C-Care (Mauritius) Ltd ("C-Care")

January 13, 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Term Loan	MUR 288 million (Reduced from MUR 348 million)	**CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**	**Reaffirmed; Outlook revised from Stable**
Bank Facility	MUR 50 million	**CARE MAU A1+ [A One Plus]**	**Reaffirmed**
Proposed Term Loan	MUR 482 million	**CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**	**Assigned**
Total	**820**		

Rating Rationale

The rating assigned to the term loans and bank facility of C-Care (Mauritius) Ltd derives strength from the increasing demand in the healthcare industry of Mauritius, the long-standing reputation of C-Care being the market leader in the industry, association with renowned local and foreign medical practitioners further strengthening the brand image, satisfactory occupancy levels across the two hospitals contributing to robust top line as well as bottom line results over the past two years, strong cash generating ability enhancing the debt repayment capacity, consistent reduction in overall gearing level of the past four years as well as the strong parentage from the CIEL Group which provides reasonable assurance of promoter support.

The rating is however constrained by new debt-funded capital expenditure projects which will increase overall gearing level, increasing competition with new players entering the private healthcare industry and new government projects in the sector, tendency for Mauritian patients to travel to lower cost and more sophisticated countries to receive treatment, and the rising cost of hospital consumables and higher interest rates are expected to put pressure on margins over the medium to long term.

Outlook: Positive

The outlook is 'Positive' on account of expectation of sustained robust financial performance with maintenance of health liquidity position, comfortable gearing level after considering debt-funded capital expenditure projects and enhanced dominant position in the Mauritian healthcare after completion of the new projects.

Rating Sensitivities:

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

- Increase in occupancy levels at C-Care Wellkin and C-Care Darne leading to sustained profitability
- Successful execution and timely delivery of the major project at C-Care Darne
- Shorter than expected time lag before reaching break-even from new project at C-Care Darne

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

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

- Delay in the execution of the new project at C-Care Darne
- Significant dip in occupancy levels at C-Care Wellkin and C-Care Darne leading to the decline in profitability
- Rapid increase in competition reducing the market share of C-Care
- Additional debt taken leading to higher gearing levels beyond 1x

BACKGROUND

C-Care (Mauritius) Ltd ("C-Care") was incorporated in July 1972 by a group of leading sugar manufacturers, to take over the Clinique Darne hospital. The Clinique Darné, now C-Care Darné, was founded by Dr. Francois Darné in 1953 with a capacity of 12 rooms and one operating theatre and it is one of the oldest and most renowed private hospitals of Mauritius. In January 2017, C-Care acquired Wellkin hospital (erstwhile Apollo Bramwell Hospital) situated in Moka. In July 2019, Fortis Healthcare Limited, which owned 28.89% of C-Care sold its entire stake in the Company to C-Care (International) Ltd (formerly known as CIEL Healthcare Limited) and CIEL Limited. Subsequent to this acquisition, C-Care (International) Ltd ("CCIL") had its stake increased to 67.41% and CIEL Limited held 20.08%.

C-Care Darne, strategically located in Floreal, is one of the most modern hospitals in Mauritius with a capacity of 119 beds, 5 operation theatres, 3 Intensive Care Unit (ICUs).

C-Care Wellkin ("Wellkin"), situated in Moka, is acknowledged to be one of the largest and most modern private hospitals in Mauritius. It operates 186 beds, 4 operation theatres, 2 ICUs and a pharmacy.

Besides operating the above two state-of-the art private hospitals, C-Care is present in the northern region of Mauritius with an out-patient clinic located at Grand Baie La Croisette, offering 24/7 emergency and medical care services across 19 specialties.

The activities of C-Care Mauritius also span to the west cost of the island with C-Care Tamarin which is another outpatient centre inaugurated in 2020.

C-Care also operates a chain of laboratories across the island providing testing facilities, C-Lab.

As at 30 June 2022, the group structure of C-Care Mauritius Ltd was as under:

C-Care is listed on the Development & Enterprise Market (DEM) of the Stock Exchange of Mauritius. CCIL is in turn a 53.03% subsidiary of CIEL Limited (rated CARE MAU AA-; Stable/ CARE MAU A1+). CCIL is the holding company of healthcare cluster of CIEL Limited which, apart from its Mauritius operations also conducts healthcare activities in Uganda. Mrs. Hélène Echevin is the Executive Chairperson of C-Care (Mauritius) Ltd since June 2017. Mrs. Echevin overseas all the activities under C-Care and she is also the CEO of the C-Care Group, regrouping all activities in Mauritius and Uganda. Each of the two main hospitals of C-Care (Mauritius) have a COO to whom the day-to-day management is delegated to. Mr. Clive Chung is the COO of CD while Mr. Rudi Clarke is the COO of Wellkin.

Debt- funded Capital Expenditure Projects

Given the increase in demand for advanced healthcare services in Mauritius, C-Care has embarked on new development projects to cater for the new demand and further strengthen its position as the leading healthcare provider in the country. These new projects involve (i) the purchase of new CT scan and MRI for Wellkin at a cost of MUR 91 million (ii) the acquisition of a 51% stake in a newly incorporated entity, the *Centre de Radiotherapie de l'Ocean Indien Ltd,* which will own and operate a radiotherapy equipment. C-Care will inject MUR 65 million in the form of equity in the new company and (iii) the construction of a new oncology centre on the property of CD which is estimated to cost MUR 326 million. The aggregate cost of these projects combined is MUR 482 million and will be financed entirely by debt.

Improved financial performance with healthy profit margins and strong gearing

C-Care has a track record of being a financially healthy company with strong cash generating ability. Over the past four years the Company's revenue has grown from MUR 1,899 million in FY29 to reach MUR 2,933 million in FY22, with a 16% grown registered from FY21. PAT has grown from MUR 67 million in FY19 to MUR 384 million in FY22. With effective cost management policies, margins earned by C-Care have been healthy over the past years. EBITDA margin was 17.12% and 21.58% for FY21 and FY22 respectively while PAT margin stood at 11.09% and 13.04% over FY21 and FY22 respectively. Given the strong profitability levels of C-Care, the Company maintained a healthy cash flow position over the past four years which enabled the repayment of MUR 60 million of the outstanding term loan in FY21 and FY22. Over the past four years, the overall gearing level decreased consistently from 0.90 times at 30 June 2019 to a more comfortable level of 0.49 times at 30 June 2022.

For Q1FY23, C-Care registered a revenue of MUR 724 million (Q1FY22: MUR 658 million) and PAT of MUR 90 million (Q1FY22: MUR 105 million). At 30 September 2022, the Company had a comfortable cash position of MUR 224 million.

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Annexure I

1. Details of Rated Facilities

Facilities	Amount	Repayment
Term Loan	MUR 288 million	FY23 – MUR 61 million FY24 – MUR 63 million FY25 – MUR 64 million FY26 – MUR 66 million FY27 – MUR 34 million
Bank Facility	MUR 50 million	Repayable on demand
Proposed Term Loan	MUR 91 million	Moratorium of 12 months. Repayment in equal annual installments starting after moratorium period, i.e., in FY24.
	MUR 65 million	Moratorium of 24 months. Repayment in equal annual installments starting after moratorium period, i.e., in FY25.
	MUR 326 million	Moratorium of 24 months. Repayment in equal annual installments starting after moratorium period, i.e., in FY25.

Annexure II

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.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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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.