Evolis Properties Ltd

27 October 2023

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Proposed Bond Issue	**MUR 640 million**	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	Assigned

Rating Rationale

The rating assigned to the proposed bond issue of Evolis Properties Ltd ("EPL") derives strength from the diverse portfolio of properties located strategically with stable revenue model, high occupancy rate observed across all properties which is indicative of high demand, major occupancy of certain properties by CIEL Group entities mitigating tenant risks, decades-long presence of CIEL Group entities across properties which illustrates the stickiness of the tenants, and the comfortable leverage position of the Company. The rating also factors in the strong parentage from CIEL Limited (CARE MAU AA-; Stable/A1+) which is the ultimate holding company and CRAF expects similar operational and financial support, if required, to continue.

The rating is however constrained by the short weighted average lease expiry (WALE) of EPL compared to the tenure of the proposed bond issue, lack of track record of some of non-group entities across the properties of EPL exposing to counterparty risks, and increasing competition from private promoters with the construction of business parks which increases supply especially in the office space sector.

Rating Sensitivities

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

- Ability to maintain occupancy level beyond 95% across all properties combined
- Ability to rollover all current lease agreements for periods beyond five years
- Ability to increase the portfolio of properties without deterioration in leverage ratio

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

- Decline in occupancy across all properties combines to below 70%
- Increase in loan-to-value above 55%
- Interest coverage ratio declining below 1.25x

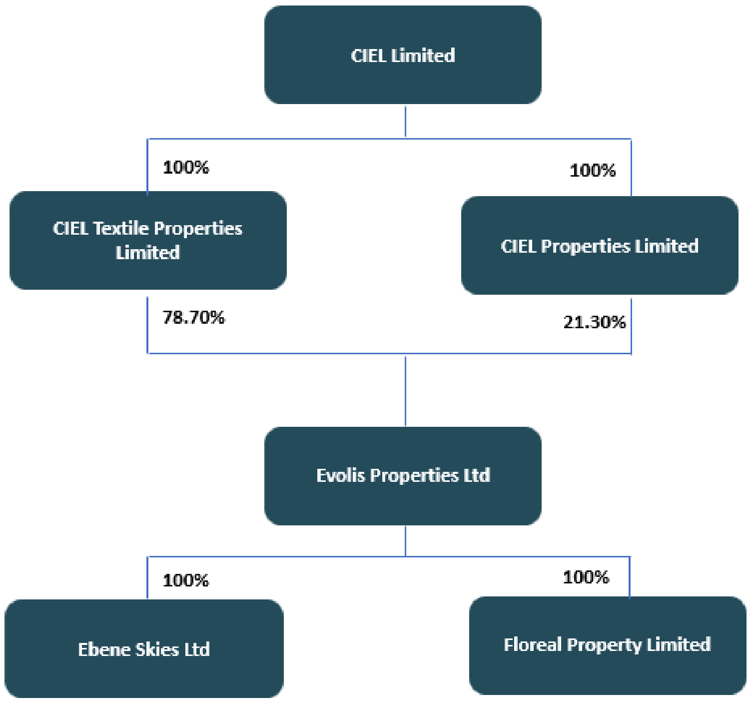
BACKGROUND

Incorporated in November 2021, Evolis Properties Ltd ("EPL") is owned by CIEL Textile Properties Ltd (78.70%) and CIEL Properties Limited (21.30%), both entities being 100% subsidiaries of CIEL Limited. Having started its operations during FY23, EPL is part of the Property cluster of the CIEL Group and was formed to hold the properties

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

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

which were previously under CIEL Textile Ltd (100% owned by CIEL Limited). As on 30 June 2023, the ownership structure of EPL was as follows:



As on 30 June 2023, EPL had an investment property portfolio valued at MUR 1,131 million and the properties constituting the portfolio is as follows:

Property Location	Gross Lease Area (GLA)	Accommodations/Features
Flexeo Business Park - Solitude	24,650 sqm	Mixed Use – A large industrial site situated on 95,667 sqm of land, consisting of one main office section, two large factory units, on large store and several outbuildings.
Aquarelle Clothing - Quatre Bornes	9,700 sqm	Industrial – The site comprises of factory and office spaces and is fully occupied by Aquarelle Clothing Ltd and Laguna Clothing Ltd.
Tropic Knits – Reunion	19,000 sqm	Industrial – The site comprises of several buildings which are used as factory, offices, dormitory, canteen and stores. The property is 100% occupied by Tropic Knits Ltd.
Harris Wilson Unit- Sunsex Boulevard Complex	45 sqm	Commercial unit which is part of a larger complex in Grand Bay
	53,395 sqm	

Ebene Skies Ltd ("ESL")

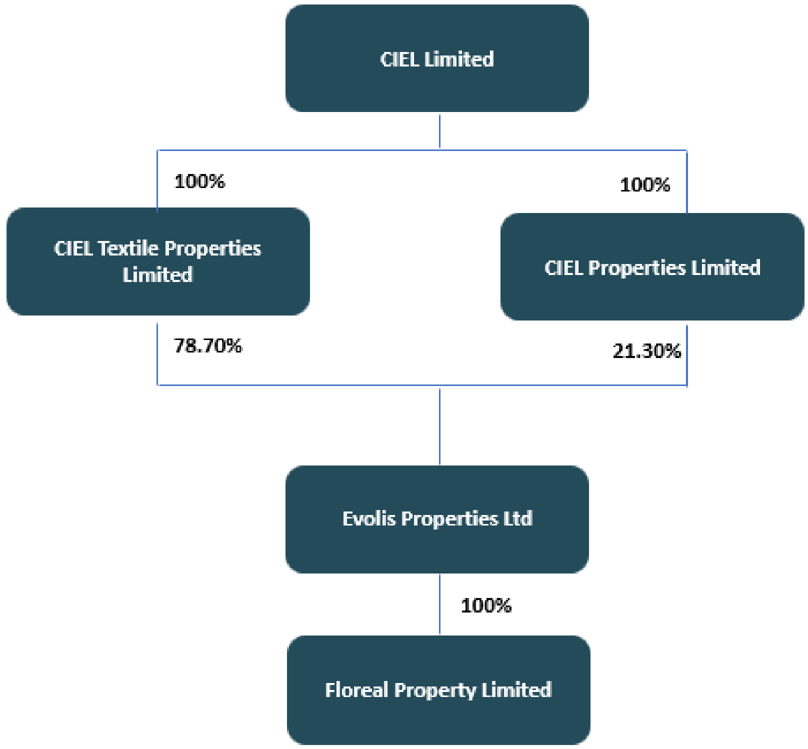
Incorporated in April 2007, ESL is a wholly owned subsidiary of EPL, which acts as an investment holding company which only holds investment properties located at Rue de L'Institut, Ebene. The investment properties consist of firstly, a ground plus 5-storey building known as the Ebene Skies building which is situated on a 5,525 sqm land area. The Ebene Skies building has a GLA of 6,250 sqm comprising of Grade A office spaces and out of which around 62% is leased to group companies of CIEL Limited including CIEL Corporate Services, SUN Limited, MITCO Group Ltd and C-Care (Mauritius) Ltd. At 30 June 2023, the Ebene Skies building was valued at MUR 512 million. ESL also owns two plots of bare land of 2,840 sqm and 3,531 sqm respectively, situated next to the Ebene Skies building. Both plots have been valued at MUR 34 million and MUR 42 million respectively.

Floreal Property Limited ("FPL")

FPL is another wholly owned subsidiary of EPL which was created to hold and operate the 'Nouvelle Usine', a complex situated on 17,158 sqm of leasehold land in Floreal, and which comprises of a ground plus 2-storey building suited for mixed-use purposes. The complex having 11,300 sqm of GLA and which was previously occupied by Floreal Knitwear Limited, has been renovated, refurbished and converted into a mixed-use property with a focus on office space for small & medium enterprises. The transformation of the complex was planned into three stages and as of now, only the first stage has been completed with 6,097 sqm of GLA.

Proposed Amalgamation of ESL with EPL

During the financial year ending 30 June 2024, ESL has proposed to amalgamate with EPL, and the latter will remain as the surviving entity post the amalgamation and it shall act as a yielding commercial property vehicle. Subsequent to the amalgamation, the group structure of the surviving entity, EPL (consolidated), will be as follows:



Summary of financial performance for Evolis Properties Ltd

Incorporated in November 2021, the year ended 30 June 2023 was the first full year of operations for EPL. With a 98% occupancy across all its properties combined, EPL earned rental income and total income of MUR 58 million and MUR 77 million respectively. Other operating income comprised of service charge for common are maintenance and management fees charged to subsidiaries. For FY23, the Company achieved a PAT of MUR 80 million inclusive of a MUR 68 million revaluation gain on its properties. Excluding those gains, EPL achieved a normalised PAT of MUR 12 million for FY23. During the year, the Company availed of a bank facility of MUR 257 million which increased the overall gearing level to 0.17x at end of FY23, while debt-to-rental was 4.39x for the year. The LTV was at a comfortable level of 23% at 30 June 2023.

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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 instruments 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 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.

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.