Oficea Company Limited
14 June 2023

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**

Ratings Rationale

The ratings assigned to the bond issue continues 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 rating is, however, constrained by risk of development of the new office property, Telfair La Promenade, with Gross Leasable Area (GLA) of 20,951 sqm by FY24, ability to lease out new properties amidst the increasing supply of office space, moderate cash coverage for interest & principal repayment of the Junior Tranche Bond, short tenure of lease compared to bond tenure and exposure to interest rate risk.

The Junior Tranche Bond (MUR 900 million) is rated lower than the senior tranche, since the entire Bond proceeds is being utilized for the 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.

<u>Rating Sensitivities</u>

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

- Ability to maintain high occupancy ratio above 95%
- 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 over and above the envisaged level vis-à-vis cashflow
- Higher dividend pay-out to group companies' vis-a-vis profit

BACKGROUND

Founded in 2010, Oficea Company Limited ('**Oficea**") is a subsidiary of ENL Property Limited (76.69% stake: rated CARE MAU A; Stable) which is a 100% subsidiary of ENL Limited (rated CARE MAU A+; Stable). The remaining stake is held by Swan Life Ltd (15.77%; rated CARE MAU AA+(IS); Stable) and others.

Oficea is an income yielding property fund holding a portfolio of office properties mainly located in Vivea Business Park in 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 property development and leasing of offices.

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

As at May 01, 2023, Oficea had a portfolio of 34,288 sqm of gross leasable office area (GLA) into operations with 96% occupancy (91% as at June 30, 2022) 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.

Oficea currently holds 14 offices. 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**. In 2019, **The Dot** building was completed which includes a super basement floor shared with the adjacent building named **PwC GF** which was also completed during the same period. **Les Fascines,** newly added to the portfolio, became operational as from June 2022. The Weighted Average Lease Expiry as on May 01, 2023, was 1.97 years (1.90 years in 2021). Most of the office tenants are reputable companies and have been on these premises for the last 5-10 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 over 2,000 employees. Mr. Caesens Koenig Amaury, Head of Finance of ENL Property, has a Master's in finance and an MBA. He has previously worked as a Group Business Analyst for Eclosia Group. Mr. Amaury is also assisted by a team of qualified professionals.

Financial performance: Oficea posted achieved rental income of MUR 152 million in FY22 which was at similar level as compared with FY21. Total income and EBITDA, however, increased by 17% and 3% respectively. PAT was lower in FY22 due to fair value gain on investments adjustment of MUR 10 million vis a vis MUR 224 million in FY21.

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. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. 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.

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.

Contact us

Chief Executive Officer
Name : Mr. Saurav Chatterjee
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical Contact:
Chief Rating Officer
Name : Mr. Vidhyasagar Lingesan
Phone : +230 5273 1406
E-mail : Vidhya.sagar@careratingsafrica.com

Senior Rating Analyst
Name : Ms. Pooja Appadoo
Phone : +230 5955 3060
E-mail : pooja.appadoo@careratingsafrica.com

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.