Medine Limited
11 December 2023

Ratings

Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Secured Fixed Rate Notes	1,000	CARE MAU A; Stable [Single A; Outlook: Stable]	Reaffirmed
Proposed Long Term Bond	1,000	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned
Proposed Long Term Bond	400	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned

Rating Rationale

The ratings assigned to the bond issues of Medine Limited ("Medine") continue to derive strength from experienced and resourceful promoters, established group with investment across diverse business verticals, steady cashflow and revenue visibility from 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. The rating also takes into consideration the strong demand for land in Mauritius and steady increase in land price during the past decade. The rating is, however, constrained by the market risk associated with sale of land and properties, regulatory risk in the event 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 in bulk 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 other verticals

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

- Significant debt funded investment in subsidiaries
- Additional debt taken by Medine Limited or its subsidiaries over and above the envisaged level
- Significant decline in demand for land parcels
- Change in regulations pertaining to Real Estate Sector by the Government which can impact sale and pricing.
- Delay in receipts of proceeds from sale of land

BACKGROUND

Incorporated as a public company in 1913, Medine Limited (**''Medine''**) is an investment and holding company of Medine Group (Medine Limited and its subsidiaries). MCB Group Limited (rated CARE MAU AAA; Stable) owns 57.7% stake in Fincorp which in turn owns 46.4% stake in Promotion and Development Ltd (PAD). PAD is the largest shareholder of Medine holding 35.1% of its share capital. 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 by, the group has diversified its activities into five different verticals such as Agriculture, Education, Sports & Leisure, 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 3,271 million for FY23 (MUR 1,539 million FY22).

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

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. 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. In FY23, Medine sold 201.7 arpents of land. Additionally, Medine has also developed 49 residential units which have been sold for a total value of MUR 446 million. Medine have held the land for more than 100 years. 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.

Management: Medine is a professionally managed company. As of June 2023, the board of Medine Limited comprised of 12 members: one Executive Director, three Independent Non-Executive Directors and eight 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.

Financial Performance of Medine Standalone in FY23: Medine Limited as a company derives its revenue from the operations of its 100% subsidiaries involved in diversified verticals (Agriculture vertical and Real Estate Vertical – for properties under Medine Limited). Medine receives revenue from sugar activities, forestry, sale of deer, from food crops & nursery, sale of stones, landscaping, rental income, and sale of land. They also receive dividend from their investment in quoted and unquoted shares. The largest contributor to cashflow and profitability for Medine company is proceeds from sale of land (bulk land sale and morcellement / residential projects). In FY23, the company witnessed a significant increase of 124% in total income arriving at MUR 2,501 million out of which revenue from sale of land represented around 51% of the total income. Consequently, EBITDA also increased to MUR 741 million compared to MUR 226 million in FY22. EBITDA was impacted to some extent due to the increased cost of land development associated with sale of land. Medine posted a PAT of MUR 846 million in FY23 compared to MUR 1,104 million in FY22 due to the increase in cost of land development and impairment losses of MUR 136 million during the same period. There was a dividend payment of MUR 247 million for FY23. The debt level was kept at a similar level in FY23 at MUR 4,791 million compared to MUR 4,701 million in FY22. Medine Limited had a cash balance of MUR 209 million as at June 30, 2023. The overall gearing moderated to 0.22x in FY23 (0.23x in FY22).

Financial Performance of Medine Standalone in FY23: In FY23, Medine Limited as a group achieved a 113% growth in total income, 225% growth in EBITDA and 18% increase in PAT. The 113% growth in revenue is explained by the satisfactory performance of the main subsidiary companies, improved sugar prices and performance of the hotel and leisure cluster and proceeds from sale of land of MUR 1,284 million in FY23. The increase in PAT is majorly attributed to profit from the sale of land of MUR 330 million for FY23 and net fair value gain on investment properties of MUR 226 million.

Performance for Q1FY24: Total income for Q1FY24 stood at MUR 978 million compared to MUR 612 million for the same period last year. EBITDA stood at MUR 224 million compared to MUR 146 million in FY22. PAT for the quarter was MUR 157 million (MUR 266 million in FY22).

Disclaimer

Annexure II

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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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.
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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.