Oficea Company Limited (Oficea)

July 13,2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue (Senior Tranche)	1,400	**CARE MAU A; Stable [Single A; Outlook Stable]**	**Reaffirmed**
Bond Issue (Junior Tranche)	900	**CARE MAU BBB+; Stable [Triple B Plus; Outlook Stable]**	**Reaffirmed**
Total	**2,300**		

Rating Rationale

The ratings assigned to the bond issues continue to derive strength from the experienced promoters - being part of the ENL group, prime location of the properties, reputed lessees with major tenants being part of ENL group, high occupancy rate in existing properties with established track record & high retention rate of tenants, comfortable cash coverage ratios for interest and principal repayment of the Senior Tranche Bond at current occupancy level in existing developments and steady demand for Grade A office properties.

The ratings are constrained by risk of development of new office properties with Gross Leasable Area (GLA) of around 20,000 sqm by FY2024, ability to reach more than 90% occupancy in the new developments, moderate cash coverage for interest & principal repayment of the Junior Tranche Bond, short tenure of lease compared to bond tenure and interest rate risk.

The Junior Tranche Bond (MUR 900 million) is rated a notch lower than the senior tranche, since the entire Bond proceeds will be utilized for development of new properties, rentals from new developments dependent on the company's ability to achieve desired occupancy level during the projected tenure and as per the waterfall mechanism the interest & principal repayment of the Senior Tranche Bond has priority over interest and principal repayment of the Junior Tranche Bond.

Rating Sensitivities

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

- Ability to maintain high occupancy ratio.
- Timely completion of projects within cost parameters
- Ability to achieve the projected occupancy and rentals in Les fascines and Telfair

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

- Non- renewal of lease agreements
- Additional debt by Oficea Company Limited
- Higher than projected dividend pay-out to group companies' vis-a-vis profit

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

BACKGROUND

Founded in 2010, Oficea Company Limited ("**Oficea**") is a subsidiary of ENL Property Ltd. (76.69% stake) - which is a 100% subsidiary of ENL Limited (CARE MAU A; Stable). The remaining stake is held by other institutional investors. Oficea is an income yielding property vehicle holding a portfolio of office properties located in Vivea Business Park on the heart of Moka Smart City which is underpinned by MUR-denominated medium to long term leases with high quality corporate tenants. The core activities of Oficea include office property development and asset & property management.

As on May 31, 2022, Oficea (erstwhile The Old Factory Limited) has a portfolio of 31,974 sqm of gross leasable office area (GLA) into operations with 92% occupancy (97% as at June 30, 2021) generating rental of around MUR 200 million annually. The company specializes in the management and development of high-end, environment-friendly workplaces in various key locations of Moka Smart City including Vivea, Bagatelle and Telfair. The offices have been designed with a sustainable approach and all of them are Grade A properties.

The first four buildings that became operational in 2011 are **ENL House**, **1827 Building**, **La Distillerie** and **Valetta Locoshed**. **The Gardens** situated near Bagatelle Mall was constructed in 2013 followed by three more properties built in 2014 namely **The Factory, Motor City** (sold in 2021) and **Eastern Trading**. **La Turbine** started operating in 2016 and then **The Pod** was built in 2017. **Island Living** was built in 2018. During the same year, the company acquired another building named **The Roots**. **Les Fascines,** newly added to the portfolio, building started to be operational as from June 2022. All these buildings are in Vivea Business Park barring **The Gardens** - located in Bagatelle**.** The average occupancy rate for the 12 properties as of May 31, 2022, was 92% (97% as at June 30, 2021, for 11 properties excluding MotorCity). The dip in occupancy rate is explained by Les Fascines, being operational for only one month at an occupancy rate of 59% (against 25% projected) and sale of MotorCity building in FY21. The Weighted Average Lease Expiry as on June 30, 2021, was 1.90 years. Majority of the office tenants are companies of repute and has been in these premises for last 5-10 years.

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 and is assisted by a team of experienced and qualified professionals.

Oficea achieved a similar level of revenue (MUR 200 million) and EBIDTA (MUR 122 million) in FY21 as compared to FY20. PAT was higher due to some fair value gain on investments. GCA was comfortable at MUR 76 million and overall gearing was 0.38x times and Interest coverage was 4.03x times.

Purpose of Bond Issue: Oficea tied up for a bond of MUR 2,300 million over a period of 20 years. The bond will be raised in tranches: Senior secured bond of MUR 1,400 million and Junior secured bond of MUR 900 million repayable between 9th to 20th year. In December 2021, Oficea has already raised MUR 725 million of the Bond Issue and used it to repay existing debt. The bond proceeds will be partly used to repay the entire existing term loan and partly to finance construction of office space at Les fascines and Telfair.

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.

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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.

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