

Annexure B- Brief Rationale
CRAF reaffirms CARE MAU BBB+ rating assigned to the
Fixed Deposit Programme of Banyan Tree Bank Limited

Ratings

Facility/Instrument	Amount	Ratings*	Remarks
Fixed Deposit Programme	USD 150 Million (equivalent to Mur 5.4 billion)	CARE MAU BBB+; Stable [Triple B Plus; Outlook: Stable]	Reaffirmed

**Please note that the rating does not consider the impact of any capital controls that may be imposed by the government authorities in Mauritius that may restrict access/convertibility/use of foreign currency. The explanatory notes regarding the rating symbols of CARE Ratings (Africa) Private Limited (“CRAF”) are attached as Annexure I*

Rating Rationale

The rating factors in the experienced promoters and management team, moderate asset quality, higher capital adequacy than regulatory requirement and low gearing.

The rating is, however, constrained by moderate scale of operations with deposit & asset concentration risk, slower than anticipated scale up of operations during the last 3 years, significant withdrawal of deposits during last 2 years leading to contraction of the bond investment portfolio, reduced in low cost CASA deposit, continuous decline in profitability during last 3 years, volatility of profit due to market and currency risk, small size of the bank in the banking sector of Mauritius and potential volatility due to market related risks.

Ability to scale up operations profitably, ability to improve profitability and maintain asset quality in fresh disbursements, diversification in loan portfolio and market risks on assets are key rating sensitivities.

The rating outlook is stable and may be revised with improvement in profitability, further diversification in loan portfolio and growth in deposits.

BACKGROUND

BanyanTree Bank (“BTB”) is promoted by Mr. Sanjiv Singhal who is also the promoter & Managing Director of India based Banyan Tree Capital Advisors. Indo-Mauritian business persons and global strategic investors are also shareholders in BTB. 12.23% shareholding is with Sanjiv Singhal & his daughter (through a Singapore company – Neemtree Advisors), 10% is with Mauritian entities (groups / individuals), 10% with employee trust and rest with individuals predominantly from the financial services sector.

BTB was incorporated in Mauritius on 11th June 2012 and received its banking license from the Bank of Mauritius (BoM) on 6th September 2012. Commercial operations effectively started in 2013. The growth has been at a steady & cautious pace and it has received the backing of some large investors. While in the initial years, BTB was focusing on raising funds and investing in short term/medium term bonds of Indian & foreign banks, however since CY16 the bank is steadily trying to reduce investment in corporate bonds and focus on lending to corporates in Mauritius, the United Kingdom, the Middle East and Asia for tenures mainly ranging between 1-2 years. The long-term lending and expansion strategies and introduction of new products are expected to give results in future.

Total assets stood at MUR 3.5 Bn on December 2018 and MUR 3.8 Bn on June 2019 (MUR 4.2 Bn on December 2018).

In FY18 (Jan-December), BTB posted a loss of MUR 72 million (loss of MUR 41 million in FY17) due to lower non-interest income and impairment/provisioning on Corporate Bonds (Mur 16 million in FY17 and MUR 40 million in FY18).

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In H1FY19 (Jan-June 19), BTB posted a PAT of Mur 38 million due to lower operating expenses, higher Fees & commission income and marked-to-marked profit of Mur 34 million due to sale/revaluation of its investments in Corporate bonds and Kotak Advantage Banking Fixed Fund & Alpen (USD), on account of appreciation of USD vis-a-vis Mur. Till September 2019, BTB has already booked around 50% of the MTM profit as cash profit, by selling its investment in Kotak Advantage Banking Fixed Fund & Alpen (USD).

Disclaimer

CARE Ratings (Africa) Private Limited (“CRAF”)’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF’s ratings do not convey suitability or price for the investor. CRAF’s ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF’s rating. CRAF’s ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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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