

Rating Rationale

C-Care (Mauritius) Ltd (erstwhile The Medical & Surgical Centre Limited)

Ratings

Facility/Instrument	Amount	Rating	Remarks
Term Loan	MUR 390 million (reduced from MUR 450 million)	CARE MAU A; Stable [Single A; Outlook: Stable]	Reaffirmed
Long/Short term Overdraft Facility	MUR 50 million	CARE MAU A; Stable/ CARE MAU A1 [Single A; Outlook: Stable/A One]	Reaffirmed

Rating Rationale

The ratings assigned to the bank facilities of C-Care (Mauritius) Ltd (“C-Care”; erstwhile The Medical & Surgical Centre Limited) 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 (“Wellkin”) being multi-specialty hospitals with state of the art technology, gradual increase in occupancy level in Wellkin since its takeover, association with eminent doctors and envisaged growth in health insurance which is expected to propel growth in the healthcare sector. 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 renovation/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.

Ability of C-Care to further improve occupancy and maintain profitability in Wellkin Hospital and Clinique Darné, successfully execute renovation/expansion projects within envisaged cost and timelines, ability of the new executive management team to effectively manage operations of both hospitals and to continue to attract and retain quality doctors in a competitive healthcare sector are the key rating sensitivities.

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 of 12 rooms, 1 operating theatre, 1 laboratory and 1 radiography service, was founded by Dr. François Darné, a highly respected surgeon in Mauritius, in 1953. It is one of the oldest private hospital 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 (centre of Mauritius), is one of the most modern hospitals of Mauritius with 114 bed facility, day care beds, operation theatres, a Critical Care Unit and an Isolation Intensive Care Unit, comprehensive diagnostic and laboratory services, outpatient pharmacy and 24/7 emergency department and Ambulance services.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

Wellkin Hospital (“**Wellkin**”) is a 140-bed capacity multi-specialty Hospital, situated in the area of Moka. Post takeover of Wellkin Hospital’s operations by C-Care, the two hospitals operated by it together have 254 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/surgeons.

Ms. Helene Echevin (Executive chairperson), is looking after the day to day operations of the company with help of 2 COOs of each hospital. Ms. Helene played a key role developing the healthcare cluster of CIEL Group and is also the CEO of CIEL Healthcare Limited.

In June 2019, MSCSL 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, 2020, 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.

Clinique Darné and Wellkin are the only 2 private and 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 Limited, 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, C-Care Clinic and C-Lab in Mauritius), International Medical Group Limited (leading provider of private healthcare services in Uganda) and Hygeia Nigeria Limited (leading private healthcare company in Nigeria). CIEL group has been managing Clinique Darné for more than two decades and Wellkin Hospital for the last 2 years.

The day to day operations of C-Care (CD & Wellkin) were looked after by Mr. Olivier Schmitt till January 31, 2020. Since February 1, 2020, Mrs. Helene Echevin, is looking after the day to day operations of the company with help of 2 COOs of each hospital. They are supported by a team of medics and professionals, who look into day to day operations of the hospital.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

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 from all parts of Mauritius and Rodrigues have been greatly 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 pathology laboratories and radiology equipment. Wellkin 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 Doctors 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 almost all its doctors in last three years.

Focus on complex medical operations

Being a multispecialty hospital and due to empanelment of reputed doctors, C-Care focuses more on complex cases involving high end medical treatment, not available otherwise in its area of operation. As a result, it has been able to attract significant number of patients from across the island seeking specialized treatment.

Adequate occupancy level in Wellkin along with steady high occupancy level in CD

Clinique Darné

For the year ending/As on 30 June	2019	2020	Jul- Sep 2020
No. of beds	114	114	114
Occupancy rate – days (%)	78%	71%	75%
Average no. of days per patient	2.47	2.35	2.53
Average revenue per occupied bed per annum (MUR Million)	9.8	9.1	10.5

Wellkin

For the year ending/ As on 30 June	2019	2020	Jul- Sep 2020
No. of beds	127	129	140
Occupancy rate – days (%)	68%	62%	65%
Average no. of days per patient	2.09	2.29	2.10
Average revenue per occupied bed per annum (MUR Million)	10.5	7.7	9.3

The slight deterioration in FY20’s occupancy compared to FY19 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 in both hospitals are on the rise mainly because of the range of specialized healthcare services offered by both CD & Wellkin and association of quality & renowned doctors.

Increasing Revenue from inpatients

For the year ending June 30,	2019 (12 M)	2020 (12 M)
Gross revenue	MUR mn	MUR mn
Inpatients	1,405	1,448
Outpatients	494	530
Total	1,899	1,978
% of gross revenue		
Inpatients	74%	73%
Outpatients	26%	27%

Revenue increased in FY20 due to improvement in average number of days per patient in Wellkin, steady occupancy and increase in outpatients in both hospitals. Majority of C-Care’s revenue (73% in FY20) is derived from inpatients of the hospitals.

Both hospitals have different varieties of rooms to cater to patients from various strata of society with room rent ranging from MUR 2,000-3,000/- per day (for day care) to MUR 5,000-8,000/- per day (for single room).

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, often through medical insurance scheme of insurance companies. The hospital also works closely with major insurance players like – Swan, Mauritius Union, Mauritius Eagle, Sicom and NIC.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

Steady improvement in performance of Wellkin Hospital

Post takeover, the occupancy of Wellkin has gone up from 45% in January 2017 to 65% in August 2020. The management is continuing its pursuit to drive sustainable operational efficiencies at Wellkin by reducing cost and enhancing optimal synergies between Clinique Darné and Wellkin. Wellkin has started posting positive PAT since FY19 and is profitable in FY20.

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 80-90 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, there will be renovation of Clinique Darné and Wellkin's rooms (totalling MUR 43 million) over the period FY21-FY23. Same will be funded out of internal accruals.

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. 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. 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 Souillac Hospital), 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 and Clinique Darne having operational beds of 140 and 114 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 FY20

C-Care’s revenue improved by 4.2% to MUR 1,978 million from MUR 1,899 million in FY19 on account of improvement in average number of days per patient in Wellkin, steady occupancy and increase in outpatients in both Wellkin and CD. EBIDTA remained at the same level due to higher level of operational cost.

There was a deterioration in PBT because of the adoption of IFRS16 (MUR 34.9 million lower PBT attributable to change in accounting policy) and impairment of receivables (MUR 49.5 million). Hence, C-Care posted a PAT of MUR 40.8 million in FY20 compared to MUR 116.1 million for the previous year. GCA at MUR 188 million in FY20 was almost at the same level of FY19.

Interest coverage and Total debt/EBIDTA stood at 9.56x (FY19: 9.73x) and 1.98x (FY19: 2.16x) respectively. Overall gearing ratio also improved from 0.90x on June 30, 2019 to 0.82x on June 30, 2020 on account of scheduled loan repayment effected in FY20 and lower working capital borrowings. C-Care has a policy to stock inventory of around 30-50 days, based on the general trade practice across the industry. Out of the total billing/ operating revenue of C-Care, around 55% pertains to cash paying patients followed by balance 45% covered under Medclaim/ Insurance policies. Accordingly, the collection period remains comfortable at 3-4 weeks with a substantial number of patients opting for on-spot cash settlement.

Current ratio was 1.05x as on June 30, 2020 (1.00x as on June 30, 2019). Average bank limit (MUR 50 million) utilization during last 12 months was less than 15% confirmed by the management and bankers of C-Care.

In Q1FY21, C-Care has achieved an EBITDA of MUR 143 million (Q1FY20: MUR 78 million) and a PAT of MUR 94 million (Q1FY20: MUR 28 million).

FINANCIAL PERFORMANCE

Standalone Financial performance of C-Care

MUR Million

For the year ended/ as on	Jun-18	Jun-19	Jun-20
	12M	12M	12M
	(Audited)		
Revenue	1726.4	1898.6	1978.1
Total Income	1732.1	1910.6	1988.3
EBITDA	112.0	210.5	209.3
Depreciation	121.4	122.1	97.5
Interest	23.5	21.6	21.9
PBT	-32.9	66.7	40.4
PAT	-36.6	116.1	40.8
Gross Cash Accruals (GCA)	84.8	188.8	187.8
Dividend paid/proposed	0.0	0.0	0.0
Financial Position			
Equity share capital	289.8	289.8	289.8
Tangible networth	387.3	505.8	505.4
Total debt	466.8	454.9	415.3
Cash & Bank balances	151.84	123.8	147.4
Key Ratios			

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

For the year ended/ as on	Jun-18	Jun-19	Jun-20
	12M	12M	12M
	(Audited)		
Profitability (%)			
EBIDTA / Total op. income	6.49	11.09	10.58
PAT / Total income	-2.12	6.08	2.05
ROCE- operating (%)	-1.47	7.55	7.24
RONW (%)	-9.04	26.00	8.07
Solvency			
Debt equity ratio	1.16	0.89	0.82
Overall gearing ratio	1.21	0.90	0.82
Interest coverage (times)	4.78	9.73	9.56
Long term Debt/ EBITDA	4.02	2.14	1.98
Total debt/ EBITDA	4.17	2.16	1.98
Liquidity			
Current ratio	1.02	1.00	1.05
Quick ratio	0.88	0.85	0.79
Avg. Collection Period (days)	44	55	52
Avg. Inventory (days)	36	33	47
Avg. Creditors (days)	77	98	93
Op. cycle (days)	4	-10	6

Adjustments

1. Tangible network 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 Network.
4. Total Income includes revenue, other operating Income and interest on deposits.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

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 quarterly ballooning instalments commencing from FY20
Grand Total		390.00	

*As on October 31, 2020

The repayment terms are as follows:

MUR Million

Yearly Repayment	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Principal	50.3	52.7	55.2	57.9	60.6	63.5	61.5

2. Details of Bank Facilities

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

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.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com