

**Brief Rating Rationale**  
**CRAF puts CARE MAU A rating assigned to the bond issue of**  
**ENL Limited on Credit Watch with Negative Implications**

**Ratings**

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond	3,000	CARE MAU A under credit watch with negative implications; <b>[Single A; with Credit Watch with Negative Implications]</b>	Rating placed under credit watch with negative implications

**Rating Rationale**

The rating assigned to the bond issue of ENL Limited (“ENL”) has been put under credit watch with negative implications due to delay in publication of Audited financials of ENL Limited for FY20 and Un-audited Financials for H1FY21. The management of ENL Limited has articulated that ENL is in the process of publishing its Audit Financials for FY20 (July-June 2020) by March 31, 2021 and its Un-audited financials for H1FY21 (July-Dec 2021) by April 15, 2021. CRAF will conduct a full review post publication of the results. CRAF also takes note of the fact that ENL Limited has around MUR 800 million of cash balance as on February 28, 2021 and had no need to tap into its available overdraft facilities. ENL has also serviced all interest and principal repayment between June 2020-March 2021.

The rating continues to derive strength from the established track record of ENL group’s operating companies across diverse business verticals, significant land bank of ENL group 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 plots of land in Moka due to its convenient location, satisfactory financials of dividend paying companies, 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 Rogers, Ascencia and New Mauritius Hotel.

The rating is constrained by the risks associated with the sale of land at envisaged prices, the high debt on group basis 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 ability of its various assets, volatility in rentals of newly completed buildings & profitability of the group/associate companies, profitability of the agro sector being under pressure as a result of lower sugar prices, regulatory risk associated with Smart City project, interest rate risk and significant fall in value of holdings in Rogers and New Mauritius Hotel in between March 2020-March 2021 due to COVID-19 pandemic and closure of the hotels.

The rating is also sensitive to ENL’s ability to sell land and real estate developments under *Moka City* at envisaged prices, the ability to sell non-core land by the Group companies at the envisaged price, the

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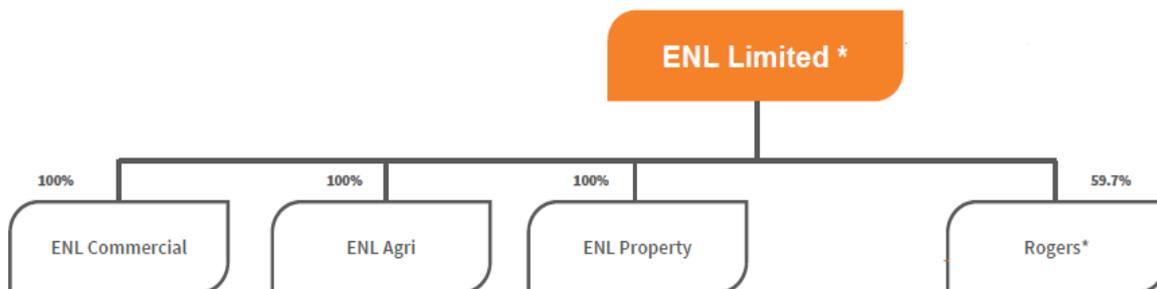
ability of the Group companies (mainly Officea) to develop and rent offices in a timely manner and at the envisaged rates; the performance of the dividend paying companies and the performance of Rogers, Ascencia, and NMH.

**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. Listed on the Stock Exchange of Mauritius, ENL Limited, holding company of ENL group, has a market capitalization of over MUR 7 billion (March 2020).

ENL group currently owns around 22,369 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). The group grows 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, Rogers, Ascencia and Commercial Investment Property Fund [CIPF: rated CARE MAU A-(SO) Stable]) are listed on the Stock Exchange of Mauritius, with a combined market capitalization exceeding MUR 25 billion (as against total debt of MUR 24 billion). Current structure of ENL group is as under:



*\*Entities listed on the Stock Exchange of Mauritius*

ENL is governed by a 12-member Board of Directors comprising of 5 members from the Noel family and a number of eminent industrialists and professionals. The strategic affairs of the company are looked after by Mr. Hector Espitalier-Noel - Chairman of the group and his brother Eric Espitalier-Noel. They are assisted by Mr. Paul Tsang (Chief Financial Officer of ENL and Group Head of Finance) associated with ENL group for more than 25 years and a team of experienced and qualified professionals.

ENL derives revenues mainly in the form of rents, dividends from its direct holdings in investee companies, and management & secretarial fees. However, the projected operating profit is not expected to suffice for the repayment of the interest and principal outstanding on the Bond. The aforementioned revenue sources are expected to be augmented by the sale of land, capital reduction, and dividends from ENL Property (a wholly owned subsidiary). Together, these cash flow sources service both the interest and principal amount outstanding on the Bond. More explicitly, it is envisaged that ENL Property – itself an intermediate holding company - will receive the following inflows from its subsidiaries:

1. Cashflow (capital reduction) from sale of land by Moka City, Courchamps Development and Courchamps Properties.
2. Cashflow from apartments sale by Moka Residential under Smart City Scheme
3. Dividend from group companies- Ascencia Ltd., EnATT Ltd. and Building & Civil Engineering Co. Ltd
4. Dividend paid by Officea (Erstwhile The Old Factory) – out of office rentals

**Madam Aruna Radhakeesoon has not participated in RCM for discussion of this case, because of her association with Rogers and ENL is the holding company of Rogers**

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## Annexure I

### *Long /Medium-term Instruments*

<b>Symbols</b>	<b>Rating Definition</b>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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.