Evolis Properties Ltd

21 October 2024

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**MUR 640 million**	**CARE MAU A-; Stable**	Reaffirmed

Rating Rationale

The rating assigned to the bond issue of Evolis Properties Ltd ("**EPL**") continue to derive strength from the diverse portfolio of properties located strategically with stable revenue model, high occupancy rate observed across most properties which is indicative of high demand, major occupancy of certain properties by CIEL Group entities mitigating tenant risks, decades-long presence of CIEL Group entities across properties which illustrates the stickiness of the tenants, and the comfortable leverage position of the Company. The rating also factors in the strong parentage from CIEL Limited which is the ultimate holding company and CRAF expects similar operational and financial support, if required, to continue.

The rating is however constrained by the short weighted average lease expiry (WALE) of EPL compared to the tenure of the bond issue, lack of track record of some of non-group entities across the properties of EPL exposing to counterparty risks and increasing competition from private promoters with the construction of business parks which increases supply especially in the office space sector.

Rating Sensitivities:

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

- Ability to achieve above 95% occupancy across all properties combined.
- Total debt/EBITDA declining below 5x.
- Improvement in WALE by securing long-term lease agreements.
- Ability to increase the portfolio of properties without deterioration in leverage ratio.

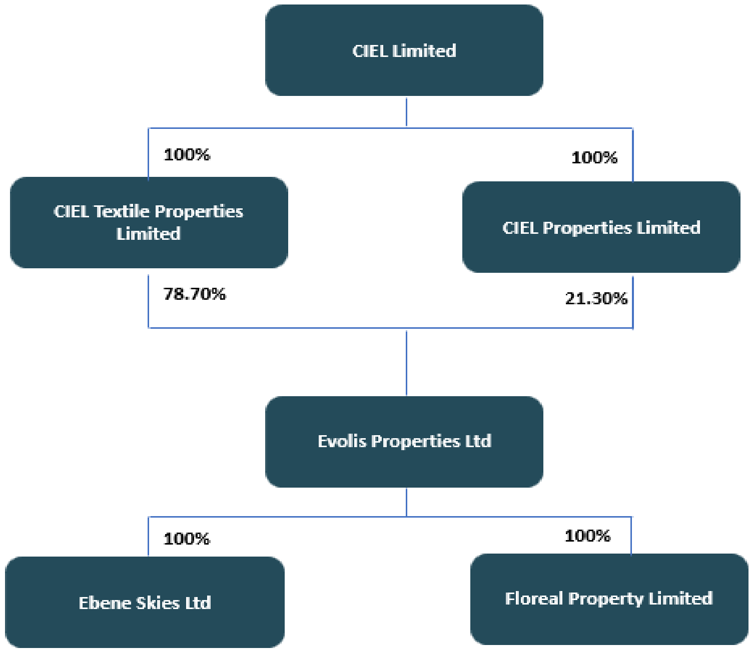
Negative factors that could, individually or collectively, lead to negative rating action/downgrade:

- Decline in occupancy across all properties combined to below 70%.
- Increase in loan-to-value above 55%.
- Interest coverage declining below 1.5x.

BACKGROUND

Incorporated in November 2021, Evolis Properties Ltd ("**EPL**") is owned by CIEL Textile Properties Ltd (78.70%) and CIEL Properties Limited (21.30%), both entities being 100% subsidiaries of CIEL Limited (rated CARE MAU AA; Stable/ CARE MAU A1+). Having started its operations during FY23, EPL is part of the Property cluster of the CIEL Group and was formed to hold the properties which were previously under CIEL Textile Ltd (100% owned by CIEL Limited). As on 30 June 2023 (pre-amalgamation), the ownership structure of EPL was as follows:

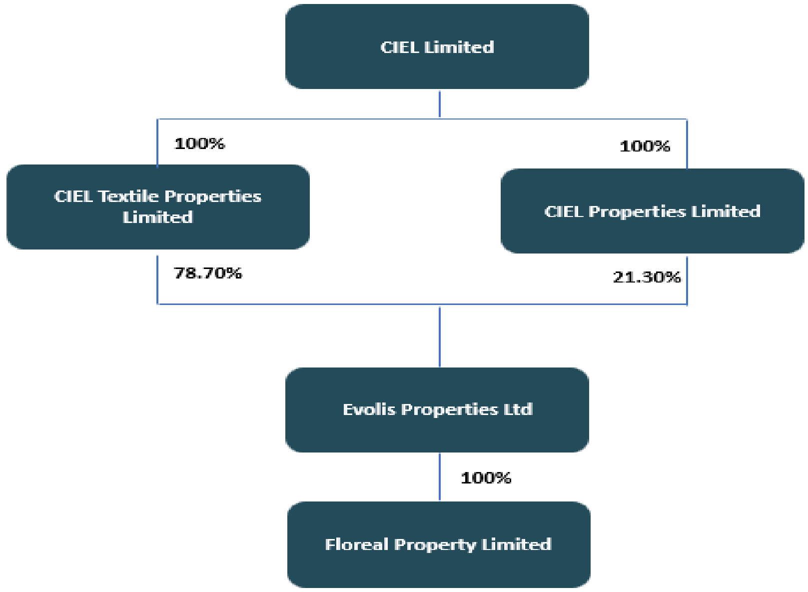
[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.



Ebene Skies Ltd ("**ESL"**): Incorporated in April 2007, ESL was a wholly owned subsidiary of EPL (pre-amalgamation), which acted as an investment holding company which only held investment properties located at Rue de L'Institut, Ebene. The investment properties consist of firstly, a ground plus 5-storey building known as the Ebene Skies building which is situated on a 5,525 sqm land area. The Ebene Skies building has a Gross Leasable Area (GLA) of 5,979 sqm comprising of Grade A office spaces and out of which around 66% is leased to group companies of CIEL Limited including CIEL Corporate Services Ltd, Ciel Finance Limited, Ciel Properties Development Ltd, SUN Limited and MITCO Group Ltd. ESL also owns two plots of bare land of 2,840 sqm and 3,531 sqm respectively, situated next to the Ebene Skies building.

Floreal Property Limited ("**FPL**"): FPL is a wholly owned subsidiary of EPL was incorporated to hold and operate the 'Nouvelle Usine', a complex situated on 17,158 sqm of leasehold land in Floreal, and which comprises of a ground plus 2-storey building suited for mixed-use purposes. The complex has a GLA of 11,300 sqm which was previously occupied by Floreal Knitwear Limited. Same has been renovated, refurbished and converted into a mixed-use property with a focus on office space for small & medium enterprises.

Amalgamation: The management of ESL and EPL have agreed to merge both entities into one with EPL remaining as the surviving entity post the amalgamation. The amalgamation was completed in February 2024 and the group structure as of June 2024 was as follows:



As of June 30, 2024, EPL's investment property portfolio was valued at MUR 1,644 million and the properties constituting the portfolio is as follows:

Property & location	GLA (sqm)	Accommodations / Features
Flexeo Business Park – Solitude	26,979	Mixed Use – A large industrial site situated on 95,667 sqm of land, consisting of one main office section, two large factory units, on large store and several outbuildings.
Aquarelle - Quatre Bornes	9,721	Industrial – The site comprises of factory and office spaces and is fully occupied by Aquarelle Clothing Ltd and Laguna Clothing Ltd.
Tropic Knits - Reunion	19,330	Industrial – The site comprises of several buildings which are used as factory, offices, dormitory, canteen and stores. The main tenant is Tropic Knits Ltd.
Sunset Boulevard – Grand Baie	49	Commercial unit which is part of a larger complex in Grand Bay.
Ebene Skies building – Ebene	5,979	Office - The Ebene Skies building has a Gross Leasable Area (GLA) of 5,979 sqm comprising of Grade A office whereby, the main tenants are Ciel group companies. spaces
Total	**62,058**	

Post amalgamation, the Ebene Skies building, and two plots of bare land were held under EPL.

Management: EPL is governed by a 7-member board of directors with Mr. Guillaume Dalais as Chairperson. Mr. Guillaume Dalais was the CEO for the Knitwear cluster of CIEL Textile Group from 2016 to 2020, before taking over the role of CEO at CIEL Properties. In January 2023, he was appointed Deputy Group Chief executive. He is a holder of a Master 2 from Ecole Supérieure de Gestion (now Paris School of Business) in finance and accounting and completed HEC Paris Executive Education. He is assisted by a team of qualified professionals.

Performance of EPL in FY23: In FY23, EPL posted a rental income of MUR 59 million against MUR 5 million in FY22. EPL started operations in November 2021 and therefore, FY22 results do not reflect full year performance. Total income for EPL amounted to MUR 77 million in FY23 against MUR 5 million in FY22. Accordingly, EBITDA increased from MUR 5 million in FY22 to MUR 39 million in FY22. In FY22, EPL had no debt, leading to nil interest cost. As of June 30, 2023, EPL had a money market line of MUR 257 million, leading to interest cost of MUR 11 million. EPL posted a fair value gain on investment properties of MUR 68 million in FY23 against MUR 227 million in FY22, leading to a lower PAT of MUR 80 million in FY23 against MUR 159 million in FY22. GCA was MUR 12 million and EPL paid a dividend of MUR 25 million in FY23. Overall gearing was 0.17 times as on June 30, 2023, and interest coverage was 3.47 times.

Performance of EPL in FY24: In FY24, EPL posted a rental income of MUR 85 million against MUR 59 million in FY23. Total income grew by 38% to MUR 107 million in FY24 from MUR 77 million. Accordingly, EBITDA grew by 17% to MUR 45 million. PAT, in FY24, was MUR 12 million, whereby fair value gain on investment properties was nil against PAT of MUR 80 million in FY23, whereby fair value gain on investment properties was MUR 68 million. Excluding same, PAT was MUR 12 million for both financial years although interest cost was higher in FY24. As of June 30, 2024, overall gearing increased to 0.44 times and interest coverage was 1.53 times.

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.

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.