CareEdge RATINGS AFRICA

ENL Limited

27 June 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	**3,000**	**CARE MAU A+; Stable [Single A Plus; Outlook: Stable]**	**Revised from CARE MAU A; Stable**
Bond Issue	**1,414**	**CARE MAU A+; Stable [Single A Plus; Outlook: Stable]**	**Revised from CARE MAU A; Stable**
Bank Facility	**586**	**CARE MAU A+; Stable [Single A Plus; Outlook: Stable]**	**Revised from CARE MAU A; Stable**
Proposed Bond Issue	**165**	**CARE MAU A+; Stable [Single A Plus; Outlook: Stable]**	**Revised from CARE MAU A; Stable**
Total	**5,165**		

Ratings Rationale

The revision in the ratings assigned to the bond issues of ENL Limited ("ENL") primarily derives 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 of ENL Limited.

Further rating continues to derive strength from the established track record of the ENL group, the significant land bank in the Moka region, prime location of the Moka Smart City due to its position in the Central plateau of the island, reputation of ENL group for developing quality shopping malls, residential projects and office spaces in prime areas of Mauritius, moderate project execution risk as the company will be developing infrastructure on land and building residential units in a phased manner and high occupancy of the leasable assets.

The rating is, 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.

Rating Sensitivities

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

- Ability to sell land under Moka Smart City Scheme and ENL Limited at envisaged price
- Significant reduction in debt level at both standalone and consolidated level
- Ability of Oficea to develop office space and lease out in a timely manner

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

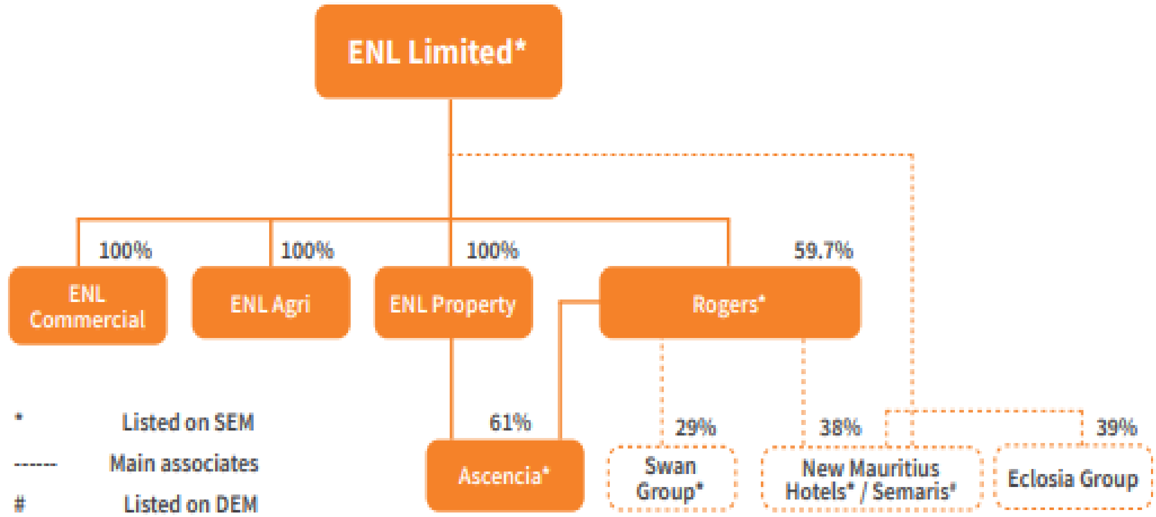
- Additional debt availed in ENL and group companies over and above envisaged debt
- Deterioration in the financials of the group entities

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

BACKGROUND

ENL Limited ("ENL") is the surviving entity post the amalgamation of Ex-ENL Ltd., ENL Finance, ENL Land and ENL Commercial into La Sablonniere Limited. Subsequently La Sablonniere Limited was renamed as ENL Limited w.e.f. January 2019.

ENL group currently owns around 22,000 arpents (acres) of land in Moka (Centre of the island and most populated & one of the posh areas of Mauritius), Savannah (South) and Bel Ombre/Case Noyale (South-West). ENL grows sugar cane and conducts other agricultural activities on 12,000 arpent of land and have earmarked around 1,500 arpent near Moka and Savannah – inclusive of the Smart Cities of Moka and Savannah for real estate development over next 15 years. In 2011, the group inaugurated the Bagatelle Mall (utilizing part of land), which as on date is the most popular mall of Mauritius and has increased the land value in Moka region. Four of the group's companies are listed namely ENL Limited, Rogers and Ascencia [rated CARE MAU AA- Stable] are listed on the Stock Exchange of Mauritius and Velogic on the Development and Enterprise Market. **The current structure of ENL group is as under:**



ENL Limited has revenue mainly in the form of rental of investment properties & agricultural land, dividend receivable from various group companies and management & secretarial fees. However, the Projected Operating Profit during the tenure of the Bond is not expected to be sufficient for repayment of the interest and principal of the proposed Bond. Interest and principal of the Bond is envisaged to be repaid out of sale of land by ENL, the dividend to be paid/capital reduction by ENL Property.

ENL Property will receive cash flows from the following group companies: -

1. Dividends from group companies- Ascencia Ltd. and EnAtt Ltd.
2. Dividend paid by Oficea– out of office Rental
3. Cashflow (capital reduction route) from sale of land by Moka City, Courchamps Development and Courchamps Properties and apartment sale by Moka Residential under Smart City Scheme.

Performance of ENL Consolidated: In FY22, ENL's total operating income increased by 28% to MUR 17,816 million (MUR 12,842 million in FY21). Subsequently, after two consecutive losses during the pandemic in FY20 and FY21, the group realised a positive PAT of MUR 1,601 million in FY22. The strong performance of ENL in FY22 is attributed to the overall profitable segments of the group barring land and investments segment which reported a loss. As at 30 June 2022, GCA and cash at bank stood at MUR 2,362 million and MUR 5,245 million respectively.

Performance of ENL Standalone: On a standalone basis, ENL's total revenue comprises of rental income, management fees and investment income – i.e., dividend from various companies where ENL group holds investment. However, such cashflow are not sufficient for the repayment of interest and principal of the Bond and term loan. The company is dependent on cashflow from ENL Property (cashflow from land sale) – which comes primarily in the form of capital reduction – part of Cash flow analysis and not a P/L item in FY20 & FY21. In FY20, ENL received MUR 507 million and in FY21 it received MUR 436 million of cash from ENL property as capital reduction. As on May 31, 2022, ENL has more than 350 arpent of converted land (agricultural land already converted for commercial use) and 200 arpent of agricultural land (under land conversion rights). In order to meet the demand of local residents in Moka for extension of their locality and also for agricultural land, the company on an average sell 25-30 arpent of converted land (post land conversion) annually in and around Moka.

ENL company posted a 34% increase in revenue driven by higher dividend income. It reported a total income of MUR 350 million (MUR 261 million in FY21) and PAT of MUR 381 million (negative PAT of MUR 186 million in FY21). Cash balance as at June 30, 2022 was MUR 453 million. Total debt in the company amounted to MUR 6,953 million comprising of bonds of MUR 3,500 million and bank facilities of MUR 3,453 million with overall gearing at 0.36x. The majority of the bank facilities are repayable between 5-10 years or later. The management also informed us that they would maintain a certain level of indebtedness in ENL which will be between MUR 6-7 million based on requirement to invest in group companies for development of yield /cashflow generating assets.

Disclaimer
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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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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.