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 new development 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.

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.

CREDIT RISK ASSESSMENT

Experienced promoters & management

C-Care (Mauritius) operates under the aegis of the healthcare cluster of the CIEL Group, which is one of the largest business groups in Mauritius with a portfolio of companies valued at MUR 22,918 million at 30 September 2022.

A summary of the financial performance of CIEL Limited is given below:

For the year ended/ as on June 30,	FY18	FY19	FY20	FY21	FY22
	MUR million				
Total Income	22,985	24,549	21,425	18,897	29,472
EBITDA	2,953	3,374	3,053	2,697	5,271
Profit/ (Loss) before Tax	1,379	(753)	(1,105)	772	2,985
Profit/ (Loss) after Tax	1,090	(1,189)	(2,178)	446	2,154
Tangible networth	17,857	17,598	13,546	16,375	19,556
Total debt	16,801	17,446	18,707	16,553	16,549
EBITDA margin (%)	12.85	13.74	14.25	14.27	17.88
PAT margin (%)	4.74	5.32	3.78	2.36	7.31
Debt equity ratio (times)	0.66	0.67	0.79	0.68	0.52
Overall gearing ratio times)	0.94	0.99	1.38	1.01	0.85
Interest coverage (times)	3.78	4.15	3.26	2.08	5.71

Multi-specialty hospitals with state of art technology

C-Care Darne provides tertiary healthcare services in various fields (Cardiology, Cardiac Surgery, Orthopaedics, Rheumatology Neurology, Vascular and Thoracic Surgery, Gynaecology, Paediatric Surgery, Dental, Dermatology, ENT, Endocrinology, Gastroenterology, Ophthalmology, Oncology, Pulmonology, Physiotherapy etc.) with specialists available round the clock exclusively for the hospitals, and state-of-the-art equipment. C-Care Darne is amongst the oldest and most renowned hospitals in Mauritius and its neighboring areas for its patient centric and high-quality care. Like C-Care Darne, C-Care Wellkin also offers a wide range of medical facilities including IVF, Cell therapy, Plastic and Aesthetic Surgery as well as Cardiology, Orthopaedics, Nephrology, Urology, Obstetrics, Gynaecology and Paediatrics.

The Bed Capacity and Occupancy levels for the two hospitals operated by C-Care, for the past four years, is given below:

Clinique Darne	FY19	FY20	FY21	FY22
No. of beds	114	114	114	114
Occupancy rate (%)	78%	71%	67%	72%
Average length of stay (days)	2.47	2.4	2.56	2.62
Average revenue per occupied bed (MUR million)	9.83	9.1	8.8	9.1

Wellkin	FY19	FY20	FY21	FY22
No. of beds	150	152	163	171
Occupancy rate (%)	68%	63%	60%	60%
Average length of stay (days)	2.09	2.09	2.11	2.54
Average revenue per occupied bed (MUR million)	10.5	7.7	8	8.9

Revenue Mix and healthy Cash flows

C-Care generates 99% of its revenue from the provision of healthcare services while the rest is earned from the sale of food & beverages. This apart, from the provision of healthcare services at CD and Wellkin, the Company receives 57% of its revenue in the form of cash settlement from patients. The remaining 43% is then recovered from insurance companies which insure the patients. C-Care partners with well-known insurance companies in Mauritius, to provide cash-less services to patients. Given the high cost of private healthcare in Mauritius, contracting a medical insurance policy has become essential to the Mauritian citizens and the offering of cash-less services has encouraged to a greater extent, patients to receive treatment in private institutions like C-Care.

Association with experienced doctors

One of the driving forces of the hospitals operated by C-Care has been the highly qualified and experienced pool of doctors and medical staff practicing at C-Care Darne and C-Care Wellkin.

The brand strength and dominant position of C-Care in the Mauritian market also attracts highly qualified medical professionals from other countries such as India and France to work in its hospitals.

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.

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.

The construction of the new oncology centre at CD is already in progress and as at date, C-Care has already internally funded MUR 76 million towards the project. The completion and delivery of the new oncology centre is expected for December 2024.

Industry Risk

Both the Government and private sector players operate in the Mauritian Healthcare Industry. As at date the healthcare sector employs around 8,500 people and accounts for 5.3% of the Mauritian Gross Domestic Product (GDP). The sector has metamorphosed itself into an integrated cluster underpinned by a core group of high-value activities such as hi-tech medicine, medical tourism, medical education and wellness. During the last decade, a number of global healthcare companies have invested in multi-specialty and super-specialty centres of excellence to cater for the growing healthcare needs of both national and international patients as Mauritius aim to be the healthcare hub of Africa.

The public sector provides free medical services and as at 31 December 2021 operated five regional hospitals namely Dr. A.G Jeetoo Hospital, Sir Seewoosagur Ramgoolam Hospital, Dr. B. Cheong Hospital, Pandit J. Nehru Hospital and Victoria Hospital. There were also two district hospitals (Souillac Hospital and Mahebourg Hospital), six specialised hospitals and three Detoxication and Rehabilitation Residential Centres. The total number of beds in government health institutions was 3,803 as at the end of 2021.

In the private sector at the end of 2021, there were eighteen private health institutions with a total of 776 beds. The largest private hospitals/ clinics are C-Care Wellkin and C-Care Darne having operational capacity of 186 and 119 beds respectively. Other private hospitals/clinics include Muller Clinic, Dr Ferriere Clinic, Bon Pasteur Clinic and Clinic Mauricienne. The total number of beds in the public and private sectors as at the end of 2021 in Mauritius was 4,579, that is, 266 inhabitants per bed.

Summary of financial performance for C-Care (Mauritius) Ltd:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	1,899	1,978	2,516	2,933
Total Income	1,911	1,988	2,534	2,943
EBITDA	210	208	431	633
Depreciation	122	97	123	147
Interest	22	20	11	10
PBT	67	40	282	463
PAT	116	41	281	384
Gross Cash Accruals (GCA)	189	188	404	531
Dividend paid/proposed	-	-	268	228
Financial Position				
Equity share capital	290	290	290	290
Tangible networth	506	505	541	705
Total debt	455	415	355	346
- Long term debt	403	365	288	283
- Short term debt	52	50	67	63
Cash & Bank balances	124	147	241	398
Key Ratios				
Profitability (%)				
EBITDA margin (%)	11.09	10.49	17.12	21.58
PAT margin (%)	6.08	2.05	11.09	13.04
ROCE- operating (%)	7.55	7.12	15.81	24.43
RONW (%)	26.00	8.07	53.70	61.61
Solvency				
Debt equity ratio (times)	0.80	0.72	0.53	0.40
Overall gearing ratio (times)	0.90	0.82	0.65	0.49
Interest coverage (times)	9.73	10.26	40.85	64.27
Long term Debt/ EBITDA	1.91	1.76	0.67	0.45
Total debt/ EBITDA (times)	2.16	2.00	0.82	0.55
Liquidity				
Current ratio (times)	0.91	0.96	0.80	0.82
Quick ratio (times)	0.77	0.72	0.66	0.68
Avg. Collection Period (days)	55	52	38	36
Avg. Inventory (days)	33	43	38	38
Avg. Creditors (days)	98	91	91	118
Op. cycle (days)	(10)	4	(15)	(44)

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.

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