

Evaco Ltd
04 February 2022

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Proposed Bond Issue	500	CARE MAU A- (SO); Stable [Single A Minus (Structured Obligation)]; Outlook: Stable	Final Rating

CRAF has confirmed the rating assigned to the above-mentioned proposed Bond Issue following receipt of the final documents and fulfilment of other conditions including inclusion of waterfall mechanism in the Final Programme Memorandum for Multi-currency Notes issue.

Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of principal & interest of the rated Bond, as per the terms of the transaction and is not a standalone rating of Evaco Ltd. ("Evaco").

The structure involves debt servicing of the proposed Bond issue (MUR 500 million) and existing Bond issue (MUR 644 million) from the cashflows of the Cap Marina project (only project being developed by Evaco group as on January 2022) to be maintained in a Designated account with SBM Bank Ltd. through a ring-fenced waterfall mechanism and such excess cashflow, in Designated Account, cannot be utilised for any other future real estate development without prior approval of Noteholder's Representative (SBM Fund Services Ltd).

The rating, assigned to the proposed Bond Issue of MUR 500 million of Evaco, derives strength from the experienced promoter & 20 years track record in development of high-end residential real estate in Mauritius- mostly for overseas buyers (European & South African), prime location of the developed properties and newly constructed property, sale and build concept followed for all projects, satisfactory reputation of Evaco among its clients & bankers for quality of construction & completion of most of the projects well within envisaged timelines and strong demand for luxury residential in Mauritius. The rating also takes into cognisance sale of 188 units (337 units to be sold) of Cap Marina project, under-construction phases being backed by GFA from reputed Banks and presence of structured mechanism & Designated Account – ensuring priority of usage of excess cashflow from Cap Marina project for debt servicing of the proposed & existing Bond.

The Rating, is however, constrained by the project implementation risk associated with development and construction of the various phases of the project, market risk associated with sale of luxury residential and property development, delay in sale of the remaining units leading to lower-than-projected cashflow, volatility in interest rate and the regulatory risk in case there are changes pertaining to laws associated with property development and sale.

Rating sensitivities***Positive factors that could, individually or collectively, lead to positive rating action/upgrade***

- Ability to achieve sale of balance units of cap Marina project within envisaged time frame
- Ability to maintain steady cashflow throughout the projected years.
- Timely completion of projects within cost parameters
- Maintaining committed quality of construction of residential units

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

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

- Additional debt by Evaco
- Inability to sell the balance project at the envisaged price and within the projected timeline
- Delay in construction of the villas at Cap Marina thus delay in receipt of sale proceeds.
- Usage of excess cashflow from Cap Marina project for any future real estate development without prior consent of the Noteholder's Representative (SBM Fund Services Ltd).

BACKGROUND

Incorporated on April 3, 2002, Evaco Ltd ('Evaco') emerged from a real estate development company to a holding and investment entity. It is a 100% subsidiary of Société A. Mayer which is fully owned by Mr. Arnaud Mayer, the founder, and Chairman of Evaco Group. Evaco acts as a group corporate executive office with its global head offices located in Mauritius. It is a public limited liability company, and its principal activities include development of high-end real estate projects and managing a beach-side restaurant in Trou-aux Biches. As of December 31, 2021, Evaco Group has developed high-end real estate projects on a total area of 431,000 sqm and has built & delivered 334 residential units and 71 commercial units. With over 20 years of experience, Evaco group is recognized as one of the key players in important sectors of the economy. All the subsidiary companies are engaged in providing construction materials, consultancy service and executing construction work for the Cap marina project.

Evaco Group is a professionally managed company and is governed by 6-member Board of Director with 5 Executive and 1 Independent Directors. The strategic affairs of the company are looked after by the founder and chairman, Mr. Arnaud Mayer. Mr. Alexandre Gourel de St Pern is the Chief Executive Officer. They are assisted by a team of qualified and experienced professionals for managing the day-to-day operations of the company.

Cap Marina is the only real estate project currently being developed by Evaco in the village of Cap Malheureux.

In 2015-16, Evaco group purchased, 22 hectares (64 arpent or 220,000 sqm) in Cap Malheureux (opposite to the iconic church with red roof) with stunning views of the Coin de Mire islet and the sea, at MUR 286 million.

The project comprises of construction of 337 high-end residential villas, duplexes, and apartments under the Property-Development-Scheme (PDS) of Govt. of Mauritius (GoM) for selling to international buyers & expats (primarily South Africans and Europeans) and development of 21 Villas for the locals.

The entire Cap Marina project is on "Sale and Build" model. As of January 2022, out of 337 villas to be sold, Evaco has signed Agreement for 188 villas and has received part payments (5%-15%) for such sale.

As per GoM Regulation, all residential developments under PDS Schemes (targeted for international clients) should be under VEFA Regulation (Vente en État Futur d'Achèvement) – governed by Civil Law of Mauritius and requires a Financial Completion Guarantee (GFA) from a reputed Bank. ***Banks provide GFA – whereby it undertakes to complete the project and deliver the product to the buyer in case the developer has failed to do so.*** Hence, Banks provide GFA only when the developer has achieved breakeven of the project cost and after analysing past track record of the promoter and group's popularity among the international clients.

Total revenue from the Cap Marina project is estimated around MUR 10.7 billion. At completion of the project in FY26, Evaco has projected a total profit of MUR 2.5 billion over a period of 5 years.

Proposed Bond issue of MUR 500 million will be serviced from the cashflow of the Cap Marina project. During the tenure of the Bond repayment, Evaco may undertake to develop few more real estate projects. However, the cashflow from Cap

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Marina project cannot be utilised for any other future projects without prior approval of Noteholder's Representative, since the same has been ring-fenced through GFA and waterfall mechanism. The funds will be utilised for repayment of the Bond issue of MUR 644 million (proposed repayment in FY24 and FY25). The waterfall mechanism is as under:

The Rating is completely dependent on the successful execution of the Cap Marina project under construction, the waterfall structure in place and timely sale of the balance phases. Hence, the rating is dependent on operational and financial performance of Cap Marina project, since annual cashflow of Evaco will depend on the cashflow of Cap Marina project.

In FY21 (July-June), Evaco Ltd. (Consolidated) has posted a loss of MUR 213 million on a turnover of MUR 434 million.

In FY21 (July-June), Evaco Ltd. (Standalone) has posted a profit of MUR 2 million on a turnover of MUR 95 million.

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.

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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

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.

A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation".

A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

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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