CARE Ratings AFRICA

Brief Rating Rationale

CRAF reaffirms CARE MAU A rating assigned to the bond issue of ENL Limited and removes Credit Watch on the rating

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond	3,000*	CARE MAU A; Stable **[Single A; Outlook: Stable]**	Reaffirmation of rating with removal of Credit Watch**

**ENL Limited (Standalone) has a total debt of MUR 7,245 million (Bond I- MUR 3,000 million, Bond II – MUR 500 million and Bank facilities – MUR 3,745 million) of which CRAF has assigned rating to its Bond I issue of MUR 3,000 million only.*

***In March 2021, the rating was placed under credit watch due to delay in publication of Audited FY20 and H1FY21 Financials by the company.*

Rating Rationale

The rating assigned to the 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 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, regulatory risk associated with Smart City project, interest rate risk and significant fall in value of holdings in Rogers and New Mauritius Hotel due to COVID-19 pandemic and closure of the hotels.

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

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

- Additional debt availed in ENL and group companies
- Delay in receipt of dividend and cashflow as envisaged from group companies
- Ability of Oficea Company Ltd (Oficea) to develop office space and rent it in a timely manner and at envisaged rates as MUR 800 million out of bond issue was extended as loan for development of office space in Oficea

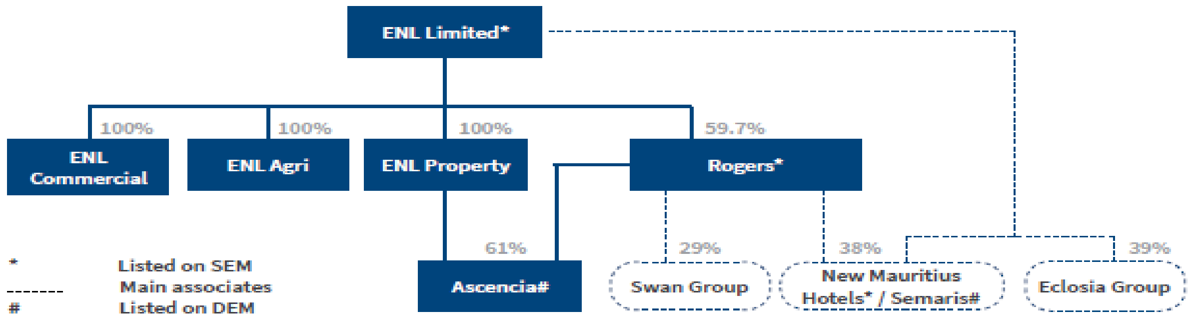
The Rating Committee of CRAF has taken note of the fact that ENL has received Mur 1,500 million from Moka City (out of the total equity infusion of MUR 1,900 million in Moka City by strategic equity investors) in FY20 & FY21 and ENL has used part of the fund for debt reduction and balance is maintained in Banks. The Rating Committee has removed the Credit Watch, after considering the above, Audited FY20 and 9MFY21 financials and statement by ENL's management that ENL will hold on to the liquidity (cash- MUR 500-700 million and overdraft of MUR 569 million) to meet its interest expenses over next 1 year (around MUR 350-400 million in FY21) and other costs. During discussion, ENL management also articulated that ENL has not provided any Corporate Guarantee to any of the debt raised by any of its group or associate companies (Commercial Investment Property Fund, ENL Commercial, ENL Property, Moka City, Oficea and Rogers and NMH). Utilization of substantial part of the liquidity to support group companies will trigger a rating revision. The management also informed that they would maintain a certain level of indebtedness in ENL (between MUR 5,000-7,000 million) based on requirement to invest in group companies for development of yield /cashflow generating assets.

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 22,369 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). ENL 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 [CARE MAU A; Stable], Rogers, Ascencia [rated CARE MAU A+; Stable] and Commercial Investment Property Fund [CIPF: rated CARE MAU A-(SO); Stable]) are listed on the Stock Exchange of Mauritius. Current structure of ENL group is as under:



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 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 (Group Head of Finance) associated with ENL group for more than 25 years and a team of experienced and qualified professionals.

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.

In FY20, ENL Group (ENL Limited and its subsidiaries) posted a loss of MUR 957 million on a total income of MUR 14 billion. Overall gearing was 1.15x. In FY20, ENL Limited posted a cash accrual of MUR 771 million.

As on June 30, 2020, ENL Limited has a total debt of MUR 7,336 million comprising of Bonds of MUR 3,500 million (of which Mur 3,000 million is rated) and bank facilities of MUR 3,836 million. Majority (90%) the bank facilities are repayable after 10 years. Overall gearing was 0.37x as on June 30, 2020 and the company had a cash balance of MUR 789 million.

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.