

Brief Rationale
Moka City Limited (Moka City)
CRAF assigns CARE MAU A Stable rating to the proposed bank facilities of
Moka City Limited

Ratings

Instruments	Amount (MUR Million)	Rating	Remarks
Term Loan	MUR 1,250 million	CARE MAU A; Stable [Single A; Outlook Stable]	Assigned
Overdraft	MUR 250 million	CARE MAU A1 [Single A One]	Assigned

Rating Rationale

The rating assigned to the proposed term loan of MUR 1,250 million and overdraft facility of MUR 250 million of Moka City Limited (“Moka City”) derive strength from experienced promoters - ENL group, part of ENL group’s land bank being used for development of Moka Smart City, strong demand for land in Moka Smart City, steady increase in land price within Moka for the past 10 years in line with development in the area and the comfortable financials and coverage ratios of Moka City Limited.

The rating is, however, constrained by the market risk associated with sale of land and property development, regulatory risk in case of changes in law pertaining to sale of land and the volatility in interest rate.

Rating Sensitivities:

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

- Ability to sell land at the envisaged price and timeline.
- Ability to maintain steady cashflow throughout the projected years.
- Timely completion of development projects within cost parameters.

Negative factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Additional debt by Moka City Limited
- Higher than projected dividend pay-out to group companies vis-à-vis profit
- Inability to sell land at the envisaged price and within the projected timeline

Background

Founded on July 18, 2016, Moka City Limited (“**Moka City**”) is a subsidiary of ENL Property Ltd. (60.88% stake) - which is a 100% subsidiary of ENL Limited (CARE MAU A Stable). The remaining stake is held mainly by Pension Fund Companies. Moka City Limited qualifies as a public interest entity as per the Financial Report Act 2004.

Moka City’s principal activity consists of promoting land and developing properties. It holds land for development under the Moka smart city project.

In June 2015, Government of Mauritius (GOM) launched Smart City Scheme, for Smart City infrastructure development comprising office, business, residential and entertainment components all integrated in a coherent Master Plan focusing on innovation, sustainability, efficiency, and quality of life.

CARE Ratings (Africa) Private Limited

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ENL Limited is the custodian of around 23,000 arpents of land. The company grows sugar cane on 15,000 arpent. The balance is sellable agricultural land in and around Moka. The company is converting part of this land with GOM approval for development of Smart City.

Launch of Moka Smart City: Post introduction of Smart City Scheme (June 2015), ENL Limited incorporated Moka City Limited in June 2016 through amalgamation of various entities in return for shares. Moka City Limited then applied for a Smart City Certificate for development of freehold land of 454 arpent. In November 2017, GOM provided Smart City Certificate to Moka City Limited for the development of residential units, commercial offices, educational facilities, sports, medical and bus terminus over 454 arpent of land. Development of Phase I took place in the region of Bagatelle.

In 2018, ENL got the approval from Govt. of Mauritius to develop 1,000 arpent. Accordingly, for the Phase II, Moka City Limited acquired 534 arpent of land from ENL Limited which was financed by a MUR 3.6 billion equity raising.

Over last 3 years, ENL Limited has been converting agricultural land (with GOM approval under Moka Smart City Scheme) in and around Moka region and transferring them to ENL Property (against redeemable shares) which in turn was transferred to Moka City (against redeemable shares). The cost of such land to ENL Limited is negligible, since ENL group has been holding these land for more than 100 years. As per plans submitted to GOM, Moka Smart City, is proposed to be developed on 1,000 arpent of land over 15 years.

Moka City will develop infrastructure on these land (roads, power, water, boundaries, land scaping & beautification,) and sell it at an average price of Mur 25-35 million per arpent (current market price).

Purpose of proposed facilities: Moka City proposes to raise a term loan of MUR 1,250 million and overdraft facility of MUR 250 million over a period of between 7 to 15 years. The proceeds from the term loan will be utilized to repay the existing bank overdraft facility of MUR 900 million and the remaining amount to finance development of infrastructure. The term loan has repayment between the 7th and 15th year.

Disclaimer

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Annexure I

Rating Symbols

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.

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.

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {'+' (plus) / '-'(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.

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