

**Moka City Limited
Rating Rationale**

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.

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.

Local residential market continues to be driven by a strong demand for plots of land and its built-up units in the Moka region. ENL Limited through various group companies and by selling land parcels has played an instrumental role in development of the Moka region for last 12 years.

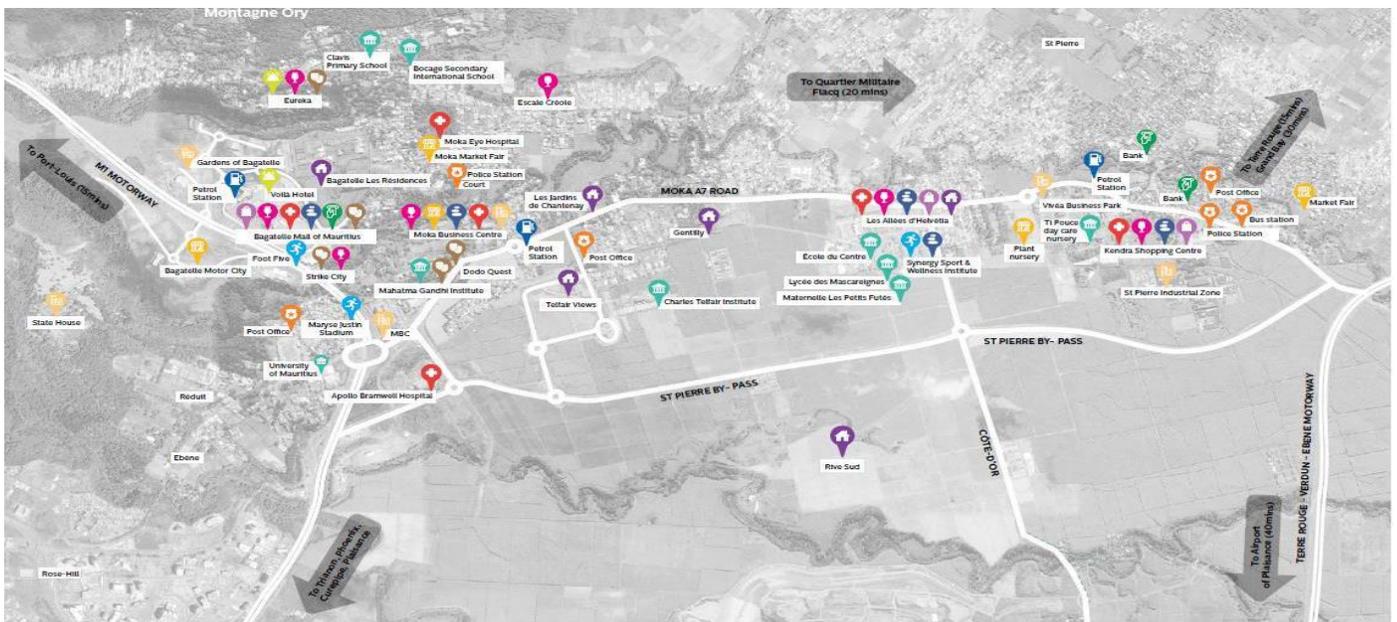
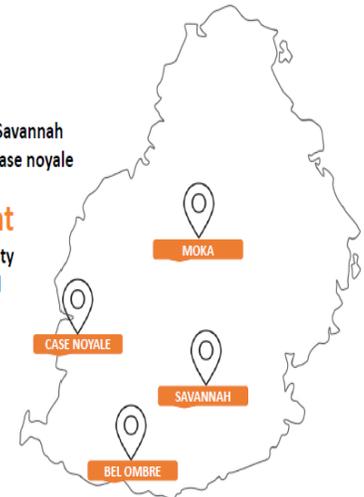
The status of Moka region is as under:

Agricultural land

14,100 arpents in Moka and Savannah
7,500 arpents in Bel ombre-Case noyale

Land development

425 arpents in Moka Smart City
534 arpents being transferred
450 arpents in Moka
66 arpents in Savannah



Over the last two decades, Moka region has slowly transformed from a village to a vibrant modern smart city with a rich history. Majority of the area in Moka was agricultural land (owned by ENL) used to cultivate sugarcane. In 1970, ENL Group donated land to build the Mahatma Gandhi Institute. During past 12 years, more developments happened in the region such as the opening of Bocage International School, Ecole du Centre in Helvetia, The Wellkin Hospital, a sport & well-being centre (Synergy) and two malls: Les Allées d'Helvetia and Bagatelle Mall (Mall of Mauritius). The head office of the Mauritius Broadcasting Corporation moved to Moka and a third shopping mall, Kendra Shopping Centre was open. More and more people started to relocate to Moka when several residential developments started. As Mon Desert Alma sugar factory ceased its operations, the land surrounding the factory was transformed in a modern business park i.e., Viva Business Park.

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. External investors invested MUR 1.9 billion and the remaining amount of MUR 1.7 billion was invested by ENL Property Limited. The MUR 3.6 billion investment was made in convertible debentures (MUR 1.08 billion) and the remaining amount of MUR 2.52 billion being equity.

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. However, under IFRS 9, the company has been revaluing the land over last few years and post revaluation, the value of such land in the books are around Mur 6.0- 10.0 million per arpent. ENL Limited has transferred these lands to ENL Property and then subsequently to Moka City at around Mur 6.0- 10.0 million per arpent.

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). Schools, Hospital, shopping mall and Clubs has already been developed in the Moka region by ENL group. As per plans submitted to GOM, Moka Smart City, is proposed to be developed on 1,000 arpent of land over 15 years.

Management

The strategic affairs of the company are looked after by Mr. Johan Pilot who is the Chief Executive Officer of ENL Property. He is a professional accountant and joined ENL as a Finance Manager in 2007. In 2015, he took the leadership of ENL Property which manages the group's land bank and residential & office developments. He is currently working on the Moka Smart City project. Mr. Johan Pilot is assisted by a team of experienced and qualified professionals.

CREDIT RISK ASSESSMENT

Experienced promoters and part of ENL group

Moka City Limited is a part of ENL group (ENL Limited & its subsidiaries) which is one of the largest conglomerates in Mauritius. The ENL group develops and manages a portfolio of more than 100 operating companies engaged in diverse industries such as agriculture, land, real estate, hospitality, logistics, fintech, commerce and manufacturing. Agriculture, land, and property are the major business segments of ENL. ENL Limited (ENL) is controlled and managed by the Noel family.

The group owns around 23,000 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). It 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. Since the group has been holding such land for more than 100 years, its cost is almost negligible as compared to its current value. In 2011, the group inaugurated the Bagatelle Mall which is the most popular mall of Mauritius and has increased the land value in Moka region. The group's strategy for growth has remained virtually unchanged over time: it leverages its significant land assets, to create cash-generating businesses that participate in building up modern-day Mauritius.

The promoters of ENL group hold their stake in various group entities through L'Accord. 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, with a combined market capitalization exceeding MUR 25 billion (as against total debt of MUR 24 billion).

ENL Limited (Standalone Financials) as on June 30, 2020 are as under: *MUR Million*

For the year ended as on June 30,	2019	2020	9MFY21
	Audited		
Total Income	255	226	696
EBIDTA	60	(92)	493
Interest	199	389	245
Fair value gain on revaluation of investment properties	282	1,869	63
Profit on sale of land	43	872	
PBT	197	2,636	311
PAT	189	2,640	311
Gross Cash Accruals (GCA) (Net of fair value gain in FY19, FY20 & 9MFY21)	189	771	248
Dividend paid/proposed	195	169	-
Tangible networth	17,348	19,656	19,967
Total debt	7,223	7,336	7,245
Investment in Subsidiaries	14,685	13,661	13,661
Cash & Bank balances	609	789	756
Key Ratios			
PAT (after defd. tax) / Total income	74.12	1170.71	
Debt equity ratio	0.41	0.36	
Overall gearing ratio	0.42	0.37	0.36
Interest coverage (times)	NM	NM	2.01

Development of the Moka Smart City

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Moka City Limited is engaged in development of Moka region under the Government-sponsored Smart City Scheme. The first phase of the Moka Smart City was developed on 454 arpent of land (for which it has Smart City Certificate) at the crossroads of the island’s two main motorways (in and around Bagatelle Mall). The second phase of the Moka Smart City is being developed on 534 arpent of land (for which it has Smart City Certificate) at the crossroads of the island’s two main motorways. The overall master plan for Moka City will span across the following regions:



ENL Limited has transferred 956 acres of land in and around Moka region to Moka City against redeemable shares and cash.

‘Les Promenades d’Helvetia’ is the first built-up residential development under the Smart City Scheme.

Already completed Projects: -

- Phase I consisting of 86 apartments, has been delivered in December 2019.
- Phase II consisting of 52 studios/duplexes/apartments and penthouses has been sold by Feb. 20.
- Phase III of 33 units (launched in February 2020) -15 of those units have already been reserved.

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- Land sale in Helvetia (44 plots) generated a cash inflow of Mur 170 million in FY19.
- Land sale in Bagatelle (11.28 acres) to the US Embassy for MUR 180 million in FY21.

The details of land bank of Moka City as on March 31, 2021, are as under:

LAND BANK in and around Moka Region	Area at March 2021	Cost per arpent	Land Value	Sellable area
	(Arpent)	(MUR Million)	(MUR million)	(Arpent)
Total- Phase I	414	6.6	2,740	282
Total –Phase II	542	6.6	3,600	334
TOTAL PHASE I & II	956		6,340	616

Till June 2020, Moka Smart City sold 47 arpents of land at an average price of MUR 25 million per arpent. Between July 2020 - June 2021, Moka City has sold 14 arpent of land which includes the Bagatelle Bulk deal at MUR 24 million per arpent. US Embassy has already signed sales deed for 11.28 acres (opposite to Bagatelle mall). In June 2021, the company has sold another 13 acres of land in Bagatelle and Helvetia. Sale for the period between July 2020 to June 2021 was around MUR 600 million.

For FY22, more than 20 arpents of land has already been booked. The total sales value of the project for FY21 is MUR 1,500 million of which the company has already received MUR 300 million (20% of the project value) during its launch. More than 400 people have showed interest in acquiring land within Moka region, showing strong demand.

The company has also received interest from middle income group people to develop the area around L’Avenir at a cheaper rate (MUR 15-20 million per arpent) as compared to MUR 30 million plus sold in Helvetia, Telfair and Bagatelle. Since there is market attractiveness in L’Avenir, the company has started to develop in infrastructures in the area.

Strong demand for sale of land within Moka

The demand for land within Moka region has grown significantly for the past ten years post the developments that took place in the region. Initially, Moka City Limited started land sale around Helvetia, Bagatelle, Vivea and Telfair (Phase I). They later started to develop other regions such as L’Avenir and St Pierre following the strong demand for land in these regions.

Moka is being developed with the idea of making it the leading real estate region of the island. The promoters, ENL Group is ensuring a harmonious development of all amenities in the region using maximum renewable resources and maintaining ample green spaces. Moka is centrally situated and well connected with by the Saint Pierre Bypass Road and M3 motorway which links Moka to the North and Central Plateau. A new roundabout to ease commute in Telfair is being developed. Moka Smart City will be like a mini city with a mix of residentials, office buildings (Vivea Business Park and Telfair), reputed educational institution, the sports complex (Synergy), The Welkin hospital and other amenities. ‘La Promenade’, a linear park linking the Telfair Central Business district, which is currently being developed by ENL Group (Oficea Limited) will be the highlight of the area. In the next few years, Moka will be regarded as a vibrant and integrated mini city that is opening up to major economic opportunities.

Prices of land has been considered at the same level in line with recent sale of land:

Years	Gentilly I & II	Bagatelle Residential	Helvetia	Courchamps	VIVEA	Bagatelle commercial	TELFAIR
MUR Million per arpent							
FY10	11	8.5					
FY14		25					
FY16	25				21		
FY17	29	35			24	24	
FY18	31	40	35	25	26	26	31
FY19-20		40	35		30	26	32
FY20-21		45	35	28	30	28	34

Prospects

Moka City's prospects depend on its ability to sell land at the envisaged rate and time frame and develop other areas in Moka whereby demand for land is strong.

Mauritius Real Estate sector

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, the Real Estate Scheme, the Property Development Scheme and the Smart City scheme. Such schemes have transformed the dynamics of the real estate market locally over the years. Today, apart from houses, other options such as apartments, studios, apartment hotel residences, IRS and RES villas are available. However, although a growing number of Mauritians are hunting primarily for apartments, individual houses remain the most sought-after property type; while on one hand singles and international students seek cheap accommodation in the regions of Réduit, Saint Pierre and Quatre Bornes, on the other hand, expatriates demand fully furnished houses or apartments to rent over the duration of their assignments (Monthly rental of these accommodation varies between Mur 15,000 -70,000).

The demand for office spaces is seeing significant shifts over the years, with a decentralization of offices (from Port Louis & Ebene) towards Moka and Highlands where parking facilities are more accessible and less traffic congestion. As a result of companies' increasing willingness to rent fully equipped offices with internet access and parking facilities, price of office spaces in the Moka region is on an uptrend. One location attracting high demand is the Vivea Business Park (VBP). Situated between Moka & St. Pierre, it has a strategic location at the heart of the island, close to cities, shopping centres, bus stations and main roads. Key features of VBP such as human-sized buildings, landscaped green areas, modern architecture, large number of parking and strict guidelines to guaranty quality of future developments are its main demand drivers. In addition to office space rental, VBP also offers plots of land that can be bought and developed into offices.

The Moka region has also positioned itself as very attractive to those wishing to rent or buy a residence in the Centre of the island, commanding strong rental demand, with monthly rent, starting at a minimum of Rs 60,000. The land prices range between Mur 25 million per arpent to Mur 40 million per arpent based on closer to Bagatelle mall and highway. The high starting price is driven by the views of the surrounding chain of mountains and landscaped gardens.

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 the 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 6 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 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 which would otherwise have normally been utilized for travel and purchase of luxury items. 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.

There may have been fewer foreign acquisitions of real estate properties since tourists and prospective foreign investors are unable to travel to Mauritius due to closure of borders since 2020. However, with the depreciation of the Mauritian Rupee, foreigners will wish to invest in real estate in Mauritius once borders reopen. Agents state that there has been no withdrawal from the potential foreign buyers with only the signing date been postponed for a later date.

Smart cities are touted as the best option to move for business or to live. The Smart City Scheme was launched by the Mauritius Government to promote economic development and introduce new and technology-driven urban ecosystems across the country which comprises of residential, commercial and leisure facilities to create a mini city that is pleasant and convenient to live and work in. Smart cities will bring innovation to the island using high and clean technology that aim to reduce waste and carbon emission. Infrastructure is designed to consume low energy.



There are numerous incentives being provided to developers and investors under the Smart City Scheme. The company is exempted from payment of income tax for a period of 8 years, zero VAT paid on capital goods, zero customs duty, land transfer tax and registration duty, morcellement tax and land conversion tax. As for the buyers, the tax benefits are as follows:

1. First-time Mauritian buyers acquiring a residential unit are exempted from registration duty.
2. Full recovery of VAT of input tax allowable in terms of capital goods (building structure), plant, machinery, and equipment.
3. Accelerated annual allowance granted at a rate of 50% of the costs in respect of capital expenditure incurred by any company operating within the Smart City Scheme on energy-efficient equipment and green technology.

Moka Smart City is located just 15 mins away from Port-Louis and 30 minutes from the airport. It has quickly gained popularity and became the place to live, work and play. The district of Moka comprises of some 26,000 inhabitants. Moka is well appreciated for its temperate climate. More than 35% of Moka Smart City is made up of green and common spaces to ensure inhabitants have ample space for a morning jog, bike ride and trail run. Additionally, there is no time for boredom with the number of activities catering for all age range such as great restaurants, cafes, pubs, open-air theatre, cinemas, bowling arena, night trail runs and places to visit such as Eureka Falls, Maison Eureka, Dodo Quest, Bassin Canard to name a few.

The mini city comprises of three business centers namely Vivea Business Park (historic place being the former sugar mill), The Gardens of Bagatelle and Telfair Square. Vivea Business Park is home to more than 50 companies employing more than 1,500 people. Many renowned companies such as PwC, AON Hewitt, Alteo, Arup have moved to the business centres from Port-Louis or Ebene. The many residential units, the most striking one being Les Promenades d’Helvetia are close to the business centres, makes a great place to live allowing for a pleasant walk to and back from work. There are 13 medical & paramedical centers (including Wellkin Hospital) and 26 private and public Institutions in and around Moka.

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Financials of Moka City Limited

As on	FY18	FY19	FY20
	Audited		
Turnover	357	767	357
EBITDA	-42	45	-12
Interest	24	28	32
PBT	200	15	-54
PAT	200	14	-54
Cash Accrual (cash inflow from the project including cost of land)	61	529	216
Share Capital	2,734	2,384	4,399
Tangible Networth	3,197	2,861	5,666
Total Debt:	459	597	212
Cash and Cash equivalent	9	30	38
Cash Interest Coverage (Cash Inflow from project/Interest cost)	2.5	18.8	6.8
Gearing	0.2	0.2	0.04
Total debt/Cashflow	7.5	1.1	1.0

Moka city has sold land as per its projections in FY18-20. 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 is including the cost of land. Accordingly, CRAF has calculated the total cash inflow from the project which includes the cost of land.

Details of proposed facilities

Particulars	Amount
Term Loan	MUR 1,250 Million
Overdraft Facility	MUR 250 million

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.

Madam Aruna Radhakeesoon has not participated in RCM for discussion of this case, because of her association with Rogers and ENL is the holding company of Rogers.

Disclaimer

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