

**Rating Rationale
C-Care (Mauritius) Ltd**

Ratings

Facility	Amount (MUR million)	Rating	Remarks
Term Loan	390 (Reduced from 450)	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	Upgraded from CARE MAU A with Stable Outlook
Overdraft	50	CARE MAU A1+ [A One Plus]	Upgraded from CARE MAU A1

Rating Rationale

The ratings assigned to the bank facilities of C-Care (Mauritius) Ltd (“C-Care”; erstwhile The Medical & Surgical Centre Limited) has been upgraded after considering consistently improving financial performance and stable operational performance during last few years. The ratings continue to derive strength from its experienced promoters & management team, leadership position of C-Care in the private healthcare sector of Mauritius, both Clinique Darné (“CD”) and Wellkin Hospital (“WH”) being multi-specialty hospitals with state of the art technology, association with eminent doctors, focus on complex medical operations, gradual increase in average revenue per bed despite of a slight dip in occupancy level in CD (due to 2 months lockdown in FY20 & FY21), envisaged growth in health insurance which is expected to propel growth in the healthcare sector and significant improvement in debt coverage indicators during last 2 years. The ratings also derive strength from C-Care being part of the CIEL group (CIEL Limited - rated CARE MAU A+; Stable/ CARE MAU A1).

The ratings are, however, constrained by risk associated with its predominantly debt-funded expansion projects, and susceptibility of the healthcare sector to risks arising from mishandling of a case or negligence on part of any doctor and/or staff.

Rating Sensitivities:

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Ability to maintain & improve occupancy in WH and CD
- Sustainability of profit in WH and CD
- Successful execution of expansion projects within the envisaged cost and timelines and generating envisaged returns therefrom
- Ability to attract and retain quality doctors in a competitive healthcare sector

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Decline in occupancy leading to the decline in profitability in WH and CD
- Delay in the execution of expansion projects within the envisaged cost and timelines, thus effecting the projected performance of C-Care

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BACKGROUND

C-Care (Mauritius) Ltd (“**C-Care**”; erstwhile The Medical & Surgical Centre Limited (**MSCL**)) was incorporated in July 1972 by a group of leading sugar manufacturers, to take over Clinique Darné. Clinique Darné (“**CD**”), with capacity at that time of 12 rooms, 1 operating theatre, 1 laboratory and 1 radiology service, was founded by Dr. François Darné, a highly respected surgeon in Mauritius, in 1953. It is one of the oldest private hospitals of Mauritius. In January 2017, C-Care acquired the assets of Wellkin Hospital (erstwhile loss-making Apollo Bramwell Hospital) in Moka, Mauritius. Clinique Darné, strategically located in Floréal, day care beds, operation theatres, a Critical Care Unit and an Isolation Intensive Care Unit, comprehensive diagnostic and laboratory services, pharmacy and 24/7 emergency department and ambulance services.

Wellkin Hospital (“**Wellkin**”) is a 163-bed capacity multi-specialty hospital, situated in Moka. Together hospitals have 277 operational beds, including operating theatres, and medical and paramedical services across over 40 specialties. Both the hospitals are equipped with state-of-the-art technology and well qualified & experienced doctors and specialists.

Mrs. Helene Echevin (Executive Chairperson) looks after the day-to-day operations of the company with the help of 3 COOs of each business units. Mrs. Helene Echevin played a key role developing the healthcare cluster of CIEL Group and is also the CEO of CIEL Healthcare Limited.

In June 2019, MSCL was rebranded as C-Care (Mauritius) Ltd (“**C-Care**”) and in July 2019 Fortis Healthcare Limited sold its entire 28.89% stake in C-Care to CIEL Healthcare Limited (acquired additional 8.81% stake) and CIEL Limited (acquired 20.08% stake). As on June 30, 2021, CIEL Healthcare Ltd and CIEL Limited (rated CARE MAU A+; Stable /CARE MAU A1) held 67.41% and 20.08% of C-Care respectively. The balance 12.51% is held with the public.

C-Care also operates a café in each of the hospitals which is responsible for the needs of patients, staff and visitors. Clinique Darné and Wellkin Hospital are the only 2 private international standard hospitals in Mauritius offering comprehensive medical facilities.

C-Care is a professionally managed company. It is governed by 9-member Board of Directors having combined expertise in Healthcare, Financial Services, Legal, Food Sciences and Technology.

CREDIT RISK ASSESSMENT

Experienced promoters & management team

CIEL group, directly and through its investment in CIEL Healthcare, has long experience in the healthcare sector. CIEL Healthcare owns, operates, and manages assets in the healthcare sector in Mauritius and across Sub-Saharan Africa. Its main investments are controlling stakes in **C-Care** (Clinique Darné, Wellkin Hospital) and, International Medical Group Limited (leading provider of private healthcare services in Uganda). CIEL group has been managing Clinique Darné for more than two decades and Wellkin Hospital for the last 4 years.

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Since February 1, 2020, Mrs. Helene Echevin, is looking after the day-to-day operations of the company with help of 3 COOs of each business unit. She is ably supported by a team of medics and professionals, who look into day-to-day operations of the hospital.

Multi-specialty hospital with state of art technology

CD 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 hospital. It is equipped with state-of-the-art equipment - modular OTs and state-of-the-art ICUs. CD is amongst the oldest and most renowned hospitals in Mauritius and its neighbouring areas for its patient centric and high-quality care. Patients around Mauritius and neighbouring have benefitted from the facilities offered by the hospital due to non-availability of a quality hospital in the region.

Like CD, 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 hospital is supported by fully equipped laboratories and radiology equipment. WH offers the most comprehensive orthopaedic care in the region and employs medical experts with vast experience to perform complex bone, joint and spine surgeries. The Consultants at the Urology Centre use the latest and advanced techniques to treat kidney, urinary, bladder and prostate problems. The hospital has recently implemented an Oncologic Palliative Care Unit and also became the first medical centre in Africa to offer an early detection programme for lung cancer with its special thoracic scans, blood tests and detailed analysis of smoking habits.

Association of experienced & eminent doctors

Both hospitals of C-Care in Mauritius have qualified doctors & surgeons and well-trained staff. Many experienced doctor of international repute are associated with C-Care over the years on account of its high inflow of patients, good infrastructure, and multi-specialty nature of the hospital. All departments have dedicated teams of doctors. The hospital has managed to retain the majority of its doctors in the last three years.

Focus on complex medical operations

Being a multispecialty hospital and thanks to the empanelment of reputed doctors, C-Care focuses on complex cases involving high-end medical treatment. As a result, it has been able to attract significant number of patients from across the island and even from neighbouring countries seeking specialized treatment.

Increase in average revenue per bed despite of a slight dip in occupancy level in WH and CD

Clinique Darné

For the year ending/As on 30 June	2019	2020	2021
No. of beds	114	114	114
Occupancy rate – days (%)	78%	71%	67%
Average no. of days per patient	2.47	2.40	2.56
Average revenue per occupied bed per annum (MUR Million)	9.5	9.8	11.0

Wellkin Hospital

For the year ending/ As on 30 June	2019	2020	2021
No. of beds	150	152	163
Occupancy rate – days (%)	68%	63%	60%
Average no. of days per patient	2.09	2.09	2.11
Average revenue per occupied bed per annum (MUR Million)	9.9	10.0	12.0

The slight dip in FY21’s occupancy compared to FY20 is due to the COVID-19 pandemic and related measures to contain spread of the virus which motivated patients to defer low-priority visits to the hospital. Post lockdown, occupancy rates picked up again.

Increasing Revenue from inpatients

For the year ending June 30,	2019 (12 M)	2020 (12 M)	2021 (12M)
Gross revenue	MUR mn	MUR mn	MUR mn
Inpatients	1,405	1,448	1,883
Outpatients	494	534	635
Total	1,899	1,992	2,518
% of gross revenue			
Inpatients	74%	73%	75%
Outpatients	26%	27%	25%

Despite lower occupancy, overall revenue has increased in FY21 due to PCR tests, an increase in the number of beds from 152 to 163 in Welkin, increase in inpatients & outpatients in both hospitals. Majority of C-Care’s revenue (75% in FY21) is derived from inpatients of the hospitals.

Both the hospitals provide medical facilities to all walk-in patients. The company also has a marketing force which interacts with various potential corporate customers operating in & around Mauritius on a regular basis to build up business relationship and enter into tie-ups to provide regular medical facilities to the employees of such corporates. In such cases, the client corporate foots the bill for the medical services provided to its employee. The hospital also works closely with major insurance players like – Swan, Mauritius Union, Medscheme, Mauritius Eagle, Sicom and NIC.

Improvement in performance of Wellkin Hospital

Post takeover, the occupancy of Wellkin has gone up from 45% in January 2017 to 60% in June 2021. The management is continuing its pursuit to drive sustainable operational efficiencies at Wellkin through volume growth and enhancing optimal synergies between Clinique Darné and Wellkin. Wellkin has started posting positive PAT since FY21 and was profitable in Q1FY22.

Large-size projects in C-Care over and above regular maintenance capex expected to increase debt levels and restrict free cash flows

C-Care invests around MUR 100-150 million annually on equipment and maintenance of medical facilities (regular maintenance capex) for the smooth operation of the hospitals. In addition to the regular capex, C-Care plans for setting up of a Cancer center in Darne, replace its existing MRI and CT scan machines with new ones, setting up a bigger clinic in the north and acquire radio-therapy equipment (totalling approximately MUR 500 million) over the period FY22-FY24. All these projects are expected to be executed over next 2-3 years. Accordingly, the company has plans to borrow Mur 500 million in a phased manner by FY24, to finance these projects.

Fragmented nature of the healthcare industry in Mauritius

The Mauritian Healthcare Industry provides a unique plan in Africa which enables the sharing of both the public sector and the private sector. The healthcare sector employs around 8,500 people and accounts for 4.6% of the Mauritian 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. Expenditure on healthcare in the Mauritian economy is around 5-6% of GDP. The public sector provides free medical services and operates 5 public hospitals (A G Jeetoo Hospital in Port Louis, Sir Seewoosagur Ramgoolam National Hospital in Pamplemousses, Victoria Hospital in Quatre Bornes, Dr. Bruno Cheong in Flacq and Candos in the district of Plaine-Wilhems), few specialized public hospitals and specialty centers, altogether having a capacity of over 4,500 beds managed by around 3,000 nurses and 600 doctors. Public hospitals account for the majority of bed capacity across Mauritius (around 85%), leaving a 15% share to the private sector. The private sector, being the oldest medical service provider in Mauritius, provides its services in over 40 private medical clinics & healthcare units across the island. The private healthcare industry employs around 550 doctors which are supported by a pool of approximately 2,500 nurses and staffs.

The largest private clinics are Wellkin Hospital and Clinique Darne having operational beds of 163 and 112 respectively; followed by other smaller bed capacity clinics like Muller Clinic, Dr Ferriere Clinic, Bon Pasteur Clinic and Clinic Candos.

Improvement in financial performance in FY21

In FY21, C-Care's revenue has improved by 27% to MUR 2,516 million over MUR 1,978 million in FY20, despite of a slight dip in occupancy in both the hospitals due to following factors –

- Increased revenue from PCR tests.
- Closure of borders – In FY21 & Q1FY22, more complex cases were treated locally which usually, pre COVID, were treated abroad. This has led to the increase in outpatients' revenue by 19% and inpatients revenue by 29% as compared to the revenue in FY20.
- Increased activities specially from additional rooms at Welkin and laboratory services relating to the current COVID pandemic.

Higher revenue and lower operational cost have led to significant increase EBITDA to MUR 463 million in FY21 from MUR 228 million in FY20. PBT also increased to MUR 282 million in FY21. GCA was comfortable at MUR 404 million vis-à-vis debt repayment of MUR 60 million in FY21.

Overall gearing ratio has improved from 0.82x on June 30, 2020, to 0.65x on June 30, 2021, on account of loan repayment effected in FY21 no utilization of working capital borrowings. Current ratio was 0.80x as on June 30, 2021 (0.96x as on June 30, 2020). In FY21 the company paid/declared a dividend of MUR 268 million.

In Q1FY22, C-Care has achieved an EBITDA of MUR 174 million (Q1FY21: MUR 143 million) and a PAT of MUR 104 million (Q1FY21: MUR 94 million) on a turnover of Mur 657 million (Mur 595 million in Q1FY21).

FINANCIAL PERFORMANCE

Standalone Financial performance of C-Care

MUR Million

For the year ended as on	Jun-19	Jun-20	Jun-21
	Audited		
Revenue	1,899	1,978	2,516
Total Income	1,911	1,988	2,534
EBITDA	207	228	463
Depreciation	122	113	123
Interest	22	20	11
PBT	67	40	282
PAT	116	41	281
Gross Cash Accruals (GCA)	238	154	404
Dividend paid/proposed	-	-	268
Financial Position			
Equity share capital	290	290	290
Tangible net worth	506	505	541
Total debt	455	415	355
Cash & Bank balances	124	147	241
Key Ratios			
Profitability (%)			
EBITDA / Total operating income	11.09	10.49	17.12
PAT / Total income	6.08	2.05	11.09
ROCE- operating (%)	7.55	7.12	15.81
RONW (%)	26.00	8.07	53.70
Solvency			

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For the year ended as on	Jun-19	Jun-20	Jun-21
	Audited		
Debt equity ratio	0.80	0.72	0.53
Overall gearing ratio	0.90	0.82	0.65
Interest coverage (times)	9.73	10.26	40.85
Long term Debt/ EBITDA	1.91	1.76	0.67
Total debt/ EBITDA	2.16	2.00	0.82
Liquidity			
Current ratio	0.91	0.96	0.80
Quick ratio	0.77	0.72	0.66
Avg. Collection Period (days)	55	52	38
Avg. Inventory (days)	33	43	38
Avg. Creditors (days)	98	91	91
Op. cycle (days)	(10)	4	(15)

Financials Performance in Q1FY22

Particulars (Mur Million)	Q1FY22	Q1FY21
Revenue	657	595
EBITDA	174	143
Interest	14	19
PBT	127	94
PAT	104	94
Gross Cash Accruals (GCA)	136	124
EBIDTA / Total income	26%	24%
PAT / Total income	16%	16%

Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve and intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio = Total debt (long term and short-term debt)/Tangible Networkth.
4. Total Income includes revenue, other operating Income and interest on deposits.

Annexure - I

1. Details of Long-term loan

Banker / lender	Type of facility	Amount outstanding (MUR Million)	Debt repayment terms
AfrAsia Bank Mauritius	Long term loan [MUR 450 million]	390.00	Tenure – 10 years Moratorium – 2 years Repayable in 8 annual ballooning instalments commencing from FY20
Grand Total		390.00	

The repayment terms are as follows:

MUR Million

Yearly Repayment	FY22	FY23	FY24	FY25	FY26	FY27
Principal	60	61	63	64	66	34

2. Details of Bank Facilities

Banker / lender	Type of facility	Amount (MUR Million)
AfrAsia Bank Mauritius	Overdraft	50.00
Grand Total		50.00

Disclaimer

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