

CIEL Finance Limited

November 18, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue	500	CARE MAU A; Stable [Single A; Outlook: Stable]	Revised from CARE MAU A+; Stable [Single A Plus; Outlook: Stable]
Proposed Bond Issue	850	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned
Total	1,350		

Rating Rationale

The revision in the rating of the bond issue of CIEL Finance Limited ("CFL") primarily factors in the proposed increase in debt to finance the buyback of shares of Amethis Africa Finance Limited ("Amethis") and invest in CFL's affiliates, which will result in leveraged capital structure.

The rating continues to derive strength from the strong parentage of the CIEL Group, experienced and resourceful promoters, professional and experienced management team, strong performance of subsidiaries and affiliates operating in the banking & financial sector both in Mauritius and Madagascar. The major dividend paying group companies (contributing to 80%-90% of total dividends) namely, BNI Madagascar and Bank One Limited showed positive operational and financial parameters for the year ended June 30, 2022, while MITCO and IPRO continue to be profitable and pay regular dividends. KIBO II has also been displaying satisfactory performance till date.

The rating is however constrained by high dependence on the dividend income from affiliates of CFL which in turn is contingent to several factors including macroeconomic conditions and political environment, interest rate risks and industry competition both in Mauritius and Madagascar.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Continued growth in loan book and deposit base for both BNI Madagascar and Bank One
- Significant reduction in debt and improved capital structure
- Sustained maintenance of strong capital and liquidity levels by both BNI Madagascar and Bank One

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Significant dip in Capital Adequacy Ratio for both BNI Madagascar and Bank One from current levels
- Decline in loan book and deposit base for both BNI Madagascar and Bank One
- Deterioration in asset quality of the affiliates
- Regulatory and political risks in Madagascar

BACKGROUND

CIEL Finance Limited ("CFL") is the investment holding company for the banking and financial services cluster of CIEL Limited (CARE MAU A+; Positive/CARE MAU A1). CFL is involved in three sub-sectors of the financial industry namely, banking, fiduciary services, and private equity investment.

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
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BRN: C14127054 • FSC License No.: CR14000001

CFL was incorporated in 2013 as a wholly owned subsidiary, controlled by Ciel Limited, which is one of the largest business groups and conglomerates in Mauritius. Ciel Limited operates across six strategic business sectors and is present in more than 10 emerging markets across Africa and Asia.

In 2015, Amethis Africa Finance Limited (“Amethis”) acquired 24.9% stake of CFL. Amethis is an investment fund manager dedicated to Africa and Europe, with an investment capacity exceeding EUR 800 million.

In 1992, CIEL Group ventured into the financial sector by setting up Investment Professionals Limited (“IPRO”) which is licensed by the Financial Services Commission (“FSC”) to act as an Investment Adviser and to engage in the distribution of financial products focusing on listed entities in Sub-Saharan Africa, India and Mauritius. CFL holds 95.5% stake in IPRO. CFL has a strong presence in the Mauritian Global Business Sector through the 63.28% stake which it holds in Mauritius International Trust Company Limited (“MITCO”) through MITCO Group Ltd, one of the largest players in its sector for providing Trust & Corporate Services, structuring and overseeing investments in more than 100 countries.

In February 2008, through a joint venture between CFL and I&M Group (Kenya), the CIEL Group made its entry in the banking industry by acquiring First City Bank Ltd which was later renamed as Bank One Limited (rated CARE MAU A+; Stable).

In 2014, CFL acquired a 31.80% stake in BNI Madagascar, the oldest and one of the largest commercial banks in Madagascar.

In 2008, CFL along with other investors set up the KIBO Fund LLC (“KIBO I”), a private equity fund, to make private equity and equity- related investments in private companies. Upon reaching the fund’s 10 years’ lifetime in 2020, Kibo I has been put in liquidation.

CFL also launched KIBO II in June 2014, for private equity investments in companies located in Sub Saharan Africa and islands of the Indian Ocean. KIBO II holds investments in nine private companies across Africa and as at 30 June 2022, the fund’s valuation was USD 63.6 million and capital distributed to 30 June 2022 amounted to USD 11.7 million.

Proposed Exit of Amethis from CFL

Amethis is a limited life fund which is reaching the end of its lifespan and accordingly, the fund has approached CFL to buy back its 24.9% stake in the Company. CFL has agreed to buy back the shares of Amethis, which shall thereafter be redeemed and cancelled. The buyback of the 24.9% stake of Amethis by CFL will be financed by utilizing part of the proceeds from the proposed bond issue of MUR 850 million.

Subsequent to the bond issue, the overall gearing of CFL is expected to increase from current levels.

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Details of Rated Instruments

Instruments	Amount (MUR Million)	Repayment
Bond Issue	500	September 2024 – MUR 150 million September 2025 – MUR 175 million September 2026 – MUR 175 million
Proposed Bond Issue	850	Indicative repayment terms, subject to change in line with investor subscriptions: November 2027 – MUR 75 million November 2028 – Between MUR 90 million and MUR 150 million November 2029 – Between MUR 180 million and MUR 230 million November 2030 – Between MUR 180 million and MUR 230 million November 2031 – Between MUR 180 million and MUR 230 million

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. 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.

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