Brief Rating Rationale

CRAF assigns CARE MAU A (Stable) rating to the proposed bond issue of ENL Limited

Ratings

Instrument	Amt. (Mur Million)	Rating	Rating Action
Bond	3,000	**CARE MAU A (Stable) [Single A; Outlook: Stable]**	**Assigned**

Rating Rationale

The rating assigned to the bond issue of ENL Limited ("ENL") derives 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 plot of land in Moka under the Moka Smart City Scheme due to its convenient location (25% of the Moka City project already sold/reserved), comfortable financials of dividend paying companies, reputation of ENL group for developing quality shopping malls, residential projects and office spaces in prime locality of Mauritius, moderate project execution risk- since the company will be developing infrastructure on land and building residential units in phased manner, high occupancy and profitability in retail and asset portfolio, moderate cash coverage ratios of ENL Limited and significant value of holding of quoted investment 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 and interest rate risk associated with floating rate debt; albeit at least 75% of the current bond issue is expected to be in fixed rate.

The rating is sensitive to the 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 ability of the Group companies (The Old Factory) 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

The Amalgamation

Until December 31, 2018:

- La Sablonniere Limited (incorporated in February 1985) was the holding company (72%) of ENL (incorporated on 1944), which in turn was the ultimate holding company of the Group's investee companies. ENL had three direct subsidiaries - ENL Finance, ENL Land and ENL Commercial;
- Five of the Group's companies (ENL Limited, ENL Commercial, ENL Land, Rogers, Ascencia) are listed on the Stock Exchange of Mauritius, with a combined market capitalization of over Mur 30 billion (as against total debt of Mur 21 billion). Part of the bond issue of the sixth subsidiary, - Commercial Investment Property Fund [CIPF: rated CARE MAU A-(SO) Stable], - is also listed on the Stock Exchange of Mauritius.

On January 1, 2019, ENL Limited, ENL Finance, ENL Land and ENL Commercial were amalgamated with and into La Sablonniere Limited, which has been subsequently renamed as "ENL Limited" and will be listed on Stock Exchange of Mauritius Ltd as from January 23, 2019. Rogers and Ascencia continue to be listed on the Stock Exchange of Mauritius.

The rationale behind the amalgamation is to have a simplified group structure and enhance shareholder value. The resulting asset base of the surviving entity, ENL, shall improve its ability to raise both debt and equity and therefore, facilitate its growth. The proforma financials of ENL as at June 30, 2018 (if the amalgamation would have been effective on that date) would have looked as follows:

Particulars	ENL Limited – (Amalgamated Company)
	Standalone
As at June 30, 2018	**Mur Million**
Assets	
Property, Plant & Equipment	10,378.8
Investment Properties	3,509.9
Investments	18,584.9
Others	1,139.8
Non-Current Assets Held for Sale	104.0
Total Non-Current Assets	33,717.4
Current Assets	849.9
Total Assets	**34,567.3**
Capital and Reserves	27,783.3
Total debt	5,872.0
Current Liabilities	912.0
Total Equity & Liabilities	**34,567.3**

The proforma debt reflects predominantly the existing debts of the current ENL Limited and ENL Land. Amongst others, this debt was taken out for covering the costs associated with the restructuring of the sugar cane industry (i.e. providing early and voluntary retirement scheme to workers of the sugar industry), increasing ENL group's stake in Rogers and Company Ltd, equity infusion for Bagatelle Mall in FY12 and increase of ENL group's stake in New Mauritius Hotel in FY16-17. Post the amalgamation, the structure of ENL group will be as follows:

Proposed Bond Issue: -

ENL proposes to raise a bond (the "Bond") of Mur 3,000 million in January 2019 to extend the maturity of existing bank facilities of Mur 2,200 million and invest the balance of Mur 800 million into a step-down subsidiary The Old Factory (84% subsidiary of ENL Property Limited), for development of office space. The Bond is proposed to be repaid in three equal tranches of Mur 1,000 million at the end of 5th year (January 2024), Mur 1,000 million at the end of 7th year (January 2026) and Mur 1,000 million at the end of 10th year (January 2029). The salient features of the Bond are summarized in the table below:

Proposed Bond Issue Details:

Terms	Fixed-Rate	Floating
Amount	MUR 2,300,000,000	MUR 700,000,000
Issuer	ENL Limited	ENL Limited
Currency	MUR	MUR
Purpose	To optimize the Issuer's borrowings by refinancing part of the existing bank facilities and finance the development programme of the group	
Tenure	5 years, 7 years, 10 years	5 years, 7 years, 10 years
Investors base at Issue date	Pension Funds – 50% Banks – 41% Insurance Companies – 8% Others – 1%	
Noteholder Representative	BLC Robert & Associates (2nd Floor, The Axis, 26 Bank Street, Cybercity, Ebene 72201, Mauritius)	
Principal Amount per note	MUR 1,000,000	MUR 1,000,000
Interest rate	A blended rate of 5.68% at the time of issue	
Issue date	11 January 2019	
Maturity date	11 January 2024, 11 January 2026, 11 January 2029	
Interest payment date	Semi-annual payment in arrears in July and January of each year (subject to the Business Day Convention), starting 31st July 2019	
Security	Either a share pledge in listed companies of 1.2x the outstanding amount of the bonds or a first rank mortgage on land worth 1.1x the outstanding amount of the bonds	
Covenants	The covenants herein shall remain in force during the whole tenor of the Notes. On the basis of the annual audited financial statements of the Issuer: • The Issuer's interest coverage ratio (the "ICR") shall exceed 1.3x • The Issuer's debt to equity ratio shall be no greater than 50%	
Listing Status	The Notes will be Rated and not to be listed	

ENL will derive 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 route) from sale of land by Moka City, Courchamps Development and Courchamps Properties.

2. Cashflow (capital reduction) from land sale by Moka City and apartments sale 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 The Old Factory – out of office rentals