Moka City Limited
03 July 2024

Ratings

Facility	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facility – Term Loan	1,250	CARE MAU A+; Stable	Reaffirmed
Bank Facility - Overdraft	250	CARE MAU A1	Reaffirmed
Total	1,500		

Ratings Rationale

The ratings assigned to the bank facilities of Moka City Limited ("Moka City") derives strength from the continuous strong demand for land in the Moka region, the improved price realization for the past 10 years and the steady increase in sale of land by Moka City Limited. The rating also factors in the experienced promoters – company being part of the ENL group, which is one of the largest conglomerates in Mauritius, ENL group's land bank partly being used for development of Moka Smart City, increased demand for land throughout the island and the comfortable financials and coverage ratios of Moka City Limited.

The ratings are, 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.

Rating Sensitivities:

Positive 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 project within cost parameters.
- Significant reduction of debt on a sustainable basis

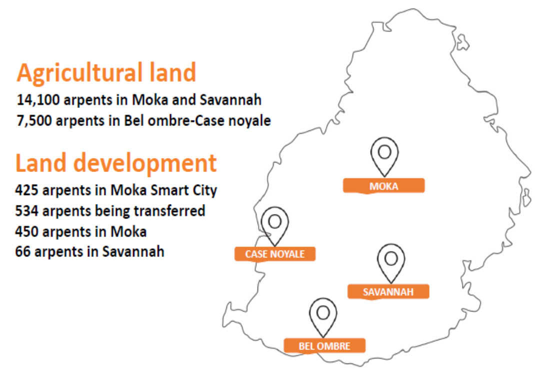
Negative factors that could, individually or collectively, lead to negative rating action/downgrade:

- Change in regulations pertaining to real estate sector by the government which can impact sale and pricing.
- Significant decline in demand scenario.
- Significant increase in debt over and above the envisaged level.

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

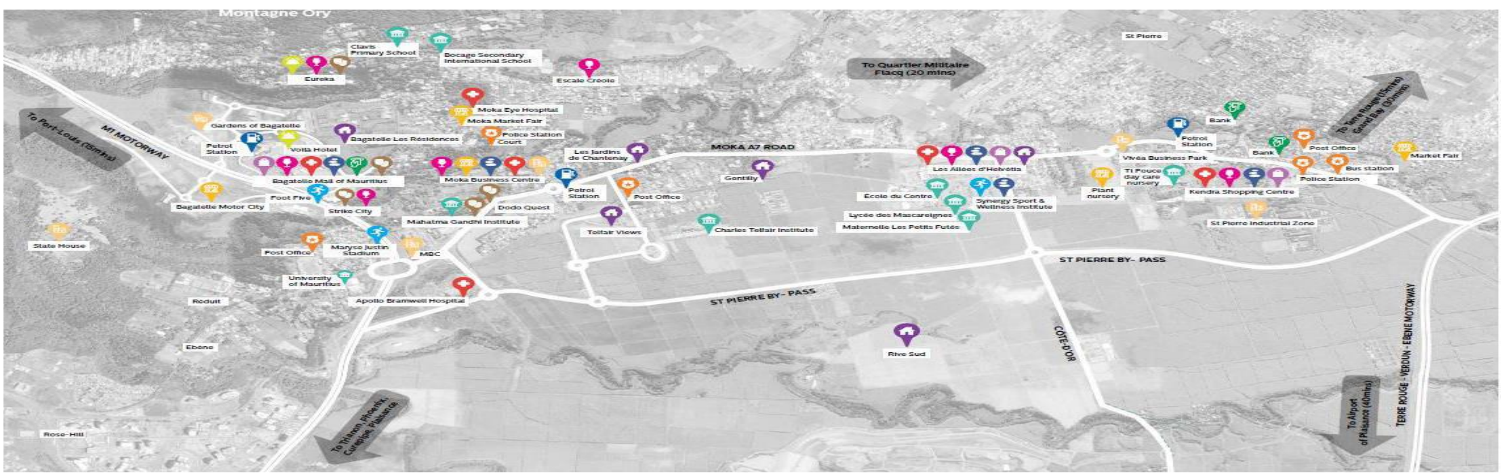
BACKGROUND

Founded on July 18, 2016, Moka City Limited ("**Moka City**") is a subsidiary of ENL Property Ltd. (60.89% stake – rated CARE MAU A; Stable) which is a 100% subsidiary of ENL Limited (rated CARE MAU A+; Stable). The remaining stake is held by Swan Life Ltd. (18.50%; rated CARE MAU AA+; Stable), The National Savings Fund (5.84%) and others. Moka City's principal activity consists of promoting land and developing properties. It holds land for development under the smart city project.



In June 2015, Government of Mauritius (GOM) launched 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.

ENL Limited is the custodian of around 21,500 arpents of land. The company grows sugar cane and other agricultural activities on 12,000 arpent. The balance is sellable agricultural land in and around Moka. The company is converting part of this land with GOM approval for development of Smart City. Local residential market continues to be driven by a strong demand for plots of land and its built-up units in the Moka region. ENL Limited through various group companies has been developing the Moka region for last 12 years. The current status of Moka region is as under:



Over the last two decades, Moka region has slowly transformed from a village to a vibrant modern smart city with a rich history. Majority of the area in Moka was agricultural land (owned by ENL) that was used to cultivate sugarcane. In 1970, ENL Group donated land to build the Mahatma Gandhi Institute. During the last 12 years, more developments happened in the region such as the opening of Bocage International School, Ecole du Centre in Helvetia, The Wellkin Hospital (now C-Care), a sport & well-being centre (Synergy) and two malls: Les Allées d'Helvetia and Bagatelle Mall. Later, the head office of the Mauritius Broadcasting Corporation moved to Moka and a third shopping mall, Kendra Shopping Centre was open. Significant number of people started to relocate to Moka, and several residential developments started. As Mon

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Desert Alma sugar factory ceased its operations, the land surrounding the factory was transformed in a modern business park i.e., Vivea Business Park.

Launch of Moka Smart City: Post introduction of Smart City Scheme (June 2015), ENL Limited incorporated Moka City Limited in June 2016 through amalgamation of various entities (held by ENL Limited) in return for shares. Moka City Limited then applied for a Smart City Certificate for development of freehold land of 454 arpent. In November 2017, GOM provided Smart City Certificate to Moka City Limited for the development of residential units, commercial offices, educational facilities, sports, medical and bus terminus over 454 arpent of land. Development of Phase I took place in the region of Bagatelle.

In 2018, ENL got the approval from the Government to develop 1,600 arpent. Accordingly, for the Phase II, Moka City Limited acquired 534 arpent of land from ENL Limited which was financed by a MUR 3.6 billion equity raising. External investors - Swan Limited and National Pension Fund invested MUR 1.9 billion and the remaining amount of MUR 1.7 billion was invested by ENL Property Limited. The MUR 1.7 billion investment by ENL Property Limited was made in convertible debentures (MUR 1.08 billion) and the remaining amount being equity.

Over last 4 years, ENL Limited has been converting agricultural land (with GOM approval under Moka Smart City Scheme) in and around Moka region and transferring them to ENL Property (against redeemable shares) which in turn was transferred to Moka City and Moka Residential (against redeemable shares). The cost of such land to ENL Limited is negligible, since ENL group has been holding these land for more than 100 years. However, under IFRS 9, the company has been revaluing the land over last few years and post revaluation, the value of such land in the books are around Mur 6.0- 10.0 million per arpent. ENL Limited has transferred these lands to ENL Property and then subsequently to Moka City at around Mur 6.0- 10.0 million per arpent.

Moka City will develop infrastructure on these land (roads, power, water, boundaries, land scaping & beautification) and sell it at an average price of MUR 20-42 million per arpent (current market price). Schools, Hospital, shopping mall and Clubs has already been developed in the Moka region by ENL group. As per plans submitted to GOM, Moka Smart City, is proposed to be developed on 1,600 arpent of land over 15 years.

Management: The strategic affairs of the company are looked after by Mr. Johan Pilot who is the Chief Executive Officer of ENL Property. He is a professional accountant and joined ENL as a Finance Manager in 2007. In 2015, he took the leadership of ENL Property which manages the group’s land bank and residential & office developments. Mr. Johan Pilot is assisted by a team of experienced and qualified professionals. He works alongside Mr. Perdrau Hubert, Head of Finance for ENL Property Limited.

Performance in FY23: Moka City posted a total income of MUR 464 million (MUR 1,125 million in FY22) and a PAT of MUR 120 million (negative PAT of MUR 188 million in FY22). However, the company’s EBITDA and PAT are misnomer since it includes cost of land. Total cash inflow in FY23 from the project is MUR 88 million. The overall gearing was at 0.24x (As on June 30, 2022: 0.23x) and cash interest coverage was 0.67x as on June 30, 2023. The cash position as of June 2023 was MUR 378 million and the average working capital utilisation for the past 12 months ending March 2024 was MUR 46 million, representing a utilization of 18%.

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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.

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.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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About CARE Ratings (Africa) Private Limited:
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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.
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.