

Brief Rationale

Oficea Company Limited (Oficea)

CRAF assigns CARE MAU A; Stable rating to the proposed Senior Tranche bond issue (MUR 1,400 million) and CARE BBB+; Stable to the proposed Junior Tranche bond issue (MUR 900 million) of Oficea Company Limited

Ratings

Instrument	Amount	Rating	Rating Action
Proposed Bond Issue (Senior Tranche)	MUR 1,400 million	CARE MAU A; Stable [Single A; Outlook Stable]	Assigned
Proposed Bond Issue (Junior Tranche)	MUR 900 million	CARE MAU BBB+; Stable [Triple B Plus; Outlook Stable]	Assigned

Rating Rationale

The ratings assigned to the proposed bond issues – Senior Tranche of MUR 1,400 million and Junior Tranche of MUR 900 million of Oficea Company Limited (Oficea) 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 (97%) 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 30,000 sqm by FY2024, ability to reach more than 90% occupancy in the new developments by FY2028, moderate cash coverage for interest & principal repayment of the Junior Tranche Bond, refinancing risk pertaining to principal repayment of the Junior Tranche of the Bond in case of delay in occupancy in new developments, short tenure of lease compared to bond tenure and interest rate risk.

The Junior Tranche Bond (MUR 900 million) is rated CARE MAU BBB+ Stable, 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 vi-vis profit

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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 March 31, 2021, Oficea has a portfolio of twelve offices of 25,000 sqm Gross Leasable office Area (GLA) into operations with 97% occupancy generating a 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. Oficea also rents out co-working spaces with different packages from a day pass for MUR 300 to flexible package for MUR 2,900. 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** 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**. All these buildings are in Vivea Business Park barring **The Gardens and the Motor City** - located in Bagatelle. The average occupancy rate for the twelve properties as of March 31, 2021, was 97%. The twelve properties are occupied by more than 50 tenants. The Weighted Average Lease Expiry as on March 31, 2021 was 2.05 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.

In FY20, total income of Oficea is MUR 202 million with a PAT of MUR 31 million (excluding gain on disposal of property).

Purpose of Bond Issue: Officea proposes to raise 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.

The Senior Tranche Bond (MUR 1,400 million) will be partly used to repay the entire existing term loan (MUR 709 million) and partly to finance construction of office space (8,685 sqm) in Les fascines (project cost - MUR 902 million). Accordingly, the same will be repaid out of the proceeds of the existing rentals and rentals from Les fascines project.

The Junior Tranche Bond (MUR 900 million) will be used to part finance construction of office space (21,200 sq m) in Telfair (project cost- Mur 1,805 million) and development of super basement for parking & other projects in Telfair square (aggregate project cost - MUR 776 million). Accordingly, the same will be repaid out of the proceeds of the rentals from Telfair project.

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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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

<i>Symbols</i>	<i>Rating Definition</i>
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.