ENL Limited

July 7,2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	3,000*	CARE MAU A; Stable [Single A; Outlook: Stable]	**Reaffirmed**
Proposed Bond Issue	2,000	CARE MAU A; Stable [Single A; Outlook: Stable]	**Assigned**
Total	**5,000 (Five Thousand Million Only)**		

**ENL (Standalone) has a total debt of MUR 7,200 million (Bond I- MUR 3,000 million, Bond II – MUR 500 million and Bank facilities – MUR 3,700 million) of which CRAF has assigned rating to Bond I only.*

Rating Rationale

The ratings assigned to the bond issue and proposed bond issue of ENL Limited ("ENL") 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, strong demand for plot of land in Moka, reputation of ENL group for developing quality shopping malls, residential projects and office spaces in prime areas of Mauritius, moderate project execution risk- since the company will be developing infrastructure on land and building residential units in phases, high occupancy and profitability in retail and asset portfolio, moderate cash coverage ratios of ENL Limited and holding of quoted investments in group companies.

The rating is constrained by the risks associated with the sale of land at envisaged prices, the high debt at group level vis-à-vis cashflow from operations and refinancing risk of existing bank facilities in ENL; albeit the repayments are due after 5 and 10 years and the ENL group has track record of timely rolling over its facilities due to the good cash generating capability of its various assets and strong standing of the group in the county. Rating also factors in the volatility in rentals of newly completed buildings & profitability of the group/associate companies, regulatory risk associated with Smart City project, interest rate risk and performance of the hotel which has been impacted by the pandemic.

Rating Sensitivities

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

- Ability to sell land under Moka Smart City Scheme at envisaged price
- Ability to sell land by ENL Limited at the envisaged price
- Ability of Oficea to develop office space and rent it in a timely manner and at envisaged

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

- Any additional debt, other than projected, availed in ENL and group companies
- Delay in receipt of dividend and cashflow as envisaged from group companies

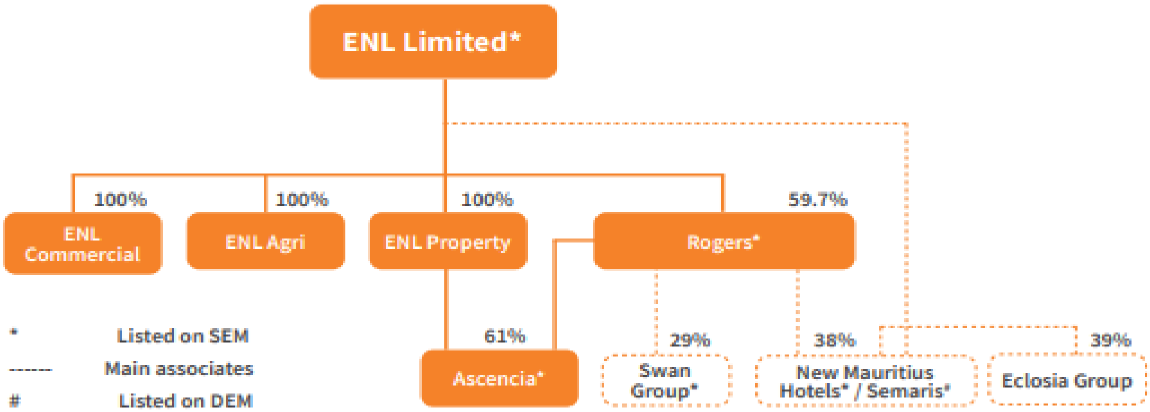
BACKGROUND

ENL Limited ("ENL") is the surviving entity post the restructuring and amalgamation of Ex-ENL Ltd., ENL Finance, ENL Land and ENL Commercial into La Sablonniere. Subsequently La Sablonniere 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

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

sugar cane on 15,000 arpent of land and have earmarked about 5% of this area (around 1,000 arpent near Moka) for real estate development over next 10 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 (ENL Limited [CARE MAU A; Stable], Rogers, Ascencia [rated CARE MAU AA- Stable] and Commercial Investment Property Fund [CIPF: rated CARE MAU A and CARE MAU A-; Stable]) are listed on the Stock Exchange of Mauritius. **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.

ENL's performance was impacted by the COVID-19 outbreak and lockdown which led the group to incur losses for two consecutive years. In FY21, ENL (Consolidated) incurred a loss after tax of MUR 1,065 million, driven mainly by the losses of MUR 2,520 in hospitality sector and loss in the land and investment segment for MUR 341 million. Apart from Agro-Industry and Corporate Office segments which incurred losses of MUR 35 million and MUR 23 million, all the Group's other operating segments showed resilience and posted profits for the period. During the 9MFY22, ENL (Consolidated) posted a revenue of MUR 13 billion and PAT of MUR 608 million compared to previous year losses.

As on May 31, 2022, ENL Limited has a total debt of MUR 6,887 million comprising of Bonds of Mur 3,500 million and bank facilities of Mur 3,387 million. Majority (90%) the bank facilities are repayable between 5-10 years or later. Overall gearing was 0.38x as on June 30, 2021, and the company had a cash balance of MUR 682 million.

Purpose of new Bond issue

ENL proposes to issue a Bond of MUR 2,000 million, to be repaid between 8-15 years, for the following:

1. ENL repaid MUR 300 million of banking facilities from its own funds in February 2022. The company now proposes to replenish its cash balance by MUR 300 million.
2. Acquire up to MUR 500 million of land conversion rights.
3. Invest up to MUR 300 million in the setting-up of a renewable energy cluster; and
4. Invest up to MUR 400 million in land development by ENL property.

Madam Aruna Radhakeesoon has not participated in RCM for discussion of this case, of this case because of her association with Rogers & Co. Ltd which is an ENL group company.

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 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.