CM Structured Products (1) Ltd ("CMSPL1")
05 September 2023

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Secured Credit-Linked Floating rate Notes	**1,300**	**CARE MAU A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]**	Assigned

Rating Rationale

The rating assigned to the Secured Credit-Linked Floating rate Notes (CLNs) of CM Structured Products (1) Ltd (CMSPL1) derives strength from the comfortable credit profile of the reference entities holding the bond portfolio in which CMSPL1 will invest in, the shortfall underwriting provided by MCB Stockbrokers Ltd (MCBSB) guaranteeing to buy back the notes in the event of the execution of put options by the noteholders, the credit enhancement to the notes provided by MCB Capital Markets Ltd (MCBCM) and the ultimate parentage from MCB Group limited providing reasonable assurance and support.

The rating is however, constrained by the inherent risk involved with potential execution of all put options of the CLNs by the noteholders on the same interest reset date, the ability of MCBSB to arrange for funds to settle the put option proceeds in a timely manner, and the weakening in the operational and financial performance of the reference entities.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improved operational and financial performance of the reference entities
- Ability of MCBSB to place notes with new noteholders in the event of an execution of the put options

Negative Factors - Factors that could lead to negative rating action/downgrade:

- A deterioration in the operational and financial performance of the reference entities leading to a weaker credit profile
- Inability of MCBSB to place the notes with new noteholders in the event of the execution of put options by noteholders

BACKGROUND

CM Structured Products (1) Ltd (CMSPL1) is a public company limited by shares incorporated under the laws of Mauritius on November 23, 2016. It is wholly owned by MCB Capital Markets Ltd (MCBCM), which in turn is a 100% subsidiary of MCB Group Limited (CARE MAU AAA; Stable). CMSPL1 has a capital of MUR 10,000 (1,000 ordinary shares at MUR 10 each) and on or prior to the issue date, it is expected that the Company will issue an additional 97,500 Class A Shares, at an issue price of MUR 1,000 each. The ordinary shares and the Class A Shares will be held entirely by MCBCM.

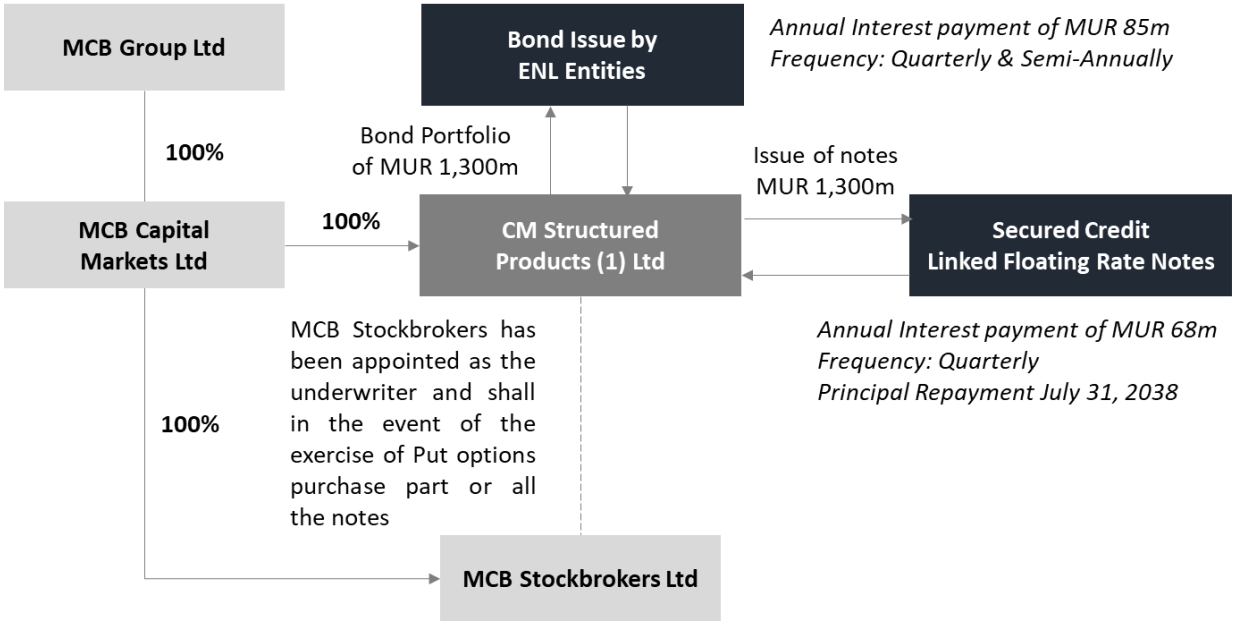
CMSPL1 was incorporated to issue Secured Credit-Linked Floating Rate Notes (CLN- collateralized loan obligation) to investors. CMSPL1 is raising MUR 1,300 million, from the issue of the CLNs, to subscribe mainly to the notes issued by ENL Entities comprising ENL Limited (CARE MAU A+; Stable) and ENL Property Limited (CARE MAU A; Stable) (the "Reference Entities"). Any residual exposure shall be restricted to sovereign securities or bank deposits.

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

Credit Linked Note structure: CMSPL1 proposes to issue Secured Credit Linked Floating Rate Notes of MUR 1,300 million and will utilize the proceeds to subscribe to the bond issues of ENL Entities. CMSPL1 was incorporated as a special purpose vehicle, without any tangible assets or employee. Management and underwriting services are provided by the subsidiaries of MCB Group Ltd. The rating of the CLNs is dependent on the underlying performance of the reference entities, given that the interest and principal payments of the notes will be made from cash flows of the bond issues of the reference entities.

CMSPL1 has issued the CLNs for a period of 15 years. However as per the terms of the notes, CMSPL1 will issue a circular notice to all noteholders, informing them about revised interest rates and interest period. Except in the case of a credit event or an event of default, each noteholder shall have the right, upon receipt of the circular notice, to request the issuer to redeem, purchase or arrange for the purchase of, the whole or part of the notes, i.e., noteholders can exit on every quarter and CMSPL1 has to arrange for the funds.

The interest rate on the CLNs shall be reset on the third anniversary of the issue date. Therefore, the first interest reset date shall be in September 2026. The issuer shall initially set the interest rate at the aggregate of the reference rate (Key rate at 4.50%) and the margin which is at 0.75% p.a - the interest rate is expected to be around 5.25% p.a. The broad structure of the CLNs is as per below:



Composition of the bond portfolio by ENL Entities

Terms of the Bond issued by ENL Limited

Particulars		
Instruments	FLN-062023-MUR-15Y	FLN-082022-MUR-8Y
Amount	MUR 500 million	MUR 300 million
Interest Rate*	6.70% (Key rate [4.50%] + 2.20%)	6.10% (Key Rate [4.50%] + 1.60%)
Maturity Date	30-Jun-38	10-Aug-30

Terms of the Bond issued by ENL Property Ltd

Particulars		
Instruments	FLN-01-MUR 14Y	FLN-01-MUR 15Y
Amount	MUR 250 million	MUR 250 million
Interest Rate*	6.65% (Key rate [4.50%] + 2.15%)	6.70% (Key Rate [4.50%] + 2.20%)
Maturity Date	31-Aug-37	31-Aug-38

Shortfall and Underwriting by MCB Stockbrokers Ltd

MCB Stockbrokers Ltd, a 100% subsidiary of MCBCM has been appointed as the underwriter and shall provide the following shortfall undertaking equivalent to the size of the reference portfolio.

i. In the event of the exercise of a put option by a holder of the notes in accordance with the terms of the listing particulars, the underwriter shall purchase and/or cause for the purchase of, all the notes in respect of which a put option has been exercised.

ii. The performance of the underwriting services shall be done pursuant to, and in line with, the procedure set forth in the listing particulars or such other procedure as may be agreed with the Stock Exchange of Mauritius (SEM) from time to time.

iii. The underwriter shall pay the put proceeds to each existing investor on the transfer date.

CMSPL1 has also entered into a Market Maker Agreement with MCBSB to provide the noteholders with the possibility of exiting part or all of their outstanding investments prior to the maturity date. During any interest period, the aggregate number of notes acquired by the market maker shall not exceed five percent (5%) of the total number of notes in issue. At any time, the aggregate number of notes held by the market marker shall not exceed twenty percent (20%) of the total number of notes in issue and the acquisition shall be effected on the interest payment date immediately following the acquisition notice.

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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.

Annexure I

Rating Symbol

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.

Contact us

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

Analytical contact
Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@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.