

## Rating Rationale Evaco Ltd

### Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Proposed Bond Issue	500	<b>CARE MAU A- (SO); Stable [Single A Minus (Structured Obligation)]; Outlook: Stable</b>	<b>Final Rating</b>

CRAF has confirmed the rating assigned to the above-mentioned proposed Bond Issue following receipt of the final documents and fulfilment of other conditions including inclusion of waterfall mechanism in the Final Programme Memorandum for Multi-currency Notes issue.

### Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of principal & interest of the rated Bond, as per the terms of the transaction and is not a standalone rating of Evaco Ltd. (“Evaco”).

The structure involves debt servicing of the proposed Bond issue (MUR 500 million) and existing Bond issue (MUR 644 million) from the cashflows of the Cap Marina project (only project being developed by Evaco group as on January 2022) to be maintained in a Designated account with SBM Bank Ltd. through a ring-fenced waterfall mechanism and such excess cashflow, in Designated Account, cannot be utilised for any other future real estate development without prior approval of Noteholder’s Representative (SBM Fund Services Ltd).

The rating, assigned to the proposed Bond Issue of MUR 500 million of Evaco, derives strength from the experienced promoter & 20 years track record in development of high-end residential real estate in Mauritius- mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build concept followed for all projects, satisfactory reputation of Evaco among its clients & bankers for quality of construction & completion of most of the projects well within envisaged timelines and strong demand for luxury residential in Mauritius. The rating also takes into cognisance sale of 188 units (337 units to be sold) of Cap Marina project, under-construction phases being backed by GFA from reputed Banks and presence of structured mechanism & Designated Account – ensuring priority of usage of excess cashflow from Cap Marina project for debt servicing of the proposed & existing Bond.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the various phases of the project, market risk associated with sale of luxury residential and property development, delay in sale of the remaining units leading to lower-than-projected cashflow, volatility in interest rate and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

### Rating sensitivities

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

- Ability to achieve sale of balance units of cap Marina project within envisaged time frame
- Ability to maintain steady cashflow throughout the projected years.

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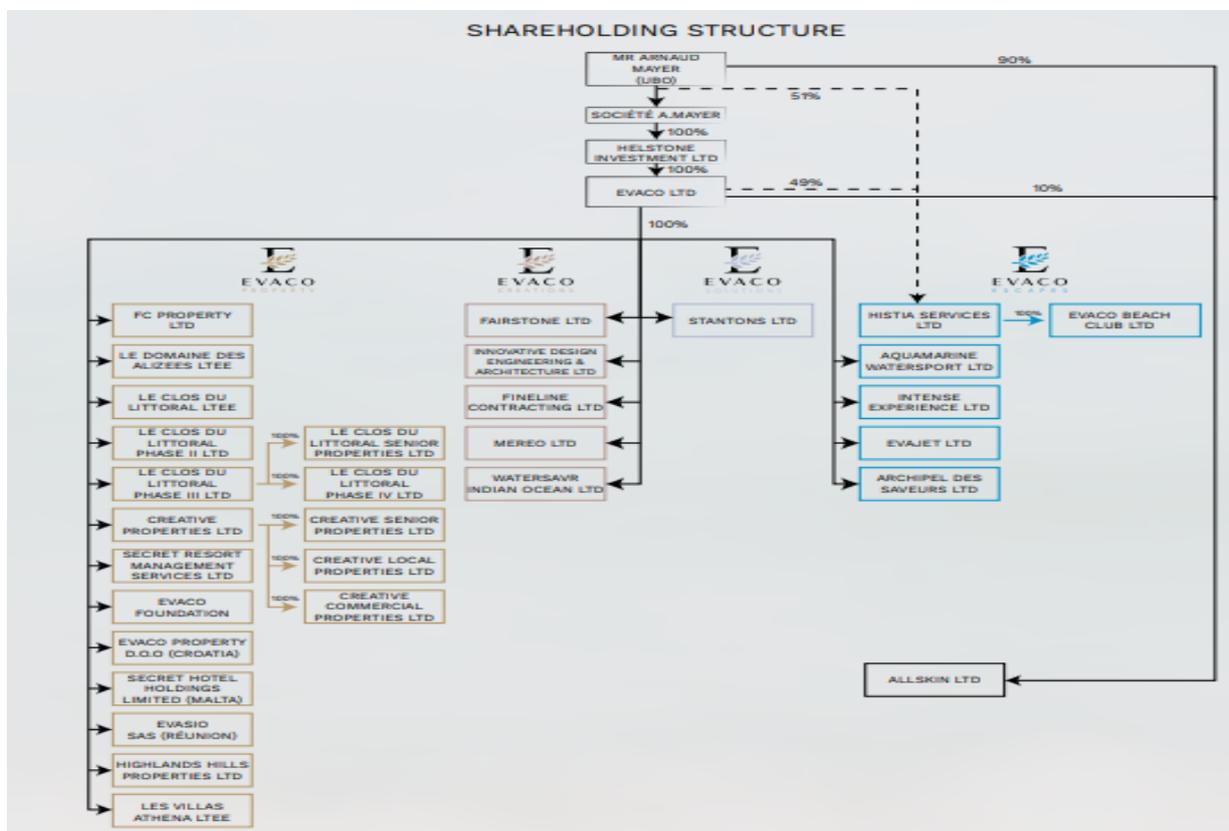
- Timely completion of projects within cost parameters
- Maintaining committed quality of construction of residential units

**Negative factors that could, individually or collectively, lead to negative rating action/downgrade**

- Additional debt by Evaco
- Inability to sell the balance project at the envisaged price and within the projected timeline
- Delay in construction of the villas at Cap Marina thus delay in receipt of sale proceeds.
- Usage of excess cashflow from Cap Marina project for any future real estate development without prior consent of the Noteholder’s Representative (SBM Fund Services Ltd).

**BACKGROUND**

Incorporated on April 3, 2002, Evaco Ltd (“Evaco”) emerged from a real estate development company to a holding and investment entity. It is a 100% subsidiary of Société A. Mayer which is fully owned by Mr. Arnaud Mayer, the founder, and Chairman of Evaco Group. Evaco acts as a group corporate executive office with its global head offices located in Mauritius. It is a public limited liability company, and its principal activities include development of high-end real estate projects and managing a beach-side restaurant in Trou-aux Biches. As of December 31, 2021, Evaco Group has developed high-end real estate projects on a total area of 431,000 sqm and has built & delivered 334 residential units and 71 commercial units. With over 20 years of experience, Evaco group is recognized as one of the key players in important sectors of the economy. The holding structure:



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Evaco's four main fundamental competency clusters include:

1. **Evaco Property – Property Development & Real Estate** – This cluster is responsible for development of high-end real estate projects from inception to realisation.
2. **Evaco Solutions – Consulting & Corporate Services** – Provides personalised services, Corporate services, consulting and relocation assistance to new investors and residents in Mauritius. The entities under Evaco solutions are Stantons, Mereo, Evaco Marketing and Evaco Corporate Services.
3. **Evaco Creations – Engineering, Construction, Manufacturing and Design** – This cluster looks at the optimisation of various aspects associated with building design, material supply and construction. The main subsidiaries under this cluster are FairStone, FineLine Contracting and I.D.E.A.
4. **Evaco Escapes – Leisure & entertainment** – This cluster provides entertainment and leisure services. It consists of a Beach Club – La Plage - beach-side restaurant in Trou-aux Biches.

**The financial performance of Evaco Limited and the major subsidiaries within the group are as under:**

Companies [FY21]	Stake (%)	Revenue	EBIDTA	PAT	GCA	Total debt	TNW	Overall Gearing
MIUR Million								
Evaco Limited		45	60	2	2	932	476	1.96
<b>Subsidiaries</b>								
FairStone Ltd. (Engaged in construction of Cap Marina)	100%	338	-14	-43	-28	131 (OD#)	72	1.83
IDEA Consultants (Engaged in providing consultancy to different phases of Cap Marina project)	100%	42	-30	-33	-33	57 (OD)	-69	N. A
Fine Line Contracting (Engaged in providing materials to different phases of Cap Marina project)	100%	65	-17	-26	-19	27 (OD)	-31	N. A
Creative Properties Creative Senior Properties (Engaged in construction of different phases of Cap Marina project)	100%	115 63	13 9	-16 4		67 39 (OD)	117 4	
<b>Evaco Group (consolidated)</b>		<b>434</b>	<b>(211)</b>	<b>(213)</b>	<b>(179)</b>	<b>1,387</b>	<b>413</b>	<b>3.36</b>

#OD- Overdraft

All the subsidiary companies are engaged in providing construction materials, consultancy service and executing construction work for the Cap marina project. Barring the exiting Bond (Mur 644 million) and few term loans, Evaco and its subsidiaries primarily has availed overdraft facility (linked to the different phases of Cap Marina project and has been provided by the same Banks which has extended the GFA for that phase) to execute the daily operations. The overdraft facility will be repaid on receipt of stage payment from clients.

Evaco Group is a professionally managed company and is governed by 6-member Board of Director with 5 Executive and 1 Independent Directors. The strategic affairs of the company are looked after by the founder and chairman, Mr. Arnaud Mayer. He has a Degree in Business Management from France and was ranked among the top entrepreneurs of Mauritius in 2008. In 2017, he received the title of Honorary Citizenship in light of his contribution to the economic and social development of the northern regions of Mauritius.

Mr. Alexandre Gourel de St Pern is the Chief Executive Officer. He has a degree in Business Management and a post-graduate degree in Marketing & Management. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

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## CREDIT RISK ASSESSMENT

### *Long track record of Evaco group & experienced promoters*

Evaco Ltd. was formed in April 2002 by Mr. Arnaud Mayer. He is a first-generation entrepreneur with focus on the real estate sector. Over the last 20 years, Mr. Mayer has developed & delivered more than 400 residential & commercial units (Sale & build model) on a total area of 431,000 sqm in North of Mauritius.

Evaco buys land from local owners and develops high end residential projects under GoM approved schemes - Integrated Resort Scheme (IRS), the Real Estate Scheme (RES), the Property Development Scheme (PDS) mainly for foreigners and expats. The company's residential projects have gained popularity among the South African and European (mainly French) property buyers.

Over the period to achieve cost efficiency, Mr Mayer has integrated the operations of Evaco Ltd by creating construction materials manufacturing company (engaged in manufacturing of blocks, concrete, fittings & furniture's, etc with experienced engineers from Europe and Mauritius) and consultancy company (sales team including executives from Europe and legal and finance team). Evaco also manages a beach club restaurant in the North, which is also very popular among the owners of residential properties, tourists, and expats.

In July 2020, Mr Mayer has infused interest free loan of MUR 43 million to support the operational expenses and loses. The management maintained same will refunded once the company starts receiving cashflow from its ongoing projects.

### *Successful track record of sales & timely delivery of past developments*

Over the past 20 years, Evaco Group has acquired several plots of land in the North of Mauritius and has built several residential projects including Oasis, Les Villas Athena, Domaine des Alizees, Clos du Littoral and Grand Baie Business Park. These projects are developed on the 'Sell and Build' concept whereby the projects are marketed to the public and once the prospective buyer shows interest to purchase and upon receipt of an initial payment, the developer starts construction in phases.

Evaco receives 15% of the payment on reservation, 15% on signature of contract, 5% of the payment on completion of foundation, 35% on completion of building structure, 10% on completion of plastering, 10% on completion of internal painting and tiling, 5% on completion of works and 5% on submission of key.

### *Sales track record of completed projects:*

Project	Completion Date	No. of units	Units sold	Area (sqm)
Oasis	2004	51	51	n/a
Les Villas Athena	2011	37	37	12,000
Le Domaine des Alizees	2013	90 apart	85*	7,175
Le Clos du Littoral (Phase I)	2016	63 villas	63	50,652
Le Clos du Littoral (Phase II)	2021	93 villas	90	76,163

\* Five apartments were unsold since there was a litigation with the contractor. Legal case was concluded in September 2021 and four apartments (worth MUR 40 million) has been handed over to the contractor as final settlement of the dispute.

### **Completed Projects: -**

**Grand Baie Business Park:** The business centre was launched in 2003 and it consists of 73 offices, a restaurant, a meeting room and a spa. First business center to open in Grand Baie.



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**Oasis (I & II):** Located in the heart of Grand Baie, Oasis consists of prestigious private residences i.e., 51 high-end villas within a private tropical garden. Each villa has a private swimming pool, lounge and an open garden. Phase I was completed in 2004 and Phase II was launched in 2008. All 51 units have been sold as at December 31, 2021.



**Les Villas Athena:** Athena was the first RES of Mauritius which comprises of 37 stylish contemporary villas built in 2010. All 37 units have been sold as at December 31, 2021.



**Domaine des Alizees (Club & Spa):** is a hotel type luxury apartment situated around 10-mins' drive from Grand Baie. There is a restaurant, swimming pool, bar, gym, and spa onsite. The project was completed in 2013 and generated a profit of MUR 296 million to Evaco Group. Out of 90 apartments, 85 have been fully sold out as at December 31, 2021.



**Clos du Littoral (Phase I and II):** Situated in the touristy area of Grand Baie in North of Mauritius, Le Clos du Littoral consists of a variety of luxury villas with the typical Mauritian flair, swimming pools and private gardens. The villas are built on plot of land ranging from 300 sqm to 3,200 sqm. The villa owners can enjoy the kid's club, parking, spa, lounge equipped with gym, bowling area and other facilities.



**Phase I of the project** was launched in 2014 with 63 villas and a spa on an area of around 50,600 sqm. It generated a profit of MUR 491 million to Evaco Group. All the 63 villas have been sold out.

**Phase II was launched** in 2016 and completed in July 2021. Out of 93 units, 3 units are still unsold as at December 31, 2021.

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### ***Prime location of existing & newly constructed properties***

All the projects have been developed around **Grand Baie** (situated in North of Mauritius) - popular residential area for South Africans and Europeans. The luxury apartments and villas are mostly sought after by European tourists or expats who prefer the coastal regions. Grand-Baie is a tourist hotspot with a number of beach restaurants, clubs, hotels, and two shopping malls (Grand Baie La Croisette and Super U Grand Baie). Healthcare and educational institutions are within easy reach as well as a wide range of sports activities with numerous fitness clubs. Public transportation is also a reliable mean to commute within the village of Grand Baie. Cap Marina is located in **Cap Malheureux** which is well-known for the iconic church with red roof and stunning views of the Coin de Mire islet. It is one of the most beautiful villages of the North of Mauritius which stands around ten minutes from Grand Bay.

### ***Risk of implementation Cap Marina Project (Ongoing development)***

Cap Marina is the only real estate project currently being developed by Evaco in the village of Cap Malheureux. In 2015-16, Evaco group purchased, 22 hectares (64 arpent or 220,000 sqm) in Cap Malheureux (opposite to the iconic church with red roof) with stunning views of the Coin de Mire islet and the sea, at MUR 286 million. The project comprises of construction of 337 high-end residential villas, duplexes, and apartments under the Property-Development-Scheme (PDS) of Govt. of Mauritius (GoM) for selling to international buyers & expats (primarily South Africans and Europeans) and development of 21 Villas for the locals (MUR 15-17 million per unit) outside the PDS Scheme. Development of residential units under PDS scheme is as under:

- I. 232 high-end residential villas (Euro 350,000–480,000 i.e., MUR 17.5 -24 million per unit)
- II. 5 villas of Euro 4,800,000 each (Mur 240 million per unit)
- III. 79 apartments (MUR 6-10 million per unit)

The entire Cap Marina project is on “Sale and Build” model. As of January 2022, out of 337 villas to be sold, Evaco has signed Agreement for 188 villas and has received part payments (5%-15%) for such sale.

The luxury residential units will be surrounded with green parks with over 180,000 various plants and freshwater canal which will run on 2 kilometers through the Cap Marina residential village. The residents can move from one place to another in kayaks using the canal. Additionally, Cap Marina will have onsite, a beach lounge, restaurants, swimming pool, roof top bar, gymnasium, kids’ club, spa, grocery store, pharmacy, bakery, a shell museum, and shops. The residents can also benefit from the direct access to the main beach of Cap Malheureux. As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d’Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank. ***Banks provide GFA – whereby it undertakes to complete the project and deliver the product to the buyer in case the developer has failed to do so.*** Hence, Banks provide GFA only when the developer has achieved breakeven of the project cost and after analysing past track record of the promoter and group’s popularity among the international clients.

Evaco is developing Cap Marina project in various phases and there will be a variety of villas, duplexes and apartments targeting young people to senior citizens, both locals and foreigners. The residential units are priced between MUR 10 million to MUR 240 million. Some of this phase has already achieved more than breakeven sales and has received GFA from different banks. Status of these projects:

	GFA from Bank	No of units	Units already sold	Project Execution Stage
<b>Phase I (Under construction)</b>				
PDS1	SBM	24	18	Commenced Construction
PDS2	ABSA	5	3	Signature of Documents
Secret	SBM	37	23	Signature of Documents
Harmony	SBM	25	21	Commenced Construction
Bayview	SBM	50	47	Signature of Documents
Local	NO GFA required	21	21	Commenced Construction
<b>Under Construction</b>		<b>162</b>	<b>133</b>	
<b>Phase II (Construction yet to commence)</b>				
La Terrasse		79	38	Construction to commence between April- September 2022 after achieving break even and signature of Title deeds
Villas du Parc		23	6	
Marina		73	11	
<b>Yet to be launched</b>		<b>175</b>	<b>55</b>	
<b>Total units to be sold</b>		<b>337</b>	<b>188</b>	
<b>Value in turnover</b>		<b>MUR 10,700 million</b>	<b>MUR 4,075 million</b>	

Evaco is in discussion with its existing bankers for GFA for the balance phases. Signature with the buyer and construction of these villas will start only after securing GFA from Bank.

As per the GFA regulations, GFA providing Bank will create a Designated Account, where in the sale proceeds from that development phase will be deposited in that Designated Account. Bank will monitor the expenses and will release the payments in line with the expenses schedule submitted by the developer and on receipt of bills from the contractors. If the bank is not satisfied with the progress of work, they will not release any payment. If the development is also not in line with the plan committed by the developer, the bank will step in, take charge of the project, complete the project, and then hand over the same to the buyer.

SBM has been the major GFA provider to various projects of Evaco for last 5 years. During discussion the bankers articulated that Evaco has completed all the projects well within the stipulated timelines (barring delay in FY20 due to lockdown) and there has been no instance of invocation of GFA of Evaco group in the past. For the ongoing GFAs for the different phases of construction of Cap Marina project, SBM has created designated Accounts and they are monitoring the progress of work. The work is as per schedule and the company is receiving the payments from the buyers in line with achievement of construction milestones.

Construction of the Phase I has commenced in FY21, and it is expected to be completed by FY23-25. Till January 2022, Evaco Group has sold 188 units out of which title deed has been signed for 88 units and reservation contract has been signed for 100 units. Sale of another 27 units is in progress from foreigners who will be coming to Mauritius to conclude the sale. The company has achieved MUR 4,075 million of revenue, which will be received over next 3 years, in line with completion of different stages of construction. With the

re-opening of borders, sales are likely to increase significantly in FY22 and FY23. Projected revenue of Evaco from already sold units and projected sale of units is as under: - **MUR Million**

Income Statement	FY21	FY22	FY23	FY24	FY25	FY26	FY27	Total
	Past	Projected						
<b>Revenue from Cap Marina</b>	<b>153</b>	<b>1,964</b>	<b>2,535</b>	<b>2,553</b>	<b>1,781</b>	<b>856</b>	<b>900</b>	<b>10,742</b>
<i>Already sold</i>	153	1,503	1,551	677	183	9	-	4,075
<i>To be sold</i>	-	461	984	1,877	1,598	847	900	6,667
<b>Total payments</b>	<b>354</b>	<b>1,689</b>	<b>2,222</b>	<b>1,795</b>	<b>1,118</b>	<b>797</b>	<b>100</b>	<b>8,075</b>
<i>Already sold</i>	354	1280	1250	556	150	18		3,608
<i>To be sold</i>	0	409	971	1239	968	779	100	4,467
<b>Net Profit before Tax</b>	<b>(201)</b>	<b>275</b>	<b>313</b>	<b>759</b>	<b>663</b>	<b>59</b>	<b>800</b>	<b>2,667</b>

Total revenue from the Cap Marina project is estimated around MUR 10.7 billion. At completion of the project in FY26, Evaco has projected a total profit of MUR 2.5 billion over a period of 5 years.

### **Debt Servicing of the proposed Bond issue of MUR 500 million**

Proposed Bond issue of MUR 500 million will be serviced from the cashflow of the Cap Marina project. During the tenure of the Bond repayment, Evaco may undertake to develop few more real estate projects. However, the cashflow from Cap Marina project cannot be utilised for any other future projects without prior approval of Noteholder's Representative, since the same has been ring-fenced through GFA and waterfall mechanism. The funds will be utilised for repayment of the Bond issue of MUR 644 million (proposed repayment in FY24 and FY25). The waterfall mechanism is as under:

**GFA** - Till Evaco completes and delivers the project, the proceeds from sale of villas will be under the control of the GFA providing Bank (SBM/ABSA). Once the phases are completed and delivered, the proceeds will be released by SBM/ABSA to a Designated Account of Evaco with SBM/ABSA.

**Waterfall Mechanism with cashflow in the Designated Account cannot be used by Evaco without prior approval of the Noteholder Representative** - As per the structure for the proposed Bond issue and as confirmed by the Board of Directors (Extracts of the Board Resolution dtd. January 7, 2022); the Designated Account with SBM/ABSA will be monitored by Noteholder's Representative (SBM Fund Services) and the release of payment from the same will be as under –

1. Net profit after tax of each phase of the Cap Marina project, available for distribution to Evaco Ltd ('Dividends'), will be paid into a segregated account with SBM (Mauritius) Ltd or its nominated affiliated company ('Segregated Account'); and
2. From dividends available in the Segregated Account, an amount of MUR 15 million per month (on a cumulative basis) shall be transferred to Evaco Ltd on its nominated account and on request, for the purpose of covering the operating expenses and senior creditor finance costs of Evaco Ltd.
3. Remaining balance in the Segregated Account shall be used in priority to service the repayment of the Company's two notes' programs, namely the notes issued pursuant to its private placement memorandum

dated 26 September 2019 for an amount of MUR 644 million and the new issue of Notes for an amount of Rs 500 million (and/or Euro equivalent), including capital and interest, as and when they fall due; and

4. Funds remaining in the Segregated Account shall be transferred to Evaco on its nominated account and on request, subject to the prior written approval of the noteholders' representative – SBM Fund Services

**Accordingly, the cashflow from the Cap Marina project is ring-fenced with waterfall mechanism and cannot be used for any other development, without prior approval of Noteholder's Representative.**

**The Rating is completely dependent on the successful execution of the Cap Marina project under construction, the waterfall structure in place and timely sale of the balance phases. Hence, the rating is dependent on operational and financial performance of Cap Marina project, since annual cashflow of Evaco will depend on the cashflow of Cap Marina project.**

### ***Proposed Development over next 5 years***

**Croatia project:** Due to the popularity of Evaco's luxury properties among the Europeans buyers and interest in these buyers' network to invest in a similar property developed by Evaco in the European coast, the company decided to execute a project in Mediterranean coast in 2017. In FY17-18, key management personnel have visited several European countries such as Spain, Malta, Portugal etc. before choosing the ultimate destination for the project. Croatia was pinpointed as it has great proximity to the rest of Europe and has a pleasant Mediterranean climate. It is visited by over 10 million tourists yearly for its well-preserved natural beauty and pristine beaches. An increase in visitors is expected in 2024, once Croatia becomes a member of Schengen.

In 2018-19, the company acquired land in Solta, an island which is only 20 mins by boat from Croatia with access to the bay. The company has spent Euro 5 million (MUR 250 million) for purchasing the land. Evaco had to set up proper road and infrastructure to receive all the permits and access to develop the land. The company has incurred MUR 100 million on the same. As on date, the company has already received most of the permits required to start the project. Construction of the projected will start in 2023 and is expected to be completed in 2026.

The Croatia project consists of 94 units over an area of 163,000 sqm with other onsite facilities and restaurants. It will consist of 5 unique Signature villas, 70 Secret villas, 6 Luxury villas, 8 duplexes and 4 penthouses. This project is expected to generate more than MUR 2 billion of profit over next 5-6 years.

### ***Industry Risk***

#### **Real Estate sector in Mauritius**

Mauritius is recognized as one of the best countries in Africa to invest in Real Estate. Over the last few decades Mauritius has witnessed a booming real estate sector, to such an extent that today, the real estate sector attracts major Foreign Direct Investment for the country. This can be explained by an increasingly growing number of construction projects across the island in addition to government introducing schemes such as the Integrated Resort Scheme (IRS), the Real Estate Scheme (RES), the Property Development Scheme (PDS) and the Smart City scheme, lifestyle, good infrastructure, and economic stability. Such schemes have transformed the

dynamics of the real estate market locally over the years. IRS, RES and PDS are programmes designed to facilitate the acquisition of property mainly luxury residential units by non-citizens in Mauritius.

**IRS properties** are based within large resorts for e.g., golf estates or marina located mostly on coastal regions. It consists of luxury and high-end freehold property types which are priced at or more than \$ 500,000 by GoM. The buyer receives a residence permit as long as they are owner of such a property however the buyer cannot purchase other properties in Mauritius except for another approved resort or scheme.

**RES properties** are more affordable as they are smaller residential developments built on an area ranging between 4,220 sqm to 100,000 sqm which can be sold at no minimum price. The buyer receives a residence permit only if the property is worth at least \$375,000.

**PDS** allows for development of a minimum of 6 luxurious residential units on freehold land on an area of at least 1 arpent to 50 arpents. It provides high quality public spaces that helps to promote socialization and a sense of community.

Today, apart from houses, other options such as apartments, studios, apartment hotel residences, IRS and RES villas are available.

**Besides above scheme to boost the Real Estate sector, The Government of Mauritius has provided further incentives such as:**

1. MUR 2 billion has been earmarked to support the purchase of residential land and properties by individuals.
2. 5% refund on cost of acquisition of a house, apartment, or land to build a residence up to MUR 500,000.
3. A 5% refund on home loan to be refunded up to MUR 500,000
4. Exemption on registration duty on the first MUR 5 million of the cost of a residential property
5. Loan schemes for self-employed individuals and contractual employees on home loans

#### **COVID-19 impact on the Mauritius Real Estate Sector:**

**Real estate:** There has been an overall slowdown in economic activities in Mauritius since the first lockdown in 2020. Indeed, way of living and spending patterns have been impacted. There has been no major exit of foreign investors out of Mauritius post the lockdown.

The pandemic has restricted international travel of the local inhabitants – which in turn is driving up land sale as local high Networth Mauritians prefer to invest their money in the form of land which has given higher appreciation as compared to other investments. For e.g., land around Bagatelle that used to cost around MUR 8.5 million, 10 years ago, are now worth MUR 40 million.

The new laws are also favorable whereby Mauritian citizens are now fully exempted from registration duties when they acquire a newly built property below MUR 5 million. The exemption is also applicable if the property is bought off-plan or during construction under VEFA (vente en l'état futur d'achèvement). This measure does not apply to PDS, IRS, RES or to properties on leasehold. Additionally, the exemption of land transfer tax will be granted on the sale of a residential unit, including under VEFA, provided it is old to a Mauritian before 30th June 2022.

There is also higher demand for purchase of land in warmer and less crowded regions such as Moka, Grand Bay, and Tamarin. The trend for the past few years has shown that many people are shifting from crowded regions such as Quatre Bornes, Curepipe and Port Louis to less populated locations.

Land or residential sale is ongoing despite the economic crisis. It is mostly sought by middle to higher income earners who prefer to invest their money in real estate. More and more people are aware of the numerous advantages that the real estate sector provides and are making the most of it. Investors seek security and real estate is deemed as the safest investment option currently.

Upon discussion with various property developers, they have stated that with the re-opening of borders in October 2021, many prospective buyers can now finally travel to Mauritius to conclude the sale of the luxury residential units. The depreciation of the Mauritian Rupee has also led to an increase in demand for luxury residential units in the island. Developers are receiving many requests from foreigners for acquisition of properties.

## Financial Performance

### Evaco Ltd – Summary table (Consolidated)

Mur Million

For the year ended as on	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
	<b>Audited</b>					
Total Income	624	661	606	825	798	434
EBITDA	131	152	(76)	113	(28)	(211)
Depreciation & amortisation	20	32	27	19	29	34
Interest	20	34	18	36	45	59
PBT	108	97	(114)	267	(56)	(213)
PAT	87	75	(116)	259	(57)	(213)
Gross Cash Accruals (GCA)	107	108	(89)	278	(28)	(179)
Dividend paid/proposed	-	-	-	-	-	-
<b>Financial Position</b>						
Equity share capital	35	100	131	131	131	131
Tangible networth	502	544	425	725	621	413
Total debt	318	390	408	826	1,134	1,387
- Long term debt	222	287	277	368	778	716
- Short term debt	96	103	132	458	355	671
Cash & Bank balances	30	18	56	73	103	28
<b>Key Ratios</b>						
EBIDTA / Total income	21.00	22.96	(12.61)	13.74	(3.47)	(48.56)
PAT / Total income	14.00	11.37	(19.17)	31.41	(7.08)	(48.97)
ROCE- operating (%)	13.03	12.49	(12.13)	6.01	(3.12)	(13.12)
RONW (%)	17.43	13.84	(27.32)	35.76	(9.11)	(51.45)
Long term debt to equity ratio	0.44	0.53	0.65	0.51	1.25	1.73
Overall gearing ratio	0.63	0.72	0.96	1.14	1.83	3.36
Interest coverage (times)	6.66	4.46	(4.22)	3.11	(0.61)	(3.60)
Total debt/EBITDA	2.42	2.57	(5.35)	7.28	(40.92)	(6.58)
Current ratio	2.64	2.88	2.29	1.18	3.11	1.74

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### **Performance of Evaco Group**

All the projects of Evaco Group are executed on sale and build model. Hence, the possibility of the group incurring loss is low. In the real estate sector where companies operate on Sale and Build model, annual profitability is not material due to timing mismatch in receipt of cashflow or booking of sales (in line with achievement on construction milestones) and expenses incurred on construction of the project. The profitability needs to be analysed over the tenure of project execution. The company books revenue on receipt of cash on completion of project milestones.

Similarly, Evaco Ltd. (Consolidated) also witnessed volatile profitability during past few years, in line with phases of project execution and receipt of cash from clients/booking sales in line with milestone achievement. In FY16 and FY17, Evaco Ltd. (Consolidated) reported profits as they generated cash sales from the Clos du Littoral project – Phase I. In FY18, sales of Clos du Littoral project – Phase I was completed and they started construction of Phase II which resulted in incurring of construction cost and receipt of sales proceeds in FY19. Accordingly, the company booked profit in FY19. In between FY16-19, the company achieved cash profit of MUR 400 million from Clos du Littoral project.

In FY20, the company had plans to commence development of Cap marina project. However, with closure of international borders due to COVID-19 pandemic, the company witnessed slowdown in sales, which resulted in a cash loss of MUR 28 million. The promoters infused fund to support the operational losses.

In FY21, with pick up in sales, Evaco Group commenced phase wise construction of the Cap Marina project, and the company incurred development costs. This led to losses in FY21 which was primarily funded by overdraft. Majority of the overdraft facilities are finance received for development of the projects.

The company has already sold a good part of the project and it has started receiving stage payments from clients in line with completion of different phases in FY22.

As projects are executed and in the years of sales, profitability of the company will be higher. In the long-term basis, the company will always remain profitable. Evaco is expected to post a profit of MUR 2.6 billion over the next 5-6 years which will be utilised to repay the Bond issue of MUR 650 million, proposed Bond Issue of MUR 500 million and overdraft facilities.

As of January 10, 2022, Evaco has already sold 188 units of the Cap Marina project and has received interest from international clients. With commencement of flights between South Africa and Mauritius, the company expects its close some confirmed bookings over next few months. Hence, the projected sales and profitability looks achievable.

**Financials – Summary table (Standalone)**
**Mur Million**

For the year ended as on	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21
	<b>Audited</b>					
Total Income	193	217	61	37	61	95
EBITDA	168	153	9	(11)	(10)	60
Depreciation	10	11	6	3	-	-
Interest	4	5	3	12	28	28
PBT	166	145	4	(26)	(29)	2
PAT	166	145	3	(25)	(28)	2
Gross Cash Accruals (GCA)	177	156	10	(22)	(28)	2
Dividend paid/proposed	-	-	-	-	-	-
<b>Financial Position</b>						
Equity share capital	35	100	131	131	131	131
Tangible networkth	448	594	596	553	478	476
Total debt	233	281	298	542	847	932
- Long term debt	233	279	271	271	671	709
- Short term debt	0	1	27	271	176	223
Cash & Bank balances	12	2	26	6	10	10
EBITDA / Total operating income	87.39	70.23	15.11	-29.15	-17.09	62.64
PAT / Total income	86.31	66.66	5.55	-68.49	-45.63	2.50
ROCE- operating (%)	22.79	16.07	0.34	-1.26	-0.76	3.98
RONW (%)	37.14	24.41	0.57	-4.55	-5.86	0.50
Long-term debt to equity ratio	0.52	0.47	0.45	0.49	1.40	1.49
Overall gearing ratio	0.52	0.47	0.50	0.98	1.77	1.96
Interest coverage (times)	46.87	31.71	2.85	-0.93	-0.37	2.13
Long-term Debt/EBITDA	1.39	1.84	32.51	-50.61	-80.72	15.59
Total debt/EBITDA	1.39	1.85	35.51	-75.95	-97.52	19.32
Current ratio	4.71	21.60	1.82	0.68	1.85	1.99

**Adjustments**

1. Tangible net worth is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networkth

**Short Term Analysis**

The overdraft utilisation for the past 12 months was around 97%. As on Dec 2021, Evaco and its subsidiaries has projected related working capital facilities from SBM & ABSA.

Company Name	Nature of Facility	Amount (MUR Million)
Evaco Limited	Overdraft – To meet construction cost of the projects. To be repaid from sales proceeds	165
Fine Line Contracting	Overdraft	27
IDEA Ltd.	Overdraft	9
FairStone Limited	Overdraft – To meet construction cost of different projects.	130
Creative Properties and Creative Senior Properties		211

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## Annexure I

### 1. Details of Rated Instrument

Particulars	Instrument
<b>Type of Instrument</b>	Long Term Bond
<b>Size of the issue</b>	MUR 500 million (MUR 311 million and EUR 3.78 million)
<b>Purpose of the Bond Issue</b>	i. Finance the Cap Marina Infrastructure project – MUR 311 million ii. Finance the Croatia Infrastructure project – EUR 3.78 million (MUR 189 million)
<b>Interest Rate</b>	5.20% p.a (paid semi-annually in July and January)
<b>Repayment terms &amp; Maturity</b>	Bullet repayment – 5 years in January 2027
<b>Early Redemption</b>	Solely at the option of the Issuer – As from third anniversary date of issue of the Notes.
<b>Noteholders' representative</b>	SBM Fund Services Ltd
<b>Status of the Notes</b>	The Notes constitute of secured debt obligations from the Issuer and as such: <ul style="list-style-type: none"> <li>• Secured by way of a floating charge on the Group's assets</li> <li>• Secured by way of a pledge of shares of Evaco Property Investment Ltd in favour of the Security Agent on behalf of the Noteholders. It owns the shares of Evaco Property, which holds land of 163,491 square meters in Croatia, valued at € 10.1 million.</li> <li>• Subordinated to holders of the MUR Listed Notes and Senior ranking bank borrowings</li> <li>• Rank senior to unsecured creditors and</li> <li>• Rank pari passu without any preference among themselves</li> </ul>
<b>Repayment of the Notes</b>	Notes will be repaid from the proceeds of the Cap Marina project (currently under development in Mauritius).

### Repayment terms of proposed Bond issue

	FY22	FY23	FY24	FY25	FY26	FY27
Repayment of Bond issue of MUR 500 million	-	-	-	-	-	500

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