Commercial Investment Property Fund Limited ("CIPF")

24 October 2024

Ratings

Instrument/Facilities	Amount (MUR Million)	Rating[1]	Remarks
Bond (Senior Tranche)	**1,000**	**CARE MAU A; Stable**	Reaffirmed
Bond (Junior Tranche)	**350**	**CARE MAU A-; Stable**	Reaffirmed
Bond (Senior Tranche)	**180 (Increased from MUR 175 million)**	**CARE MAU A; Stable**	Reaffirmed
Bond (Junior Tranche)	**70 (Reduced from MUR 75 million)**	**CARE MAU A-; Stable**	Reaffirmed
Total	**1,600**		

Rating Rationale

The ratings assigned to the bond issues of Commercial Investment Property Fund Limited continue to derive strength from the stable lease rental income with continuous annual increase, strong occupancy rate of 100%, the lease tenure ranging between 15-20 years, the experienced promoter and strong parentage of the ENL group which has an established track record in real estate development in Mauritius. The ratings also factor in the addition of a new building to its investment properties, the satisfactory financial risk profile of the lessees belonging to group companies and operating in diverse industries, the existence of a structured payment mechanism with lease rentals being received in an escrow account and interest payment on senior tranche bond having priority on the lease rentals as per the waterfall mechanism and the comfortable coverage ratios.

The rating is however, constrained by the volatile financial performance of some of the tenants during the last three years, future performance of the rental paying subsidiaries and their ability to pay rental in a timely manner, interest rate risk and refinancing risk at the time of bond redemption.

Rating Sensitivities

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

- Improvement in credit profile of the lessees
- Ability to pass on the price escalation and improvement in performance
- Significant reduction in debt and improvement in gearing, indicated by an improving LTV or Debt/EBITDA ratio

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

- Significant additional debt availed by CIPF impacting the repayment capability.
- Higher than projected dividend pay-out to group companies' vis-a-vis profit
- Inability to increase annual rentals by at least 5%, as per the rental agreements.

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

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BACKGROUND

Incorporated in 2016, CIPF is a property fund and a wholly owned subsidiary of ENL Commercial Limited (“**ENL Commercial -** a wholly owned subsidiary of ENL Limited (rated CARE MAU A+ Stable)). CIPF owns twelve offices and industrial assets with a total GLA of 155,436 sq.ft (14,440 sqm), located predominantly in Moka / St. Pierre region and Pailles in Mauritius. A new property covering a GLA of 14,739 sq.ft, Decathlon Beau Plan under Ensport Ltd started operations in November 2023. These properties are occupied and currently used by the subsidiaries and associates of ENL Commercial. CIPF has entered into 20 years lease agreement with all the tenants. Total value of the properties as at June 2024 is MUR 2,318 million generating a rental income of MUR 140 million in FY24. The company utilises the rent received from these properties for debt servicing and cash build up for repayment of the Bonds

Performance in FY24: CIPF ended FY24 with a 18% increase in rental income from MUR 119 million to MUR 140 million due to the 8 months rental earned from Decathlon Beau plan, following its opening in November 2023. Accordingly, in FY24, EBITDA was higher at MUR 196 million (MUR 171 million in FY23), flowing from the growing rental income. However, PAT dropped slightly from MUR 58 million in FY23 to MUR 53 million in FY24, due to the higher depreciation charge and interest on the new bond. GCA remained stable at MUR 87 million. On the back of a significant increase in interest costs in FY23 due to the bond issue of MUR 1,350 million, interest further increased to from MUR 79 million to MUR 98 million in FY24 as a result of the additional bond issue of MUR 250 million during the year. Overall gearing was 4.3x as on June 30, 2024, with interest coverage and cash coverage both remaining comfortable at 3.3x and 4.9x respectively.

Annexure II

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. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation".

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.
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.