

**Brief Rationale**  
**CRAF reaffirms the rating assigned to the Fixed Deposit Programme**  
**of Banyan Tree Bank Limited**

**Ratings**

Facility/Instrument	Amount	Rating	Remarks
Fixed Deposit Programme	USD 150 Mn (equivalent MUR 5.25 Bn)	<b>CARE MAU A-*** (Single A minus)*</b>	<b>Reaffirmed**</b>

*\*Rating does not take into account 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.*

*\*\*Outlook assigned in line with policy of CRAF: Negative*

*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, strong asset quality, increase in low cost CASA deposit and improved capital adequacy. The rating is, however, constrained by concentration of investment in few entities, volatility of profit due to market and currency risk, small size of the bank in the banking sector of Mauritius with limited performance history 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 loans & advances portfolio and maintaining capital adequacy are key rating sensitivities.

The rating outlook is negative and may be revised with improvement in profitability and diversification in loan portfolio.

**BACKGROUND**

Banyan Tree 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. About 32% shareholding is with Mr. Sanjiv Singhal & his daughter (through a Singapore company – Neemtree Advisors), 28% is with Mauritian entities (groups / individuals), 10% with employee trust and rest with individuals predominantly from the financial services sector.

BTB is one of the smallest banks in Mauritius. It 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 CY14 (CY refers to period from January to December) & CY15, BTB was focusing on raising funds and investing in short term/medium term bonds of Indian & foreign banks, however, with induction of new management in 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 5.9 Bn (approx USD 180 Mn) as on December 2016 and MUR 5.1 Bn (approx USD 151 Mn) as on June 2017. BTB reported a net profit of MUR 33.2 Mn in CY2016 (January – December) (MUR 127.9 million in CY15). Dip in profit was because of

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lower net interest income, higher personal & administrative expense and notional loss on movement in currency (MUR 10 million). Personnel & other expenses increased from MUR 80 million in CY15 to MUR 116 million in CY16 mainly due to commencement of operations in representative office in Dubai. Profitability dipped in CY16 leading to fall in ROTA from 2.61% in CY15 to 0.53% in CY16 and is expected to be volatile due to exposure to market risks.

In 6 months ended June 2017, BTB achieved net interest income of MUR 59 Million and a loss of MUR 14.6 million (due to notional loss of MUR 17.6 million). However, BTB also has a notional gain of MUR 25 million on its AFS portfolio. On considering the same, BTB has achieved a profit of MUR 10.4 million.

Capital adequacy was 13.03% as on December 2016 and it comprises entirely of Tier I capital. It is above Regulatory CAR of 10%, the minimum required by the Bank of Mauritius (BOM) till December 2016. From January 2017, Regulatory CAR has been increased to 10.65% by BOM. CAR was 12.75% as on June 30, 2017, without considering Tier II capital of MUR 73 million raised by BTB in May 2017. The same is subject to Bank of Mauritius approvals.

In CY16, BTB has witnessed delinquency in an aggregate outstanding exposure of MUR 1.77 million as on December 31, 2016 and the same has went into administration. BTB has made a provision of MUR 1.77 million in P/L account in CY16. This apart BTB has no NPA or delinquent asset in its 4-year history and compares favorably with the industry.

**Disclaimer**

CARE Rating (Africa) Private Limited (CRAF)'s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security or to invest in or withdraw funds from deposits. CRAF has based its ratings/outlook 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/deposit programme.

In case of partnership/proprietary concerns, the rating/outlook assigned by CRAF is 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.

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## Annexure I

### Rating Symbols

#### *Long /Medium-term Instruments*

<i>Symbols</i>	<i>Rating Definition</i>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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.