Oficea Company Limited

05 July 2024

Ratings

Instrument	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue - Senior Tranche	1,400	CARE MAU A; Stable	Reaffirmed
Bond Issue - Junior Tranche	900	CARE MAU A-; Stable	Revised from CARE MAU BBB+; Stable
Total	MUR 2,300 million		

Ratings Rationale

The ratings assigned to the bond issue continue to derive strength from the experienced promoters being part of the ENL group, prime location of the properties, reputed lessees with major tenants being part of ENL group, high occupancy rate in existing properties with established track record & high retention rate of tenants, comfortable cash coverage ratios for interest and principal repayment of the Senior and Junior Tranche Bond at current occupancy level, steady demand for Grade A office properties and the addition of Telfair La Promenade in the property portfolio with 60% occupancy of confirmed tenants.

The rating is, however, constrained by the ability to lease out new properties amidst the increasing supply of office space, short tenure of lease compared to bond tenure and exposure to interest rate risk. The Junior Tranche Bond (MUR 900 million) is rated lower than the senior tranche, since the entire Bond proceeds was utilized for the development of new properties, rentals from new developments dependent on the company's ability to achieve desired occupancy level during the projected tenure and as per the waterfall mechanism, the interest & principal repayment of the Senior Tranche Bond has priority over interest and principal repayment of the Junior Tranche Bond.

Rating Sensitivities:

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

- Ability to maintain average occupancy ratio above 95%.
- Ability to achieve the projected occupancy and rentals in Les fascines and Telfair.

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

- Non- renewal of lease agreements
- Additional debt taken by Oficea Company Limited over and above the envisaged level vis-à-vis cashflow
- Higher than projected dividend pay-out to group companies' vis-à-vis profits.

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

CARE Ratings (Africa) Private Limited

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BACKGROUND

Founded in 2010, Oficea Company Limited (‘**Oficea**’) is a subsidiary of ENL Property Limited (76.69% stake) - which is a 100% subsidiary of ENL Limited (rated CARE MAU A+; Stable). The remaining stake is held by Swan Life Ltd (15.77%; rated CARE MAU AA+ (IS); Stable) and others. Oficea is an income yielding property fund holding a portfolio of office properties located in Vivea Business Park in the heart of Moka Smart City which is underpinned by MUR-denominated medium to long term leases with high quality corporate tenants. The core activities of Oficea include leasing of offices, meeting rooms and parking.

As of May 31, 2024, Oficea had a portfolio of 34,877 sqm of gross leasable office area (GLA) into operations with 98% occupancy (96% as of June 30, 2023) generating rental of around MUR 200 million annually. The buildings at **Telfair** started operations in June 2024 hence the GLA and occupancy do not reflect the occupancy and GLA for the property. The company specializes in the management and development of high-end, environment-friendly workplaces in various key locations of Moka Smart City including Vivea, Bagatelle and Telfair. The offices have been designed with a sustainable approach and all of them are Grade A properties.

Oficea currently holds 18 offices including 4 offices for Telfair La Promenade. The first four buildings that became operational in 2011 are **ENL House, 1827 Building, La Distillerie** and **Valetta Locoshed. The Gardens** situated near Bagatelle Mall was constructed in 2013 followed by three more properties built in 2014 namely **The Factory, Motor City** (sold in 2021) and **Eastern Trading**. **The Lab** (Ex La Turbine) started operating in 2016 and then **The Pod** was built in 2017. **Island Living** was built in 2018. During the same year, the company acquired another building named **The Roots**. In 2019, **The Dot** building was completed which includes a super basement floor shared with the adjacent building named **PwC GF** which was also completed during the same period. **Les Fascines** became operational as from June 2022 and the four buildings at **Telfair La Promenade** started operation in June 2024. The Weighted Average Lease Expiry as on May 31, 2024, was 2.08 years (1.97 years as on May 01, 2023). Most of the office tenants are reputable companies and have been on these premises for the last 5-10 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.

Financial performance in FY23

Oficea achieved a rental income of MUR 191 million in FY23, increasing from MUR 152 million in FY22. The increase in rental income was because of the addition of Les Fascines to the portfolio. The new building contributed MUR 38 million to rental income in FY23, while the rental income from the other buildings increased consistently with their annual escalation clause of 5%. Furthermore, the increase in the average occupancy rate from 91% in FY22 to 97% in FY23 contributed positively to the rental income. Total income and EBITDA increased by 11% respectively to reach MUR 259 million (FY22: MUR 233 million) and MUR 136 million (FY22: MUR 123 million) respectively. In FY23, there was a fair value gain on revaluation of investment properties of MUR 59 million and Oficea posted a higher PAT of MUR 110 million (FY22:

MUR 79 million), representing a year-over-year growth of 40.2%. GCA was MUR 53 million and the company paid MUR 65 million as dividend (FY22: MUR 60 million). Oficea ended FY23 with a cash balance of MUR 958 million. WALE was 2.08 years. Overall gearing was 0.53x as on June 30, 2023, and interest coverage was 3.45x.

Rental Income: Income from rentals will go into a designated MCB bank account from which servicing of interest payments of the senior secured bond, junior secured bond, and convertible debentures subscribed by Swan & ENL Property (compulsorily convertible to equity after 7 years from issue in June 2020) will be made. Interest payment on the convertible debentures is subordinated to both the senior and junior bonds and is payable only if excess cash is available after servicing the interest on the Bonds. Rental income from existing properties will be utilized towards payment of the debt obligations for the senior tranche and rental income from the new properties will be used in servicing the debt obligations for the junior tranche.

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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.

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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.