# Oficea Company Limited

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

**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

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

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.

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

**Details of Existing Properties as of June 30, 2021 (Multi-Tenant)**

| **Multi Tenant Properties** | **The Pod** | **ENL House** | **The Gardens** | **The Factory** | **MotorCity** | **1827 Building** | **The Roots** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Location** | **Moka** | | | | | | | |
| **Leasable Area (sqm)** | 5,041 | 4,053 | 4,054 | 3,166 | 2,357 | 1,769 | 928 | **21,368** |
| **Type** | Office | | | | | | | |
| **Key Lessees' & Area Occupied** | BDO Solutions<br>Aberdeen Operations<br>AON Hewitt<br>Structure IT International Ltd | ENL Agri Limited<br>ENL Property Limited<br>ENL Corporate Services Ltd<br>ENL Limited PraxisIFM Management (Mauritius) Ltd | Arup (Mauritius) Ltd<br>Rogers Aviation (Mauritius) Ltd<br>EnAtt Office<br>Strategia Services Ltd | Claritylabs<br>Lucrin (Mauritius) Ltd<br>Slow Design Ltd<br>SPOON CONSULTING LTD | Axess Limited<br>CarClub | Neticon Ltd<br>Fashion Heights Ltd<br>Proxy Brokers<br>Mauritius Chamber of Agriculture | Againgency Ltd<br>Decathlon (Mauritius) Ltd<br>Alteo Limited | |
| **Occupancy (in %): 30th June 2020** | 100% | 100% | 97% | 100% | 100% | 100% | 100% | **100%** |
| **(30th June 2021)** | 90% | 100% | 100% | 95% | 97% | 93% | 93% | **95%** |

**Details of Existing Properties (Single Tenants)**

| **Single Tenant Properties** | **Island Living** | **La Distillerie** | **La Turbine** | **Eastern Trading** | **Valetta Locoshed** | **Total** |
|---|---|---|---|---|---|---|
| **Location** | **Moka** | | | | | |
| **Leasable Area (sqm)** | 1,396 | 1,041 | 677 | 622 | 348 | **4,084** |
| **Type** | Office | | | | | |
| **Key Lessees' & Area Occupied** | Island Living Limited | Alteo Limited | Oficea Workspitality Ltd | Eastern Trading | Arrival Automotive Mauritius Ltd | |
| **Occupancy (in %): 30th June 2020** | 100% | 100% | 100% | 100% | 100% | **100%** |
| **(30th June 2021)** | 100% | 100% | 100% | 100% | 100% | **100%** |

| **Highlights** | **As of June 31, 2021** | **As of May 31, 2022** |
|---|---|---|
| **Leasable Area (sqm)** | 25,452 | 31,974* |
| **Valuation (MUR Million)** | 1,907 | 2,591* |
| **Term Loan (MUR million) as on June 30, 2021** | 709 | 725* |
| **LTV (as on June 30, 2021)** | 37% | 28%* |
| **Occupancy (in %): 30th June 2021** | 97% | 92%* |
| **Weighted Lease Expiry (years)** | 1.90 | N/A |
| **Annual Lease Rental** | Mur 151 million (**FY21**) | Mur 155 million (**FY22)** |

**Les Fascines property – 8,879 sqm added to the portfolio and MotorCity property of 2,357 sqm has been sold in FY21.*

**CREDIT RISK ASSESSMENT**

**Experienced promoters - part of ENL group**

Oficea is part of the ENL group (ENL Limited & its subsidiaries) which is one of the largest conglomerates in Mauritius. Listed on the Stock Exchange of Mauritius, ENL Limited, holding company of ENL group, has a market capitalization of over MUR 10.3 billion (June 2022). 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'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 AA- Stable] and Commercial Investment Property Fund [CIPF: rated CARE MAU A and CARE MAU A-; Stable]) are listed on the Stock Exchange of Mauritius.

**ENL Limited (Consolidated Financials) as on June 30, 2021, are as under:** *MUR Million*

| **ENL Limited (Consolidated)** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|
| **For the Year ended / As of June 30,** | **12m, A** | **12m, A** | **12m, A** | **9MFY22** |
| Total Op. Income (TOI) | 16,027 | 14,362 | 13,547 | 13,433 |
| EBIDTA | 3,117 | 1,178 | 650 | |
| Interest | 1,169 | 1,257 | 1,110 | 863 |
| Reported PBT | 1,304 | -917 | -865 | 595 |
| Reported PAT | 1,061 | -1,050 | -1,065 | 608 |
| Gross Cash Accruals (GCA) | 1,706 | -212 | -243 | |
| Equity Share capital | 3,358 | 3,358 | 3,358 | |
| T. Net Worth (TNW) | 36,044 | 38,883 | 39,485 | |
| Total Debt | 23,946 | 26,012 | 28,517 | |
| Cash and Bank | 2,231 | 3,260 | 4,655 | 4,268 |
| **Key Ratios** | | | | |
| EBIDTA / TOI | 19.45 | 8.20 | 4.80 | |
| PAT / TOI | 7.00 | -3.70 | -7.86 | 4.53 |
| RONW | 3.66 | -1.42 | -2.72 | 1.55 |
| Overall Gearing (x) | 0.66 | 0.67 | 0.72 | |
| EBIDTA / Interest (x) | 2.67 | 0.94 | 0.59 | |
| Total Debt / EBITDA | 7.68 | 22.08 | 43.87 | |

**Prime location of properties**

All the twelve properties are located in various key locations of Moka Smart City including Vivea, Bagatelle and Telfair. Moka is centrally based and well reachable from any point of the island being at the intersection of the island's two main motorways. Moka Smart City is deemed as the most advanced Smart City in Mauritius and has gained tremendous popularity since the past few years. With the introduction of Vivea Business Park, it has become a preferred location for corporates to rent offices. It is regarded as one of the most prestige smart cities of the island with competitive rental rates, favorable parking ratios, LEED certified office developments and an abundance of green space.

**Vivea Business Park** was previously a sugar factory which has been converted into modern revenue generating office buildings occupied by over 50 companies. The business park is surrounded by lush greenery. It is considered as a best choice due to its location with easy access to public transport and being close to Kendra Shopping Centre, St Pierre, and essential conveniences. Other perks include a piazza composed of green landscaped area of 3,300 sqm, a cafeteria in The Pod building which is open to public and a nursery onsite.

**The Garden** is located within Bagatelle Office Park in Moka Smart City. It is centrally located and is surrounded by astonishing views of the mountains, sea, and greenery. Bagatelle Mall and Voila Hotel can be reached within walkable distance. It has lounge spaces, a plug and play building and fibre optic access.

**Reputed lessees – major tenants being part of ENL group**

Area-wise, properties owned by Oficea are mostly rented as office spaces. In all, there are over 50 tenants in these twelve properties. For most of the tenants, the lease term is between 3 to 5 years, with the option to renew for another consecutive term. The weighted average lease expiry is 1.90 years. Further, the tenants in the properties under Oficea includes some companies within ENL group as well as some other repute companies. Some of the major tenants include BDO Solutions, Arup (Mauritius) Ltd, Island Living Ltd, SPOON Consulting Ltd and ENL Property Ltd to name a few.

**The majority of tenants are well known and reputed companies. The profile is as follows:**

| Tenant & Property leased | Profile |
|---|---|
| **BDO Solutions** | BDO solution is a member of the BDO International which has offices over 150 countries and is the leading firm of Chartered Accountants in Mauritius. |
| **Arup (Mauritius) Ltd** | Arup is an engineering firm established in Mauritius in 1975 with offices in over 30 countries and their work includes projects - Caudan Waterfront and the iconic MCB building in St Jean. |
| **Island Living Ltd** | Island Living is the leisure cluster of Rogers Hospitality, which manages Lifestyle Brands. |
| **Spoon Consulting Ltd** | Spoon Consulting is an offshore IT organisation based in Mauritius, Madagascar, and France. |
| **ENL Property Limited** | ENL Property Limited, a 100% owned subsidiary of the ENL group, is engaged in real estate development and management of land bank of the group. |
| **Rogers Aviation (Mauritius) Ltd** | Rogers Aviation is the Travel and Aviation service sector of Rogers Group. |
| **Alteo Limited**<br>CARE MAU A; [Credit Watch with Developing Implications] | Alteo Limited founded in 2012, is a leading regional group with well-established activities in the Sugar, Energy and Property sectors in Mauritius. |
| **ENL Agri Limited** | ENL Agri Limited, a 100% owned subsidiary of the ENL group, in farming on 15,000 arpents of land in Moka, Savannah and Bel Ombre, growing sugar cane and food crops. |
| **Aberdeen Operations** | Aberdeen is an IT consulting firm founded in 2012. It is present in Belgium, Mauritius and Morocco, providing consultancy, ERP integration, Website and Mobile App services. |
| **Axess Limited** | Axess Limited, subsidiary of the ENL, is the 2nd largest automobile dealership in Mauritius. Their portfolio includes well-know brands like Jaguar, Land Rover, Mazda and others. |
| **AON Hewitt** | AON Hewitt,  part of AON corporation, is a provider of HR and consulting services. |
| **Eastern Trading** | Eastern Trading, founded in 1952, is a trusted wine merchant. The company has 5 shops around the island and stocks over 300 different wines in the 1952 boutiques. |
| **ENL Limited** | ENL Limited is the holding company in the ENL group whose activities span in several sectors of the Mauritian economy. They are listed on the stock exchange of Mauritius. |

| Tenant & Property leased | Profile |
|---|---|
| **PraxisIFM Management (Mauritius) Limited** | PraxisIFM Management (Mauritius) Limited provides a wide range of bespoke professional services (Management) including administration of funds to International clients. |

**High occupancy with established track record and high retention rate of tenants**

All twelve properties have high occupancy levels with limited movement of tenants as majority of them are well known companies within the ENL cluster. The overall average rent is MUR 551 per sqm per month. There is a strong demand for office space in Moka Smart City and the properties held by Oficea are all Grade A properties. Oficea's model is to build an office property, fill the property with tenants and then make other developments. Oficea was able to fill the letting spaces within six months of operation of the buildings. At one month of operation, the newly constructed building, Les Fascines, is already at 59% occupancy.

The leases are fixed term contracts with no break. Accordingly, the risk of tenants leaving the properties before the end of the lease agreement is low. All tenants have to pay rentals for the property until the end of their agreed ending date on their contract. This ensures a good cashflow and consequently debt servicing. Majority of the tenants have renewed their rental agreement upon expiry over last 7 years.

The prime office areas in Mauritius are Ebene, Port-Louis and now Moka. The overall occupancy rate for offices in Mauritius is around 90%. There is a now an ongoing demand for modern offices that is built with the concept of WORK – PLAY – LIVE. The current rental for office buildings in Port Louis ranges between MUR 495 per sqm for a basic office to MUR 1,100 for grade A modern office buildings. The rental for office properties in Ebene ranges from MUR 330 per sqm for basic office to MUR 900 sqm for the grade A modern office properties.

In general, Oficea has an average occupancy of above 95%. The Overall Average Occupancy of the twelve properties was 97% as at December 31, 2021. The occupancy rate as of May 2022 has decreased to 92% due to the new building, Les Fascines (currently operating at 59% post one month of operation), which has been added to the portfolio and MotorCity building was sold in FY21. For the past four years, Oficea has been operating to nearly 100% overall average occupancy.

| **Occupancy Trend** | | | | | |
|---|---|---|---|---|---|
| **Properties** | **2018** | **2019** | **2020** | **2021** | **May-22** |
| The Pod | | 100% | 100% | 90% | 96% |
| ENL House | 100% | 90% | 100% | 100% | 91% |
| The Gardens | 100% | 100% | 97% | 100% | 79% |
| Valetta Locoshed | | 100% | 100% | 100% | 100% |
| The Factory | 100% | 100% | 100% | 95% | 99% |
| MotorCity | 100% | 100% | 100% | 97% | |
| 1827 Building | 100% | 100% | 100% | 93% | 90% |
| Island Living | | 100% | 100% | 100% | 100% |
| La Distillerie | 100% | 100% | 100% | 100% | 100% |
| The Roots | | 100% | 100% | 93% | 93% |
| La Turbine | 100% | 100% | 100% | 100% | 100% |
| Les Fascines | | | | | 59% |
| Eastern Trading | 100% | 100% | 100% | 100% | 100% |
| **Average occupancy rate** | **100%** | **99%** | **100%** | **97%** | **92%** |

**Effect of COVID-19 pandemic on rental collection:** The lockdown and COVID-19 pandemic did not affect the cashflow of Oficea. Rental income was steady throughout the pandemic and occupancy level remained above 95%. Since Oficea started to rent properties, nearly none of the tenants left to rent properties elsewhere, instead two of the tenants vacated their existing properties to purchase land within Vivea Business Park to set up their own offices. As at May 2022, the occupancy rate dropped for ENL House, The Gardens and 1827 Building while occupancy rate increased for The Factory and The Pod. The company is in discussion with few prospective tenants to fill up vacant spaces in the properties.

**Development of new properties by Oficea**

Oficea had two major developments in progress, one is development of new office space, **Les Fascines** (GLA of 8,879 sqm) at Vivea Business Park and six buildings (4-6 storeys) along **La Promenade in Telfair** (total GLA of 20,415 sqm). They aim to make Moka Smart City a lively, dynamic, and well-connected neighborhoods with a mix of offices, restaurants, shops, leisure space and residential buildings.

**Les Fascines** is fully completed (only fitting out in progress) and the first tenant has moved in the property early in June 2022. Oficea's portfolio has increased by another GLA of 8,879 sqm. Les Fascines comprises of modern LEED certified office building equipped with fibre optic access, reduced mobility facilities, a lounge space, shower rooms to name a few of the numerous features. Besides, tenants will also have stunning views on Moka mountain range and daily conveniences and services within easy reach (cafes, restaurants, supermarkets, post office and bank) with the direct access to St Pierre Village. It will also have its own parking space. The total cost of the project is estimated at MUR 870 million.

Artistic Image

**Telfair La Promenade** will consist of four buildings (mix of office, food outlets and retail spaces) each 4-6 storeys on a GLA of more than 20,415 sqm. The construction is expected to be completed by January 2024. The aim is to transform Telfair into modern, lively, and sustainable city centre built around the iconic Telfair Chimney. Telfair La Promenade will boast offices, residentials, a lively pedestrian street with restaurants, bars, shops, and La Promenade in the middle. La Promenade will be a linear park that extends from St Pierre bus station to Welkin hospital. The project will cost around MUR 2.3 billion.

Artistic Image

**Project implementation risk at Oficea**

The details of the ongoing and new projects are as under:

| | Les Fascines | Telfair La Promenade (including Super basement & Telfair Square) |
|---|---|---|
| GLA (Sqm) | 8,879 | 20,415 |
| **Total Project cost** | **870** | **2,300** |
| **Means of Finance** | **Equity and Bond** | |
| **Project completion date** | **June 2022 (with fitouts)** | **January 22 - January 2024** |

The total cost of all the projects is estimated at around MUR 3 billion which will be financed partly from the bond issue and partly from equity. As on date, Oficea has already tied up for MUR 1,850 million of equity and balance from accruals. However, they have raised Mur 330 million and remaining amount will be infused in FY23 & FY24, in line with project development.

Oficea tied up for a bond of MUR 2,300 million over a period of 20 years. The Senior Tranche Bond will be partly used to repay the entire existing term loan and partly to finance construction of office space in Les fascines. The Junior Tranche Bond will be used to finance construction of office space in Telfair and development of super basement for parking & other projects in Telfair square. Oficea has teamed up with the best international professionals for the execution of the projects.

**Les Fascines** is near to completion and the first tenant has moved in the property early in June 2022. Les Fascines is currently operating at 59% post one month of operation compared to envisaged occupancy level of 25% for the first six months.

**Le Telfair** project started in December 2021 and is expected to be completed by December 2023. The completion of the two projects within time and cost parameters is crucial as it has direct bearing on the interest paying ability of Oficea while achievement of envisaged occupancy is crucial for timely repayments of the interest on secured bonds. However, existing lease rentals are sufficient for interest payment of both tranches.

**Short tenure of lease compared to bond tenure**

The weighted average tenure of lease in all properties is around 1.90 years compared to average bond tenure of 20 years. However, Oficea benefits from the absence of notice periods. Additionally, major tenants are companies within the ENL group and there is minimal risk of these companies vacating the spaces occupied. The existing tenants have repetitively renewed their lease agreements during last 7 years.

**Refinancing Risk at pertaining to principal repayment of the Junior Tranche of the Bond in case of delay in rentals from Telfair**

The overall refinancing risk is expected to be low considering that Les Fascines project has been almost completed except for fitting out for tenants and the occupancy rate is higher (59%) at the first month of operation than envisaged level (25% for first six months). The overall value of properties will increase further with completion of the other major project, Telfair. The coverage ratios are comfortable for repayment of the entire bond issue of MUR 2,300 million. In case, the company faces any issue with renting of offices in Telfair and reaching full occupancy rate for Les Fascines, the management stated that they will defer dividend payment and will refinance the Junior Tranche on maturity. They don’t foresee any issue with repayments which starts from FY31 onwards. There can be equity infusion or sale of real estate as the last resort.

**Industry Risk – Real Estate (Office)**

The majority of offices is currently based in Ebene occupying some 312,000 sqm GLA out of which 80% are Grade A properties. Port-Louis ranks second with a total GLA of 174,000 sqm out of which only 31% are Grade A properties. In the recent past the Mauritian real estate scenery has been experiencing a decentralization of office spaces from Port Louis to areas like Ebene and Vivea Business Park in Moka Smart city. Vivea business Park has existing Grade A office property of 25,000 sqm from which they are generating steady rentals. The main drivers of this trend have been the lack of parking spaces, increasing traffic congestion to move in and out of Port Louis & Ebene and increasing prices. The current total operational office stock situated in the main business nodes (Ebene, Port-Louis, Phoenix and Quatre Bornes) is 535,000 sqm of GLA – 75% are Grade A properties.

With the introduction of smart cities, a number of companies have started to relocate across the various smart cities being built. The most advanced projects as on date is Vivea Business Park (Moka) and Uniciti each with operational GLA of 25,000 sqm and 15,000 sqm respectively. Expansion plans are ongoing. The current operational office space within the smart cities is 58,400 sqm of GLA, with all Grade A properties. This brings the total existing office stock in Mauritius at 600,000 sqm GLA.

| Office Stock in Smart Cities | | | | | |
|---|---|---|---|---|---|
| | Smart City | Operational | Existing (sqm GLA) | Ongoing (sqm GLA) | Planned (sqm GLA) |
| 1 | Uniciti | Yes | 15,000 | - | 150,000 |
| 2 | Moka Smart City | Yes | 29,700 | 25,000 | 100,000 |
| 3 | Mon Tresor Smart City | Yes | 4,500 | - | 20,000 |
| 4 | Beau Plan Smart City | Yes | 2,500 | - | 72,700 – 131,400* |
| 5 | Jin Fei Smart City | Yes | 6,700 | - | 50,000 – 100,000* |
| 6 | Cap Tamarin Smart City | Yes | - | 1,200 | 12,000 |
| 7 | Trianon Smart City | No | - | - | 104,600* |
| 8 | Saint Felix Smart City | No | - | - | 4,900 |
| 9 | Yi Hai Gardens Smart City | No | - | - | 3,500 |
| 10 | Cote d'Or Smart City | No | - | - | 26,000 |
| 11 | Mont Choisy Smart City | No | - | - | 0 |
| | Total | | 58,400 | 26,200 | 543,700 – 652,400 |

*Source: JLL. (*): Assumptions based on available information.*
*ENL Property Limited. – Final Report*

**Demand-Supply- As per Jones Lang LaSalle (JLL)**, the total office space in Mauritius is expected to increase by 15% annually over the next three years. On average, some 30,000 sqm of office spaces are being built yearly. The construction of offices is expected to grow further by 64,000 sqm of GLA after three years to meet the high demand for business parks and modern Grade A offices. ***Over the past five years, demand for office space has been growing at an increasing pace and has exceeded the supply of Grade A office properties.*** The trend is expected to continue. The main drivers for demand are steady GDP growth, currency, political stability, and favourable investment incentives. However, the land available for office buildings construction around Ebene Cybercity and Port Louis is limited with the significant increase in offices built during the past few years. Developers will resort to development in the smart cities. Office developments in Mauritius is potentially lucrative.

**Rentals:** The current rental for office buildings in Port Louis ranges around MUR 495 per sqm for a basic office to MUR 1,100 for grade A modern office buildings. The rental for office properties in Ebene ranges from MUR 330 per sqm for basic office to MUR 900 sqm for the grade A modern office properties. We have seen that tenants are willing to pay higher rentals for Grade A modern office buildings. The main requirements of these tenants are offices being strategically situated mainly in the centre of the island, flexible layout within the building to cater for future expansion, sufficient parking spaces and attractive work environment (which is catered by business parks with green spaces, daily conveniences within reach and modern spaces).

**Financials of Oficea Company Limited** (MUR Million)

| As on | Jun-19 | Jun-20 | Jun-21 |
|---|---|---|---|
| | 12m, A | 12m, A | 12m, A |
| Turnover | 164 | 202 | 200 |
| EBITDA | 97 | 120 | 122 |
| Depreciation | 1 | 4 | 1 |
| Interest | 37 | 40 | 30 |
| Non- operating Income (Gain on disposal of property) | 157 | -30 | 224 |
| PBT | 216 | 37 | 312 |
| PAT | 212 | 31 | 298 |
| GCA | 213 | 35 | 76 |
| Dividend paid / proposed | 79 | 50 | 55 |
| Share Capital | 923 | 989 | 1,055 |
| Tangible Networth | 1,286 | 1,434 | 1,840 |
| Cash and cash equivalent | 31 | 94 | 103 |
| Total Debt: | 655 | 710 | 708 |
| EBITDA Margin | 59% | 59% | 61% |
| PAT Margin | 129% | 15% | 149% |
| Current asset | 2.08 | 2.56 | 1.79 |
| Overall gearing | 0.51 | 0.49 | 0.38 |
| Cash Coverage on Bond Issue of Mur 2,300 million | 2.50 | 2.87 | 3.58 |
| Interest Coverage | 2.61 | 3.01 | 4.03 |
| Debt to Rental | 5.53 | 4.88 | 4.67 |

**Adjustments**

1. Tangible net worth is calculated by netting off revaluation reserve and intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt including lease liabilities)/Tangible Networth.
4. Total operating Income includes revenue from others (Management fees/Interest Income, rental income, etc.)

**Performance in FY21:** 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.

**Oficea Cashflow** (MUR Million)

| Particulars /Year ended 31, | FY19 | FY20 | FY21 |
|---|---|---|---|
| | Audited | | |
| **Cash Inflow** | | | |
| **Rental Income** | **118** | **145** | **151** |
| Recoveries Income | 11 | 22 | 19 |
| Operating Revenue | 20 | 22 | |
| Straight Lining Adjustment | 7 | 2 | 5 |
| Other income (Dividend from group companies) | 8 | 10 | 2 |
| Proceeds from Equity and Debenture | | 165 | 165 |
| **Total Cash Inflow (A)** | **164** | **367** | **341** |
| **Cash Outflow** | | | |
| Operating Expense | 40 | 53 | 48 |
| Other expenses | 1 | 3 | |
| Management Fees | 27 | 25 | 26 |
| Tax | 4 | 6 | 14 |
| Capex & Issue expenses | | 165 | 165 |
| **Total Cash Outflow (B)** | **71** | **253** | **253** |
| **Cash Available for debt servicing (C=A-B)** | **93** | **114** | **88** |
| Interest Expenses - Bank Loans | 36 | 40 | 30 |

| Particulars /Year ended 31, | FY19 | FY20 | FY21 |
|---|---|---|---|
| | Audited | | |
| Interest Expenses - Other Loans | 1 | 0 | 0 |
| **Total Interest Repayment on Bonds (E)** | **37** | **40** | **30** |
| Cash Surplus/(deficit) after interest payment | 56 | 75 | 58 |
| **Interest on convertible Debentures (F)** | **0** | **3** | **0** |
| **Cash surplus/(deficit) after debentures (C-E-F)** | **56** | **71** | **58** |
| Opening Cash Balance | 0 | 193 | 93 |
| Closing Cash Balance | 193 | 93 | 96 |

**Rental Income**: - Income from rentals will go into a designated MCB bank account from which servicing of interest payments of the senior secured bond, junior secured bond, and convertible debentures will be made. Interest payment on the convertible Debentures is subordinated to both the senior and junior bonds and is payable only if excess cash is available after servicing the interest on the Bonds. Rental income from existing properties will be utilized towards payment of the debt obligations for the Senior Tranche and rental income from the new properties will be used in servicing the debt obligations for the Junior Tranche.

**Details of instruments**

**Long Term Bond (MUR 2,300 million)**

| Notes | Drawdown date | Amount (MUR million) | Interest | Repayment | Interest payable |
|---|---|---|---|---|---|
| **Senior tranche (MUR 1,400 million)** | Dec-21 | 200 | 5.25% | Dec-35 | Interest Rate will be paid Quarterly in arrears in September, December, March, and June of each calendar year. |
| | Dec-21 | 125 | 4.15% | Dec-41 | |
| | Dec-22 | 50 | 3.85% | Dec-30 | |
| | Dec-22 | 50 | 3.90% | Dec-31 | |
| | Dec-22 | 150 | 3.93% | Dec-32 | |
| | Mar-23 | 200 | 3.95% | Mar-34 | |
| | Jun-23 | 150 | 4.00% | Jun-35 | |
| | Jun-23 | 100 | 4.05% | Jun-37 | |
| | Sep-23 | 150 | 4.03% | Sep-36 | |
| | Dec-23 | 100 | 4.05% | Dec-37 | |
| | Dec-23 | 125 | 4.05% | Dec-37 | |
| **Junior tranche (MUR 900 million)** | Dec-21 | 100 | 4.30% | Dec-30 | |
| | Dec-21 | 150 | 5.65% | Dec-35 | |
| | Dec-21 | 150 | 4.55% | Dec-41 | |
| | Jun-22 | 75 | 4.30% | Jun-31 | |
| | Jun-22 | 100 | 4.33% | Jun-32 | |
| | Sep-22 | 175 | 4.35% | Sep-33 | |
| | Mar-23 | 150 | 4.40% | Mar-35 | |

**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.**

## Contact us


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