

Commercial Investment Property Fund Limited ("CIPF")
08 December 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond (Senior Tranche)	1,000	CARE MAU A; Stable [Single A; Outlook: Stable]	Reaffirmed
Bond (Junior Tranche)	350	CARE MAU A-; Stable [Single A; Minus; Outlook: Stable]	Reaffirmed
Total	1,350		

Rating Rationale

The ratings assigned to the bond issue of Commercial Investment Property Fund Limited, continue to derive strength from the constant annual increase rentals of its properties having 100% occupancy and the average lease tenure of 20 years. The ratings also derive strength from the experienced promoter and strong parentage of the ENL group, which has an established track record in real estate development in Mauritius, the satisfactory financial risk profile of the lessees belonging to diverse industries, the existence of a structured payment mechanism with lease rentals being received in an escrow account and interest payment on senior tranche bond having first priority on the lease rentals as per the waterfall mechanism and the comfortable coverage ratios.

The rating is however, constrained by the volatile financial performance of some of the tenants during the last three years, future performance of the rental paying subsidiaries and their ability to pay rental in a timely manner, interest rate risk and refinancing risk at the time of bond redemption.

Rating Sensitivities

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

- Improvement in credit profile of the lessees
- Timely receipt of agreed lease rentals
- Increase in rentals and improvement in performance

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

- Additional debt by CIPF resulting in deterioration of gearing and debt serving capability
- Higher than projected dividend pay-out to group companies' vis-vis profit
- Inability to increase the annual rentals as per the escalation clause

BACKGROUND

Incorporated in 2016, CIPF is a property fund and wholly owned subsidiary of ENL Commercial Limited ("ENL Commercial" is a wholly owned subsidiary of ENL Limited (CARE MAU A Stable)). It owns twelve offices and industrial assets located predominantly in Moka/St. Pierre region and Pailles in Mauritius. These properties are occupied and currently used by the subsidiaries and associates of ENL Commercial.

CIPF has entered into 20 years lease agreement with all the tenants. ENL Commercial had infused equity of MUR 112 million in FY16-17 and additional equity of MUR 50.2 million in FY20 (transfer of land and buildings located at Pailles

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

CARE Ratings (Africa) Private Limited

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(Mainly Axess Warehouse and Michelin Building). Total value of the properties as at June 2022 is MUR 1,746 million generating a rental income of MUR 71 million in FY22. The company utilises the rent received from these properties for debt servicing and cash build up for repayment of the Bonds.

Performance in FY22: CIPF has reported positive results for FY22. With new property acquisitions and the 5% increase in rentals, total income has witnessed a growth of 26% (increase from MUR 77 million to MUR 97 million). EBITDA was higher at MUR 92 million and PAT has increased from MUR 29 million in FY21 to MUR 30 million in FY22. GCA was at a similar level compared to FY21. Interest cost increased during FY22 with issue of the new bond. Similarly, overall gearing increased to 5.2 times compared to 2.4 times in FY21 due to the new bond of MUR 1,350 million. The new bond was partly utilised to pay existing bond of MUR 560 million. Interest coverage for FY22 was 2.5 times.

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 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**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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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.

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