Brief Rating Rationale

CRAF assigns 'CARE MAU A1+' rating to short term loan of CIM Finance Ltd.

Ratings

Facility/Instrument	Amount (MUR Million)	Rating	Rating Action
Proposed Short-term loan – (earmarked out of working capital facilities) *	1,000	**CARE MAU A1 + (A One Plus)**	Reaffirmed with change in nomenclature from Commercial Paper to short term loan

"The aggregate of outstanding short-term loan and working capital facilities shall be within the sanctioned working capital limits (overdraft limit & money market line) of CIM Finance Ltd. of around MUR 2,500 million with banks".

Rating Rationale

The ratings assigned to the proposed short term loan of CIM Finance Ltd. ("CFL") derive strength from long & satisfactory track record of CFL & CIM group, experienced & resourceful promoters, professional and highly qualified management team, dominant market share (~95%) in Credit Facility Agreement ("CFA"; previously termed as Hire Purchase], well diversified asset portfolio, consistent growth in disbursements, moderate asset quality, satisfactory financial position with moderate gearing and comfortable asset-liability maturity profile, capital adequacy ratio ("CAR") & liquidity profile.

The ratings are however constrained by risk associated with increasing competition in the financial services business, entry of new players in CFA segment, exposure to regulatory risks, risk associated with volatility in interest rates and increase in exposure to relatively riskier segments such as unsecured lending.

Ability of CFL to maintain asset quality and profitability while increasing asset size, improving asset liability maturity profile, maintain CAR in the range of 11.50% to 12.00% - well above Regulatory norm of 10% and continued support from promoters are the key rating sensitivities.

BACKGROUND

CIM Finance Ltd. ("CFL") was incorporated, in 1987, by the Taylor family and Rogers group of Mauritius as CIM Ltd. The main objective was to provide CFA/credit facilities to the customers of the retail outlets (selling electronic goods/furniture) of the group. In April 1996, the company was rechristened as CIM Finance Ltd. CFL is regulated by Bank of Mauritius ("BOM") as well as the Financial Services Commission ("FSC") of Mauritius.

In July 2005, CIM Financial Services Ltd. ("CFSL") was incorporated, to manage the global business, finance business and property business of CIM group. Subsequently, CFL was made a wholly owned subsidiary of the CIM Financial Services Ltd., a company listed in the Stock Exchange of Mauritius. Till 2012, Rogers group and Taylor family (through CIM holding Ltd.) were holding majority stake in CIM Financial Services Ltd. However, post restructuring in 2012, CFSL came under the fold of Taylor family. At present, Taylor Family through various companies owns majority share (53%) of CFSL. The balance 47% is held by corporates, Insurance Companies, pension funds and individuals.

CFL is currently one of the largest Non-Banking Deposit Taking Institution (NBDIT) in Mauritius in terms of Asset under Management and turnover. It operates around 95 counters and a network of more than 700 merchants in Mauritius and Rodrigues. The main services offered are CFA, leasing, deposit taking, unsecured loans, credit cards, factoring and credit insurance.

CFL witnessed a moderate growth in total Assets under Management (AUM) from MUR 7,722 million in FY16 to MUR 9,388 million in FY17. CFL holds 95% market share in CFA market. Traditionally, it was a high yielding product. In September 30, 2015, charges were reduced from 19% p.a. to 12% p.a.

CFL recognizes NPA as from 90 days and writes off 100% of loan overdue beyond 360 days. This apart the company also makes specific provisioning and portfolio provisioning (1.00% of the portfolio value) in line with the Guideline on Credit Impairment Measurement and Income Recognition of BoM. GNPA was 3.9% as on September 2017. Net NPA to networth was 0.14% as on September 2017.

The collection efficiency has remained stable at 96%. CFL has written of provision for NPAs of MUR 194.3 million in FY17 (MUR 152.4 million in FY16).

CFL's CAR deteriorated to 10.5% as on Sept 30, 2016 primarily due to higher disbursement in Hire Purchase segment. In order to support CAR and enable CFL to execute higher disbursement in FY18, CIM Financial Services Ltd. (holding company) has made equity infusion of MUR 150 million in Dec 2016 and MUR 175 million in September 2017. Accordingly, CAR has improved to 13.5% as on Sept 30, 2017 and 13.09% as on March 31, 2018. The same was well above the regulatory requirement of 10%. Overall gearing ratio was 3.67 times as on Sept 30, 2017 (4.53 times as on Sept 30, 2016).

Being a deposit taking NBFC, the company has to maintain 10% of its deposits in liquid portfolio (Fixed Deposit with Banks/Treasury Bills issued by GoM). However, the company's investment in Fixed deposits are more than 16% with commercial Banks for last 3 years. This apart CFL maintains a cash & bank balance of around than MUR 260 million. Loans from holding company of MUR 1,800 million (total loan borrowings of MUR 4,700 million) are rollover in nature and generally rolled over on maturity. Average utilisation of fund based working capital limits (MUR 2,600 million) in the 12 months ended April was about 50%. ALM profile for 5 years and within 1 year is also comfortable.

In FY17, (October – September 2017), CFL reported a PAT of MUR 250.5 million (MUR 242.0 million in FY16) on a total income of MUR 1,509 million (MUR 1,330 million in FY16).

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.

Short term Instruments

Symbols	**Rating Definition**
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.