**CM Structured Products (1) Ltd ("CMSP (1)")**
**26 November 2024**

**Rating**

| Facilities/Instruments | Amount (MUR Million) | Rating[1] | Rating Action |
|---|---|---|---|
| **Secured Credit-Linked Floating rate Notes** | **2,000 (enhanced from MUR 1,300 million)** | **CARE MAU A (SO)*; Stable** | Reaffirmed |

***The Structured Obligation (SO) is on account of the legal structure of the credit linked notes linking to the underlying bonds (ENL Limited[1], rated CARE MAU A+; Stable and ENL Property Limited[1] rated CARE MAU A; Stable), the credit linked, the credit enhancement in the form of Class A shares by MCB Capital Markets Ltd, the liquidity shortfall and underwriting provided by MCB Stockbrokers Ltd.***

**Rating Rationale**

The rating assigned to the Secured Credit-Linked Floating rate Notes (CLNs) of CM Structured Products (1) Ltd [CMSP (1)] continues to derive strength from the comfortable credit profile of the reference entities: ENL Limited (rated CARE MAU A+; Stable) and ENL Property Limited (rated CARE MAU A; Stable).

The ratings assigned to the instruments of ENL Limited (ENL) and ENL Property Limited (ENL Property) derive strength from the continuous strong demand for land in the Moka region, improved price realization for the past 10 years, steady increase in sale of land, improved financial performance of the major dividend paying group companies and improved cash coverage indicators. The ratings continue to derive strength from the established track record of the ENL group, prime location of the Moka Smart City, reputation of ENL group for developing quality shopping malls, residential projects, and office spaces in prime areas of Mauritius, moderate project execution risk and high occupancy of the leasable assets. ENL Group also derives strength from the strong performance of its subsidiaries and associates' companies operating in the Hospitality, Finance, Auto dealership, Trade & Commerce sectors.

The rating of the CLNs of CMSP (1) further derives strength from the shortfall underwriting provided by MCB Stockbrokers Ltd (MCBSB) guaranteeing to buy back the notes in the event of put options exercised by the noteholders or by market making arrangement, the credit enhancement to the notes provided by MCB Capital Markets Ltd (MCBCM) with first loss guarantee in the form of Class A shares and the ultimate parentage from MCB Group limited providing support to the structure.

The ratings of ENL and ENL Property are, however, constrained by the risks associated with the sale of land at envisaged prices, the higher debt at group level vis-à-vis cashflow from operations and refinancing risk of existing debt, the volatility in rentals of newly completed buildings & profitability of the group companies, regulatory risk associated with Smart City project and interest rate risk associated with floating rate debt.

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

[1] Detailed rationales of these entities are available at www.careratingsafrica.com

The rating of CMSP (1) is however, constrained by the inherent risk involved with the potential put options of the CLNs by the noteholders on the same interest reset date, the ability of MCBSB to arrange for funds to provide exit in a timely manner.

**Rating Sensitivities**

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

- Improvement in the financial and operational performance of both the reference entities
- Significant reduction in the debt levels of the reference entities

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

- Decline in the operational and financial performance of the reference entities leading to a weaker credit profile
- Deterioration of the credit profile of the underwriter, MCB Stockbrokers Ltd, to place the notes with new noteholders in the event of the execution of put options by noteholders

**BACKGROUND**

CM Structured Products (1) Ltd (CMSP (1)) is a wholly owned subsidiary of MCB Capital Markets Ltd (MCBCM), which in turn is a 100% subsidiary of MCB Group Limited (CARE MAU AAA; Stable). MCB Group Limited ("MCBG") is also the parent company of The Mauritius Commercial Bank Limited ("MCB Ltd"), the largest commercial bank in Mauritius, rated CARE MAU AAA (IS); Stable.

**Credit Linked Note structure**: CMSP (1) was incorporated as a Special Purpose Vehicle ("SPV"), to issue Secured Credit-Linked Floating Rate Notes (CLNs – Credit Linked Notes) to investors. The CLNs benefit from additional comfort from the credit enhancement provided by MCBCM which amounts to 7.5% (first loss guarantee) of the total CLNs issued. CMSP (1) Ltd raised funds (MUR 1,300 million) in October 2023, by issuing Secured Credit-Linked Floating Rate Notes (CLNs) and utilised the proceeds to subscribe to the bond issues of ENL Entities (reference entities) comprising of ENL Limited (rated CARE MAU A+; Stable) and ENL Property Limited (rated CARE MAU A; Stable). The ratings of the reference entities have been reaffirmed by CRAF in June 2024. The rating of the CLNs is highly correlated to the underlying performance of the reference entities, ENL Limited and ENL Property Ltd, given that the interest and principal payments of the notes will be made from cash flows received from bond issue by the reference entities in which CMSP (1) has invested.

CMSP (1) has issued Credit linked Notes for a period of 15 years. However as per the terms of the Notes, CLNs noteholders can exit their investment prior to the maturity date by selling part or the whole of their holdings in the following ways:

- through the Stock Exchange of Mauritius (SEM)
- through the Market Maker (MCBSB) on the interest payment date, or
- by exercising their puts on the interest reset date

Over an abovementioned three ways, the Issuer can also redeem the notes by exercising its call options in line with the term of this LP.

CMSP (1) will issue a Circular Notice to all noteholders, informing them about revised interest rates and interest period. Such notice shall be issued either prior to the interest reset date or at the discretion of CMSP (1). Except in the case of a Credit Event or an Event of Default, each Noteholder shall have the right, upon receipt of the Circular Notice, to request the Issuer to redeem, purchase or arrange for the purchase of, the whole or part of its Notes.

**The November 2024 Notes Issue**

CMSP (1) decided to increase the initial maximum aggregate nominal amount up to MUR 2,000 million and to make a further issuance of up to 700,000 notes by way of a public offer. The November 2024 Notes being issued by the Issuer are credit-linked notes and the proceeds from the Notes issue will be utilized to subscribe to ENL Limited bond issues.

The listing particulars will supersede and replace the previous LP dated 31 July 2023 which related to the issuance of the existing notes of MUR 1,300 million. In other words, the new LP will be the authoritative official reference for the particulars with respect to the CLNs. The new notes shall be issued and listed on November 27th, 2024.

**The listing of the new notes on the Official Market of the SEM will become effective as from the Effective Date (i.e., November 27th, 2024) and on that same date, the LP shall apply to the Notes (inclusive of the existing notes and the new notes).**

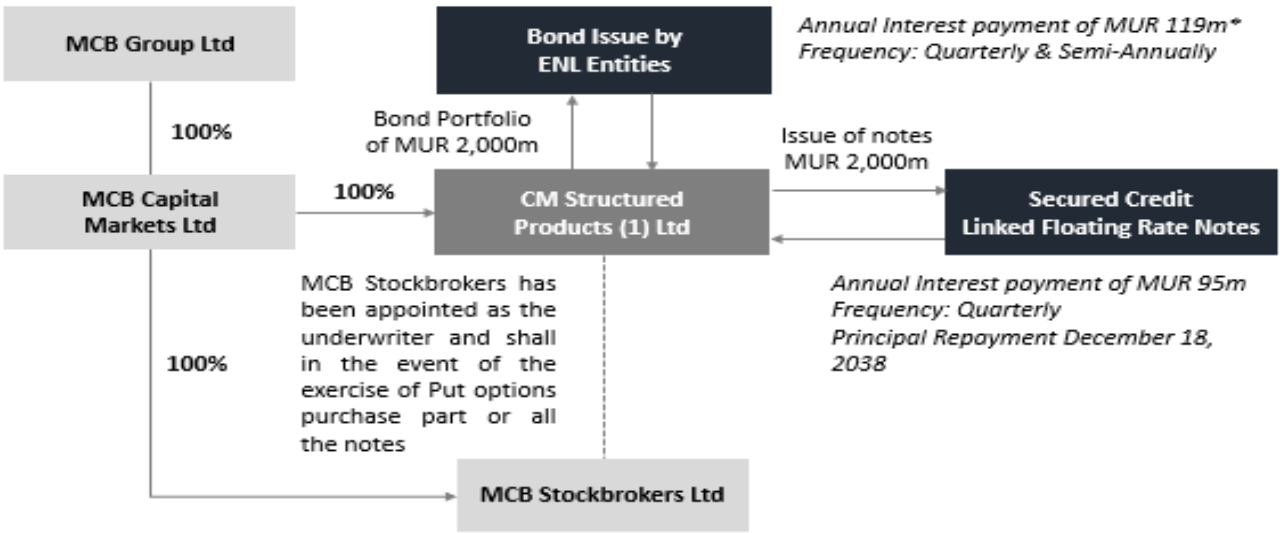
CMSP (1) shall issue between MUR 500 million and MUR 700 million of notes on the new issue date (the "November 2024 notes"). The November 2024 notes shall be issued at a 0.9% premium (i.e. an Issue Price per Note of MUR 1,009) which includes 1-month accrued interest of MUR 3.90 per new note.

The upfront payment of 0.9% premium is attributed to the following points:

1. The new noteholders shall have a period of approximately 2 calendar years until the interest reset date, benefiting from the certainty of fixed margin over Key Rate for the next 2 years.
2. A similar interest rate to the Noteholders under the Initial LP.

The interest rate, which is the aggregate of the reference rate (Key rate at 4.00% p.a.) and the margin (0.75% p.a.), is currently at 4.75% p.a. Interest payment is made every quarter as from issue date, with the first interest paid under the new notes on January 27, 2024. The interest reset date shall be on the third anniversary of the issue date, i.e., October 27, 2026. The subsequent interest rate reset dates shall be as per circular notice which will be released by CMSP (1) in due course.

The broad structure of the CLNs is as per below:




**Credit enhanced structure providing significant comfort**

MCBCM subscribed to 97,500 Class A shares from the issuer at MUR 1,000 per share, for a total of MUR 97.5 million. The same amount which is equivalent to 7.5% of the total CLNs issue, is a capital injection from MCBCM for the purpose

of providing a credit enhancement to the CLNs. This amount shall be used as a first loss cash-collateralized guarantee and will either be held as deposits or will be invested in sovereign securities or corporate bonds having minimum of A band rating.

On or prior to the November 2024 issue of the new notes, CMSP (1) shall issue between 37,500 and 52,500 additional Class A Shares depending on the CLNs aggregate nominal amount to be issued i.e., between MUR 500 million to MUR 700 million.

Over and above the credit enhancement, in the form of equity capital acting as first loss guarantee, the notes are secured by the underlying bonds, which are in turn secured in nature by the way of (i) first ranking charge on land granted by ENL and (ii) first rank floating charge all assets of ENL Property amongst others. The said equity capital and overcollateralization of the land as compared to the bond obligation provides significant credit enhancement and additional security for investors.

**Shortfall Underwriting and Market Making Arrangement by MCB Stockbrokers Ltd**

MCB Stockbrokers Ltd, a 100% subsidiary of MCBCM, has been appointed as the underwriter and shall provide the following shortfall undertaking,

i. In the event of the exercise of a put option by a holder of the notes in accordance with the terms of the listing particulars, the underwriter shall purchase and/or cause for the purchase of, all the notes in respect of which a put option has been exercised.
ii. The performance of the underwriting services shall be done pursuant to, and in line with, the procedure set forth in the listing particulars or such other procedure as may be agreed with the SEM from time to time.
iii. The underwriter shall pay the proceeds to each existing investor on the transfer date.

CMSP (1) has entered into a Market Maker Agreement with the Market Maker which is MCB Stockbrokers Limited to provide the noteholders with the possibility of exiting part or all of their outstanding investments prior to the maturity date. During any interest period, the aggregate number of notes acquired by the Market Maker shall not exceed five percent (5%) of the total number of Notes in Issue (the "Maximum Quarterly Acquisition"). At any time, the aggregate number of notes held by the Market Marker shall not exceed twenty (20%) of the total number of Notes in Issue and the acquisition shall be effected on the interest payment date immediately following the acquisition notice.

**Summary of financials for CMSP (1)** **MUR Million**

| Year ended/ as at 30 June | FY22 | FY23 | FY24 |
|---|---|---|---|
| 12M | Audited | Audited | Audited |
| Interest Income | 12 | - | 60 |
| Interest Payable | 14 | - | 46 |
| PBT | (2) | (0.07) | 3 |
| PAT | (3) | (0.07) | 3 |
| Dividend | - | - | - |
| Equity share capital | 0.01 | 0.01 | 98 |
| Tangible Networth | (0.14) | (0.20) | 100 |
| Cash and Cash Equivalents (non-banking segment) | 0.20 | 0.01 | 17 |
| Total debt (Credit linked Notes) | - | - | 1,300 |
| PAT / Total income | NM* | NM | 4% |

**Disclaimer**

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sharp downgrades.

**Annexure I**

**Rating Symbol**
**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". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.***

**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.