Medine Limited

December 21, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Secured Fixed Rate Notes	**1,000**	**CARE MAU A; Stable [Single A; Outlook Stable]**	**Assigned**
Total	**1,000**		

Rating Rationale

The rating assigned to the secured fixed rate notes of Medine Limited ("Medine") derives strength from experienced and resourceful promoters, established group with investment across diverse business verticals, steady cashflow and revenue visibility confirmed sale of land and morcellement plots, stable operational and financial performance of the various business verticals with low gearing and adequate liquidity at group level and comfortable coverage ratios for Medine. The rating also takes into consideration the strong demand for land in Mauritius and steady increase in land price during the past 10 years. The rating is, however, constrained by the market risk associated with sale of land and property development, regulatory risk in case of changes in law pertaining to sale of land and the volatility in interest rate, risk associated with regular receipt of funds from the existing bookings in a timely manner, saleability risk for sale of land bulks and morcellement plots for the new projects and the volatility in revenue of the various business verticals.

Rating Sensitivities:

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

- Ability to sell land at envisaged price within the envisaged timeline
- Ability to realise the cashflow of the sold projects
- Timely completion of the development projects within cost parameters
- Improvement in operational and financial performance of the verticals

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

- Significant investment in subsidiaries
- Additional debt taken by Medine Limited or its subsidiaries
- Significant decline in demand for land parcels
- Change in regulations pertaining to Real Estate Sector by the Government which can impact sale and pricing.

BACKGROUND

Incorporated as a public company in 1913, Medine Limited (**''Medine''** previously known as The Medine Sugar Estates Company Limited prior to year 2009) is an investment and holding company of Medine Group (Medine Limited and its subsidiaries). MCB Group Limited (CARE MAU AAA; Stable) owns 57.7% stake in Fincorp which in turn owns 46.4% stake in Promotion and Development Ltd (PAD). PAD has 35.1% stake in Medine. Since its inception in 1911, Medine has been a key player in the agricultural development of the island mainly the sugar and cane industry. As years passed

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

by, the group has diversified its activities into five different verticals such as Agriculture, Education, Sports & Hospitality, Casela Park and Property.

Medine Group ranks among the Top 100 Mauritian companies. It derives its revenue from the operational activities of its subsidiaries which are engaged in diversified sectors. Medine Group achieved a consolidated revenue of MUR 1,539 million for FY22 (MUR 1,201 million FY21).

The major contributor to revenue for Medine is the real estate vertical which is involved in rental of properties and sale of land for commercial/residential/ other purposes, situated along the West Coast of Mauritius which offers a magnificent view of the ocean. Medine is planning to develop over the next 5 years some 1,265 arpents of land in the west coast area. In 2021, it sold 122.9 arpents of land and sale for 2022 was 576.5 arpents of land (sale for Q1FY23 was 82.3 arpents). Additionally, Medine has also developed 49 residential units (The Grove project) which have been sold for a total value of MUR 446 million. Medine receives a deposit payment of 35% of the total land price from clients upon reservation and the remaining payment is made on delivery of the plot of land to the client.

Group History: Medine Group was founded in 1911 by Mr. Raoul Raffray, Mr. Rene Raffray, Dr. Alphonse Raffray and Mr. Albert de Maroussem. The Medine Sugar Estates, spread out on an area of 12,240 km2 included the estates of Belle Vue, La Mecque and Eaux Bonnes. The milling factory on site received sugarcane from Richelieu area to Tamarin Area.

In 1969, the former General Manager of Medine, Mr. Fernand Leclezio, had a vision to link the lands of the east and west coast via the centre of the island. Two companies, FUEL (Flacq United Estates Limited) and The Medine Sugar Estates Co. Ltd were merged into West East Limited (WEAL). WEAL was owned by both FUEL (60% holding) and Medine (40% holding).

In 2001, as the sugar sector started to dip, WEAL was dismantled, and the demerger allowed Medine to fully embrace its distinct identity as the major landowner of the west coast. They started looking for alternatives to sugarcane and review the operations and strategy of Medine. In 2005, they came up with a master plan to turn the west of the island into a 'Work, Live and Play' destination with some residential, industrial, commercial and recreational developments.

In 2005, the Group pioneered the IRS market with the Tamarina Golf Estate and Beach Club. In 2009, the company was restructured into three clusters namely Property, Agriculture and Leisure. They have started to set up a smart city in the Cascavelle / Flic en Flac region under the Property cluster which consists of a shopping complex, student housing and a hi-tech Business Park along with green spaces, pedestrian and cycling zones, an Art Centre, a Sports facility and a university campus. The latest contribution to Medine's vision to create a residential ecosystem in the West was through the Education cluster, consisting of operations in the pre-primary, primary, secondary and tertiary segments of the market

Medine, as an innovative entity in the cane industry, has also innovated with development of Tamarina's estate under the Integrated Resort Schemes (IRS) and has a leisure offering that includes Tamarina Boutique Hotel and an 18 holes Golf course of international standard.

Medine Group obtained a 'Smart City Certificate' in 2017 from the Economic Development Board (EDB) under the Mauritian Government's 'Smart City Scheme'. There was the official launch of Unitici, a smart city development on an area of 823 acres on the west coast of the island. Uniciti is an integrated and connected city that brings together the

Work, Live and Play concept. Uniciti Education Hub was also set up. Uniciti is today the host to many state-of-the-art and prime facilities and offering such as SPARC sports and medical centre, Cascavelle Shopping Mall, Middlesex University campus, Student Life residences and Uniciti Office Park.

Management: Medine is a professionally managed company. As of June 2022, the board of Medine Limited comprised of 12 members: one Executive Director, two Independent Non-Executive Directors and nine Non-Executive Directors. The strategic affairs of the company are looked after by Mr. Dhiren Ponnusamy who is the CEO and the Executive Director. He looks after the Financial and Strategic planning of Medine, and he is assisted by a team of experienced and qualified professionals.

Standalone Performance: Medine (company) has witnessed stable growth in revenue for the past four years except for FY20 which was impacted by the pandemic which led to losses of MUR 495 million. There were also some impairment losses of MUR 437 million which was recorded in FY20. In FY21, the performance improved with a higher total income of MUR 971 million, positive EBITDA of MUR 202 million and PAT of MUR 234 million compared to losses of MUR 495 million the previous year. The improved performance in FY21 is attributed mainly due to the restructuring exercise carried out in line with the cost contention strategies of Medine and its business initiatives, together with the increase in the profit on sale of land.

In FY22, total income increased from MUR 971 million to MUR 1,116 million. EBITDA was kept at a similar level compared to FY21. Medine Limited posted a profit on sale of land of MUR 1,083 million for the year which led to increased profits of MUR 1,104 million (MUR 234 million PAT in FY21). GCA for FY22 was MUR 1,003 million (MUR 485 million in FY21). Medine Limited had a cash balance of MUR 429 million as of June 30, 2022. The overall gearing was 0.23x compared to 0.35x in FY21 following a reduction in total debt from MUR 5.6 billion to MUR 4.7 billion. Dividend of Rs1.15 per ordinary share was declared with respect to the FY22 and was paid in October 2022. Medine Limited has provided corporate guarantee of MUR 255 million to its group companies.

Consolidated performance: In FY22, Medine Limited as a group achieved a 28% growth in total income, 83% growth in EBITDA and 593% increase in PAT (including profit from discontinued operations). The increase in PAT is majorly attributed to profit from the sale of land of MUR 1,083 million for FY22 and improved operational performance. There were also some impairment losses recorded during the year amounting to MUR 107 million. Nil dividend was paid during the year.

Under the leadership of Mr. Dhiren Ponnusamy who joined Medine Group in January 2018 as Chief Operating Officer, there has been an overall restructuring at Medine. Medine completed a strategy refresh, combined with significant business, and cost restructuring. There was a shift in focus from paying dividend to prioritizing debt repayment with the change in management. Debt has been reduced from MUR 7.8 billion in FY20 across Medine group to MUR 5.6 billion in FY22. Overall gearing has improved from 0.41x to 0.29x. Medine Group had a cash balance of MUR 468 million at end of June 2022.

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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.

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.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.