

Savannah Smart City Limited
28 June 2024

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bank Facility - Term Loan	MUR 300 million	CARE MAU A-; Stable	Assigned
Bank Facility - Overdraft	MUR 150 million	CARE MAU A-; Stable	Assigned
Total	MUR 450 million		

Rating Rationale

The ratings assigned to the bank facilities of Savannah Smart City Limited ("Savannah") derive strength from healthy demand for land in Mauritius and the improved price realization for the past 10 years, the experienced promoters - the company being part of the ENL group which is one of the largest business houses in Mauritius, ENL group's land bank partly being used for development of smart cities, nil debt in the company as on June 30, 2023 and the moderate financials and coverage ratios.

The ratings are, however, constrained by the market risk associated with sale of land and property development, the regulatory risk in case of changes in law pertaining to sale of land and the volatility in interest rate.

Rating Sensitivities

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

- Ability to sell land at the envisaged price and timeline.
- Ability to maintain steady cashflow throughout the projected years.
- Timely completion of development projects within cost parameters.

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

- Change in regulations pertaining to Real Estate sector by the Government which can impact sale and pricing.
- Significant decline in demand scenario for land.
- Inability to sell land at the envisaged price and timeline
- Additional debt availed by the company over and above envisaged level.

Background

Incorporated on October 12, 2020, Savannah Smart City Limited ("Savannah") is a 100% subsidiary of ENL Property Ltd (rated CARE MAU A; Stable) which is a 100% subsidiary of ENL Limited (rated CARE MAU A+; Stable). Savannah's principal activity consists of promoting land and developing properties. It holds land for development under the smart city project. In June 2015, the Government of Mauritius (GOM) launched the Smart City Scheme, for Smart City infrastructure development comprising office, business, residential and entertainment components all integrated in a coherent Master Plan focusing on innovation, sustainability, efficiency, and quality of life.

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

CARE Ratings (Africa) Private Limited

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ENL Limited is the custodian of around 22,000 arpents of land. The company grows sugar cane on 15,000 arpents. The balance is sellable agricultural land in and around Moka and the South of the island (including Savannah region). The company is converting part of this land with the GOM's approval for the development of a Smart City. Local residential market continues to be driven by a strong demand for plots of land and its built-up units throughout the island.

Savannah Smart City is a smart village project that will be developed on a total area of 365 arpents. It shares the same business model as Moka City Limited (rated CARE MAU A+; Stable) which is to undertake master and sub infrastructures and sell serviced and unserviced plots of land to sub developers or end clients. In July 2022, it was awarded the certificate by the GOM for the development of Savannah Smart City which will consist of morcellement residencials, offices, commercial plots, educational facilities, sports, and medical centres to name a few. These will be developed in various phases.

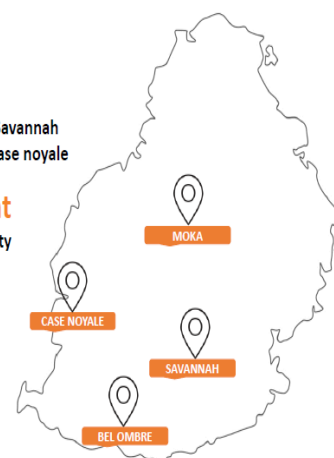
The first phase of the project, Savannah Connected Countryside will be developed on an area of 440 arpents of out which 365 arpents under the Smart City Scheme in the village of Gros Bois. ENL Group holds around 7,000 arpents of land in the South of the island. ENL Limited has transferred 440 arpents of land against ordinary shares which has been issued to ENL Property and in turn ENL Property has transferred the cash to Savannah which was utilised to pay ENL Limited for the purchase of land.

Agricultural land

14,100 arpents in Moka and Savannah
7,500 arpents in Bel ombre-Case noyale

Land development

425 arpents in Moka Smart City
534 arpents being transferred
450 arpents in Moka
66 arpents in Savannah



Financial Performance of Savannah in FY23: In FY23, Savannah reported a revenue of MUR 80 million (nil in FY22) and PAT of MUR 136 million (Negative PAT of MUR 0.14 million in FY22). PAT for FY23 includes a fair value gain on investment properties of MUR 151 million. The company's EBITDA and PAT are misnomer since it includes cost of land. Total cash inflow excluding fair value gain from the project is MUR 59 million. There was nil debt in the company as on June 30, 2023, except for a shareholder loan of MUR 70 million. The cash position as at June 30, 2023 was MUR 25 million and the average working capital utilization for FY23 was nil.

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Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated facilities 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 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.

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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.

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. 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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