

Moka City Limited (Moka City)
27 June 2023

Ratings

| Facilities/Instruments | Amount (MUR Million) | Rating ¹ | Rating Action |
|------------------------|---|---|------------------------------------|
| Term Loan | 1,250 | CARE MAU A+; Stable [Single A Plus; Outlook: Stable] | Revised from CARE MAU A; Stable |
| Overdraft | 250 | CARE MAU A1 [Single A One] | Reaffirmed |
| Total | 1,500 (One Thousand Five Hundred Only) | | |

Ratings Rationale

The revision in the rating assigned to the long-term bank facilities of Moka City Limited ("Moka City") derives strength from the continuous strong demand for land in the Moka region, improved price realization for the past 10 years and steady increase in sale of land by Moka City Limited.

The rating also factors in the experienced promoters, company being part of the ENL group which is one of the largest business houses in Mauritius, ENL group's land bank partly being used for development of Moka Smart City, increased demand for land throughout the island and the comfortable financials and coverage ratios of Moka City Limited.

The ratings are, however, constrained by the market risk associated with sale of land and property development, increase in debt, 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.
- Significant reduction of debt on a sustainable basis.

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

- Change in regulations pertaining to Real Estate sector by the Government which can impact sale and pricing.
- Significant decline in demand scenario.
- Significant increase in debt

Background

Incorporated in July 2016, Moka City Limited ("Moka City") is a subsidiary of ENL Property Ltd. (60.89% stake) which is a 100% subsidiary of ENL Limited. The remaining stake is held by Swan Life Ltd. (18.50% stake), The National Savings Fund (5.84%) and others. 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.

¹Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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(Subsidiary of CARE Ratings Ltd.)

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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.

ENL Limited is the custodian of around 22,000 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 supposed 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). Till June 2022, Moka Smart City sold 121 arpents of land (different sizes) at average price of MUR 25 million per arpent and between July 2022 – May 2023, Moka City has sold 13 arpents of land.

Moka city has sold land as per its projections in FY18-21. The entire land has been transferred by ENL Limited to Moka city, partly against redeemable shares and partly against shares. Accordingly, the company's EBIDTA and PAT are misnomer since it includes the cost of land. CRAF has calculated the total cash inflow from the project, which includes the cost of land. Post repayment of interest and principal, the same will be paid to ENL Limited or ENL Property by way of capital reduction or dividend. Given the demand for land and prices of land in and around Moka City, the projected financials look achievable.

Performance in FY22: Moka City reported a higher revenue of MUR 1,125 million (MUR 553 million in FY21) and negative PAT of MUR 188 million (PAT of MUR 4 million in FY21) in FY22. However, the company's EBITDA and PAT are misnomer since it includes cost of land. Total cash inflow from the project is MUR 355 million. The overall gearing was at 0.2x and Cash Interest coverage is 3.8x. The cash position as at December 2022 was MUR 793 million and the average working capital utilisation for FY22 was nil.

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Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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.

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.

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.

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.

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