 villas and spa	63	50,652
Le Clos du Littoral (Phase II)	Feb-14	2021	93 villas	93	76,163

** Five apartments were unsold since there was a litigation with the contractor. Legal case was concluded in September 2021 and four apartments (worth MUR 40 million) has been handed over to the contractor as final settlement of the dispute.*

Prime location of existing & newly constructed properties

All the projects have been developed around **Grand Baie** (situated in North of Mauritius) - popular residential area for South Africans and Europeans. The luxury apartments and villas are mostly sought after by European tourists or expats who prefer the coastal regions. Grand-Baie is a tourist hotspot with a number of beach restaurants, clubs, hotels, and two shopping malls (Grand Baie La Croisette and Super U Grand Baie). Healthcare and educational institutions are within easy reach as well as a wide range of sports activities with numerous fitness clubs. Public transportation is also a reliable means of commuting within the village of Grand Baie. Cap Marina is located in **Cap Malheureux** which is well-known for the iconic church with its red roof and stunning views of the Coin de Mire islet. It is one of the most beautiful villages of the North of Mauritius which stands around ten minutes from Grand Bay.

Background of the Cap Marina Project and status of the project

Cap Marina is the only real estate (residential) project currently being developed by Evaco Group in the village of Cap Malheureux (North of Mauritius near Grand Baie). The project comprises of construction of high-end residential villas, duplexes, and apartments under the Property-Development-Scheme (PDS) of Govt. of Mauritius (GoM) for selling to foreigners & expats (primarily South Africans and Europeans) and development of 21 Villas for the locals (MUR 15-17 million per unit) outside the PDS Scheme. This high-end residential project stretches over an area of more than 22 hectares and has been designed to reflect modern architecture in environmentally friendly surroundings. The project consists of 318 luxury residential units all surrounded with green parks with over 180,000 various plants and a freshwater canal which will run on 2 kilometers through the Cap Marina residential village. The residents can move from one place to another in kayaks using the canal. Additionally, Cap Marina will have an onsite, a beach lounge, restaurants, swimming pool, roof top bar, gymnasium, kids' club, spa, grocery store, pharmacy, bakery, a shell museum, and shops. The residents can also benefit from the direct access to the main beach of Cap Malheureux.

The project is being built in two phases and there will be a variety of villas, duplexes and apartments targeting young people to senior citizens, both locals and foreigners. The residential units are priced between MUR 10 million to MUR 240 million. Development of residential units under PDS scheme is as under:

I. 239 high-end residential villas (Euro 350,000 – Euro 480,000 per unit)
II. 79 apartments (MUR 6-10 million per unit)

The entire Cap Marina project is on "Sale and Build" model. The company has purchased the land in Cap Malheureux in 2016 and has only started development of the project in 2021 after achieving breakeven sales. As of February 2023, out of 318 villas to be sold, Evaco has signed Agreement for 204 villas and has received part payments (5%-15%) for such sale. ***Evaco Limited is expected to generate MUR 3,000 million of cash profit by selling these villas over next 5 years and part of the same will be utilised to repay the Bonds.***

Since the project is being developed under the PDS Schemes (targeted for international clients), it requires a GFA from a reputed bank as per the VEFA Regulation. 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. Evaco is developing Cap Marina project in various phases and some of this phase has already achieved more than breakeven sales and has received GFA from different banks.

Status of these projects:

		As at May 2023		
	GFA from Bank	**No of units**	**Units sold**	**Status**
Phase I (Under construction)				
PDS1	SBM	24	22	Construction in progress
PDS2	ABSA	5	2	Construction in progress
Secret – Phase A	SBM	20	19	Construction in progress
Harmony	SBM	25	21	Construction of 25 units completed.
Bayview	SBM	50	49	Construction in progress
Local	NO GFA required	21	20	-
Marina	SBM	9	9	All 9 units of Phase A are sold out

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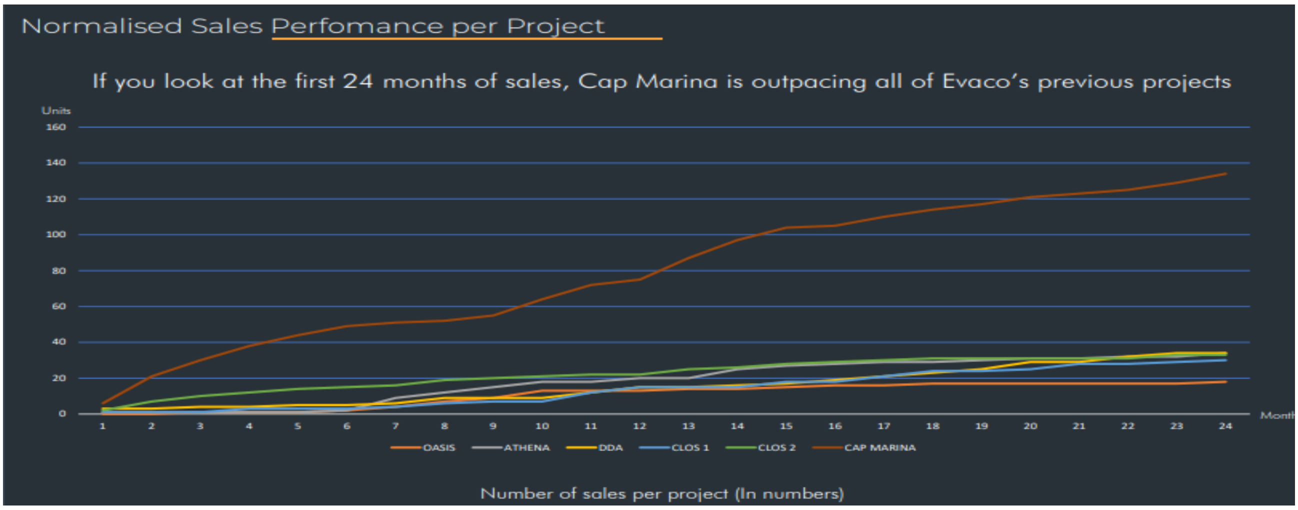
		As at May 2023		
	GFA from Bank	**No of units**	**Units sold**	**Status**
Phase I (Under construction)				
Under Construction		**154**	**142**	**-**
La Terrasse – Phase A		54	41	-
La Terrasse – Phase B		25	13	-
Villas du Parc		23	8	-
Marina		45	0	-
Secret – Phase B		17	0	-
Yet to be launched		**164**	**62**	
Total units to be sold		**318**	**204**	
Value in turnover (MUR million)		**11,699**	**4,361**	

Till May 2023, Evaco Group has sold 204 units and it has achieved MUR 4,361 million in sales value, which will be received over the next 3 years, in line with completion of different stages of construction. As per the management, on a comparison for all the projects, Cap Marina has received more interests and sales over a period of 24 months as compared to the other projects.



Evaco is in discussion with banks for GFA for the balance phases. Signature with the buyer and construction of these villas will start only after securing GFA from Bank.

Project Execution risk

Evaco has appointed as contractor, the group company, Fairstone Ltd (formerly known as Evaco Construction Ltd) which was incorporated in February 2013 to operate as a building and engineering contractor for the Evaco group. It is a grade A construction company and has been the main contractor for all the major projects such as construction of Evaco Head Office, Fine and Country's office and Le Clos du Littoral project. Fairstone has experience of completed contracts worth more than MUR 1 billion over a period of 4 years. Fairstone is currently executing the Cap Marina project.

Mitigation of project risk through insurance covers and guarantees.

Fairstone has provided a **performance bond guarantee** assigned to SBM Bank covering around 40-80% of the builders' cost for the different phases. In case of any default by the developer, SBM Bank can claim the insurance amount to complete the projects.

Additionally, Creative Properties Ltd have contracted an **Inherent Defects Insurance Policy** with Swan General Ltd to cover the different phases of construction for 2 years for non-structural works, equipment, fixtures and fittings and 10 years for structural works of the building. The monitoring is done by technical experts.

The construction is further secured by the presence of a contract (**Advance Payment Bond**) between Creative Properties Ltd and FairStone Ltd (insured by Jubilee Insurance) that any advance payment made by Creative Properties Ltd to the contractor will be reimbursed should the contractor use the advance payment for purposes other than the costs of mobilisation in respect of the Works. Thus, there is minimum risk that the contractor delays the construction works or uses the advance payment for other purposes.

Industry Risk
Real Estate sector in Mauritius
Mauritius is recognized as one of the best countries in Africa to invest in Real Estate. Over the last few decades Mauritius has witnessed a booming real estate sector, to such an extent that today, the real estate sector attracts major Foreign Direct Investment for the country. This can be explained by an increasingly growing number of construction projects across the island in addition to government introducing schemes such as the Integrated Resort Scheme (IRS), the Real Estate Scheme (RES), the Property Development Scheme (PDS) and the Smart City scheme, lifestyle, good infrastructure, and economic stability. Such schemes have transformed the dynamics of the real estate market locally over the years. IRS, RES and PDS are programmed designed to facilitate the acquisition of property mainly luxury residential units by non-citizens in Mauritius.

IRS properties are based within large resorts for e.g., golf estates or marina located mostly on coastal regions. It consists of luxury and high-end freehold property types which are priced at or more than $ 500,000 by GoM. The buyer receives a residence permit as long as they are owner of such a property however the buyer cannot purchase other properties in Mauritius except for another approved resort or scheme.

RES properties are more affordable as they are smaller residential developments built on an area ranging between 4,220 sqm to 100,000 sqm which can be sold at no minimum price. The buyer receives a residence permit only if the property is worth at least $375,000.

PDS allows for development of a minimum of 6 luxurious residential units on freehold land on an area of at least 1 arpent to 50 arpents. It provides high quality public spaces that help to promote socialization and a sense of community.

Today, apart from houses, other options such as apartments, studios, apartment hotel residences, IRS and RES villas are available.

Besides above scheme to boost the Real Estate sector, The Government of Mauritius has provided further incentives such as:

1. MUR 2 billion has been earmarked to support the purchase of residential land and properties by individuals.
2. 5% refund on cost of acquisition of a house, apartment, or land to build a residence up to MUR 500,000.
3. A 5% refund on home loan to be refunded up to MUR 500,000
4. Exemption on registration duty on the first MUR 5 million of the cost of a residential property
5. Loan schemes for self-employed individuals and contractual employees on home loans

Performance of CPL
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.

Financials – Summary table (Standalone – Creative Properties Ltd) **MUR million**

For the Year ended 30th June	2020	2021	2022
	12M, Audited		
Total income	0	81	416
EBIDTA	0	-31	59
Interest	0	1	4
Depreciation	0	0	0
PBT	0	-31	55
PAT	0	-31	55
Gross Cash Accruals (GCA)	0	-31	55

For the Year ended 30th June	2020	2021	2022
	12M, Audited		
Equity Share capital	100	100	100
Tangible Net Worth (TNW)	199	117	173
Total Debt	0	485	719
Key Ratios			
EBIDTA / TOI	NM	NM	13%
APAT / TOI	NM	NM	13%
Overall Gearing (x)	0.00	4.14	4.17
EBIDTA / Interest (x)	NM	NM	12.80
Total Debt / EBITDA	0.00	NM	NM

Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networth

Annexure I

Details of Rated Facilities

Bank Name	**Bank Facilities**	**Amount (MUR Million)**
SBM Bank	GFA 1 (Long Term)	400
	Bank Guarantees (Long-Term)	27.6
	Overdraft facilities (Short-Term)	45
Proposed	GFA 2 (Long-Term)	200
	Bank Guarantees (Long-Term)	13.9
	Overdraft facilities (Short-Term)	25
SBM Bank	GFA 3 (Long-Term)	515
	Bank Guarantees (Long-Term)	32.2
	Overdraft facilities (Short-Term)	70
SBM Bank	GFA 4 (Long-Term)	252
	Bank Guarantees (Long-Term)	13.7
	Overdraft facilities (Short-Term)	60
SBM Bank	GFA 5 (Long-Term)	480
	Bank Guarantees (Long-Term)	24
	Overdraft facilities (Short-Term)	85
Proposed	GFA 6 (Long-Term)	433
Proposed	GFA 7 (Long-Term)	267
Total	**Total MUR 2,943 million (Two thousand nine hundred and forty-three million only)**	

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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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.