Evaco Ltd

28 April 2025

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue (I)	**650**	**CARE MAU BBB+ (SO)*; Stable**	Revised from CARE MAU A-(SO); Stable
Bond Issue (II)	**473**	**CARE MAU BBB+ (SO)*; Stable**	Revised from CARE MAU A-(SO); Stable
Proposed Bond Issue	**425**	**CARE MAU BBB+ (SO)*; Stable**	Revised from CARE MAU A-(SO); Stable
Total	**1,548**		

****Structured Obligation is for the ring fencing of cash flow by way of escrow mechanism completely under the purview of bank which has extended GFA to Creative Properties Ltd [rated CAR MAU A+(SO); Stable / CARE MAU A1 (SO)]. Any surplus cash can be paid to the sponsor only with the prior approval of the bank in charge of the escrow account. This is not a standalone rating of Evaco Ltd.***

Rating Rationale

The revision in the rating from CARE MAU A- (SO); Stable to CARE MAU BBB+ (SO); Stable for the bond issues and proposed bond issue of Evaco Ltd ("Evaco") is driven by the significant delay in the project progress of the residential villas and infrastructure at Cap Marina under the subsidiary, Creative Properties Ltd (CPL), resulting in the postponement of sales proceeds due to slower-than-expected regulatory approvals, the slower than expected sales of high end villas and increased debt undertaken to address cash flow mismatches stemming from substantial upfront infrastructure investments and project delays.

The rating continues to derive strength from the integrity of the legal structure and the structured payment mechanism, which ring-fences cash flows from CPL, the property developer of the Cap Marina project, to be streamed up to meet the principal & interest payment of the bond issues, as per the terms of the transaction and therefore is not a standalone rating of Evaco Ltd. These cash flows are maintained in designated accounts with SBM Bank Ltd though a ring-fenced waterfall mechanism, ensuring that funds are prioritised for principal and interest payments, while the excess cash flows are restricted from future developments without prior approval from the Noteholder's Representative (SBM Fund Services Ltd).

The rating also takes into cognisance the promoter's 20 years track record in high-end residential development, prime location of both completed and ongoing projects properties, sale and build model across all projects, strong demand for luxury residences in Mauritius and various project phases being backed by GFA from reputed banks.

Nonetheless, the rating remains constrained by the project implementation risks, market risks associated with sale and development of luxury properties, potential cash flow shortfall from delayed unit sales, volatility in interest rates and regulatory risks associated with the property development and sales.

Rating Sensitivities

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

- Timely completion of projects within cost parameters
- Ability to achieve targeted sale within envisaged rate and time frame

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

- Additional debt by Evaco over and above the envisaged level
- Further delay in construction of the villas at Cap Marina thus delaying receipt of sale proceeds
- Inability to achieve targeted sale within the envisaged timeline

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

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BACKGROUND

Incorporated on April 3, 2002, Evaco Ltd ('Evaco") emerged from a real estate development company to a holding and investment entity. It is a 100% subsidiary of Société A. Mayer which is fully owned by Mr. Arnaud Mayer, the founder, and Chairman of Evaco Group. It is a public limited liability company, and its principal activities consist of property and real estate development, construction, manufacturing, and hospitality & leisure. With over 20 years of experience, Evaco group is recognized as one of the key players in important sectors of the economy. Its 4 main clusters include:

- **Evaco Property** (responsible for development of real estate projects from inception to realisation).
- **Evaco Leisure** (aim is to enrich customers' lifestyle through its quality leisure programs, facilities and services).
- **Evaco Services** (aim is to provide competitive solutions to move towards a sustainable future for the welfare of subsidiaries, consumers and society at large)
- **Evaco Worldwide** (the foundation of this cluster is connected with Secret Croatia project, driving global expansion by developing high-performance resorts that offer unique hospitality experiences).

Performance of key subsidiaries within Evaco Group

Companies [FY24]	Stake	Revenue	EBITDA	PAT	GCA	Total bank debt	TNW	Overall Gearing
	(%)	MUR Million						Times
Evaco Limited	100%	76	48	8	18	1,678	2,218	0.76
Subsidiaries								
FairStone Ltd. (Engaged in construction of different phases of Cap Marina project)	100%	451	21	4	(11)	277	110	2.51
IDEA Consultants (Engaged in providing consultancy to different phases of Cap Marina project)	100%	112	22	17	16	207	(23)	NM*
Fine Line Contracting (Engaged in providing materials to different phases of Cap Marina project)	100%	119	13	3	11	25	3	9.23
Creative Properties (Engaged in construction of different phases of Cap Marina project)	100%	376	28	9	9	1,088	240	4.54
Evaco Group (Consolidated)		**759**	**118**	**5**	**27**	**2,940**	**628**	**4.68**

NM = Not Meaningful

All the subsidiary companies are engaged in providing construction materials, consultancy service and executing construction work for the Cap marina project. Excluding the two Bonds, Evaco and its subsidiaries primarily utilise overdraft facility to execute the daily operations. The overdraft facility is linked to the different phases of Cap Marina project and has been provided by the same Bank which has extended the GFA for that phase. The same is repaid on receipt of stage payment from clients.

Management: Evaco Group is a professionally managed company governed by a six-member Board of Directors, comprising three Executives, two Independent Directors, and the Chairman. The company's strategic affairs are led by Founder and Chairman Mr. Arnaud Mayer, a business management graduate from France and a top-ranked Mauritian entrepreneur in 2008. Mrs. Karen Angus, the Deputy CEO, holds a master's in business & marketing from IGS Group International Business School and has over 19 years of real estate experience. They are supported by a team of qualified professionals overseeing daily operations.

Significant delays in the construction of the Cap Marina Project

The Cap Marina Project has experienced significant construction delays due to two main factors: regulatory approval delays and external disruptions. There have been significant delays observed in obtaining approvals for signing title deeds, with an average processing time increasing from 1 month to 6 months. This unprecedented time lag has forced Evaco to postpone several title deeds to FY25, resulting in accumulated delays in sales receipts from clients, which in turn has delayed the construction progress of the project considerably. Prior to this, the project has already been experiencing delays since its inception due to supply chain disruptions caused by the pandemic and unforeseen events such as cyclones. This has necessitated a revised timeline for the completing of the project extending from 2025 to mid-2026. As at December 31, 2024, Evaco sold 218 units out of 348 (206 units as at July 2024).

Cap Marina project: The rating is entirely dependent on the successful completion and timely sale of the remaining phases of the Cap Marina project, which is currently under construction. As Evaco's cash flow is primarily tied to the performance of the Cap Marina project, the rating hinges on its operational and financial success. Cap Marina is the only real estate project currently being developed under the SPV M/s Creative Properties Limited [rated CARE MAU A+ (SO); Stable / CARE MAU A1 (SO)] in the village of Cap Malheureux. The entire project is on "sale and build" model.

The Cap Marina project includes the development of high-end residential villas, duplexes, and apartments under the Government of Mauritius's Property Development Scheme (PDS) for foreign buyers, mainly from South Africa and Europe, along with 21 villas for local residents outside the PDS scheme. The residential units consist of:

- 228 luxury residential villas (ranging from €350,000 to €6,000,000 per unit) under the PDS scheme
- 79 apartments (ranging from MUR 6 million to MUR 60 million per unit) under the Ground + 2 scheme
- 41 storages and garages

As of December 2024, out of 348 units to be sold, Evaco has signed agreements for 218 units (206 villas as of July 2024) and received payments based on milestones completed. The project is designed to include green parks with over 180,000 plants and a 2-kilometer freshwater canal running through the residential village, offering residents the option to travel by kayak. Other amenities include a beach lounge, restaurants, a swimming pool, a rooftop bar, a gym, a kids' club, a spa, a grocery store, a pharmacy, a bakery, a shell museum, and shops, with direct access to Cap Malheureux's main beach.

The GFA: Under GoM regulations, all PDS developments for international clients must comply with VEFA (Vente en État Futur d'Achèvement) and secure a Financial Completion Guarantee (GFA) from a reputable bank. The GFA obligates the bank to complete the project if the developer fails and is granted only once the developer achieves project breakeven and demonstrates a solid track record and international appeal.

Financial Performance of Evaco Group: In FY24, revenue declined 27% due to administrative delays, reducing EBITDA to MUR 118 million and causing a 95% drop in PAT from higher finance costs. Interest cover was 1.53x, overall gearing rose to 4.68x, and the group held MUR 155 million in cash as of June 2024.

Financial Performance of Evaco Standalone: In FY24, services revenue grew 36% to MUR 76 million, lifting EBITDA to MUR 48 million (from MUR 21 million in FY23) and PAT to MUR 8 million despite higher interest rates. GCA stood at MUR 18 million, interest coverage improved to 1.77x, and the cash balance was MUR 116 million as of June 2024. Overall gearing rose from 0.53x to 0.76x, raising total debt to MUR 1,678 million.

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Annexure I

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.