Rating Rationale

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

Ratings

Facility/Instrument	Amount (Mur million)	Rating	Remarks
Term Loan	450	**CARE MAU A; Stable [Single A; Outlook: Stable]**	**Reaffirmed**
Long/Short term Bank Facilities - Overdraft	50	**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 AA; Negative/ 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. The ratings also take note of the discontinuance of its operations & maintenance (O&M) contract with Fortis Healthcare Limited; albeit C-Care's management has articulated that this is not expected to have any material adverse impact on its operations.

Ability of C-Care to further improve occupancy & 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

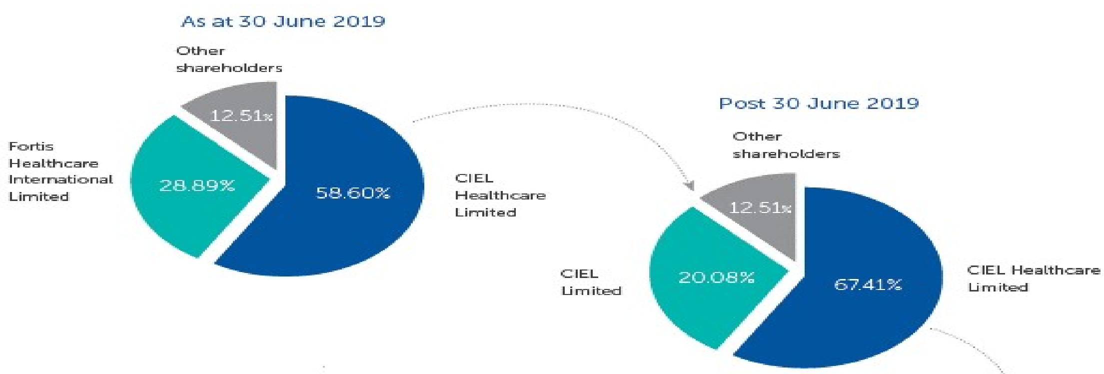
C-Care (Mauritius) Ltd ("**C-Care**"; erstwhile The Medical & Surgical Centre Limited (**MSCL**)) was incorporated in July 1972 by a group of leading sugar manufacturers, to take over Clinique Darné. Clinique Darné ("**CD**"), with capacity of 12 rooms, 1 operating theatre, 1 laboratory and 1 radiography 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 112 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.

Wellkin Hospital ("**Wellkin**") is a 127-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 239 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.

In January 2009, CIEL group and Fortis Healthcare Limited ("**FHL**") had jointly acquired 57.8% stake in MSCL. Subsequently, MSCL also entered into operations & maintenance (O&M) contract, of the Clinique Darné, with Fortis Healthcare Limited for a period of 10 years. In December 2018, MSCL did not renew the operations & maintenance contract with Fortis Healthcare Limited. Olivier Schmitt was appointed as the CEO to look after the operational side of both hospitals. However, Mr. Schmitt has resigned and as from February 1, 2020, Mrs. Helene Echevin is the CEO of C-Care.

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 September 30, 2019, CIEL Healthcare Ltd and CIEL Limited (rated CARE MAU AA; Negative/CARE MAU A1+) held 67.41% and 20.08% of C-Care respectively. The balance 12.51% is held with the public. Shareholding of C-Care is as under:



Currently, CD is operating at an occupancy rate of around 78% and Wellkin at 68%. C-Care also operates a café named Café du Volcan, located at CD. CD 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 7-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 Heathcare 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.

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.

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

Clinique Darné

For the year ending/As on 30 June	2017	2018	2019	July-Sep 2019
No. of beds	112	112	114	114
Occupancy rate – days (%)	82%	84%	78%*	79%*
Average no. of days per patient	2.58	2.42	2.47	2.37
Average revenue per occupied bed per annum (MUR Million)	9.30	9.74	9.83	9.75

**In FY19 (post exit of Fortis), there has been a change in calculation method of Occupancy. Using previous method, occupancy for 2019 and period July-September 2019 would have been 81% and 82% respectively.*

Wellkin

For the year ending/ As on 30 June	2017	2018	2019	July-Sep 2019
No. of beds	127	127	127	127
Occupancy rate – days (%)	50%	58%	68%*	70%*
Average no. of days per patient	2.10	2.12	2.09	1.85
Average revenue per occupied bed per annum (MUR Million)	9.2	10.3	10.5	11.5

**In FY19 (post exit of Fortis), there has been a change in calculation method of Occupancy. Using previous method, occupancy for 2019 and period July-September 2019 would have been 67% and 66% respectively.*

The range of specialized healthcare services offered by both CD & Wellkin and association of quality and renowned Doctors has increased inflow of patients. While, CD's occupancy rate witnessed a marginal decline in FY19, occupancy rate in Wellkin has increased from 45% (prior to acquisition in FY17) to 70% in Q1FY20.

Increasing Revenue from in-house patients

For the year ending June 30,	2018 (12 M)	2019 (12 M)
Gross revenue	**MUR mn**	**MUR mn**
In-house patients	1,272	1,404
Outpatients	460	506
Total	**1,732**	**1,910**
% of gross revenue		
In-house patients	73%	74%
Outpatients	27%	26%

Revenue increased in FY19 due to significant improvement in occupancy of Welkin and steady increase in number of patients (both in-house & outpatients) in Wellkin as a result of increasing trust of the patients towards the hospital, which, in turn, was on account of successful handling of a number of complex cases and association of qualified and experienced doctors. A major chunk of revenue (74% in FY19) for the company is derived from in-house patients of the hospital.

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 and 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.

Steady improvement in performance of Wellkin Hospital

Post takeover, the occupancy of Wellkin has gone up from 45% in January 2017 to 70% in September 2019. The management is trying to drive sustainable operational efficiencies at Wellkin by reducing cost and enhancing optimal synergies between Clinique Darné and Wellkin. Wellkin has started posting positive monthly PAT in FY19.

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, construction of 14 additional rooms in Wellkin and renovation of Clinique Darné (totalling MUR 62 million) will be funded out of internal accruals. The additional rooms are expected to be operational by June 2020.

A new building, specializing in radiotherapy for cancer patients, will be constructed in the parking lot of the Darné hospital. The building will be adjacent to the existing hospital and will house new rooms and offices. Construction of the radiotherapy building, fully-equipped and furnished, is expected to cost around MUR 200 million. The project will be started by June 2020 and is expected to be operational by December 2022.

C-Care proposes to avail a new 10-Year loan of MUR 200 million (indicative interest rate of 4.5-4.8% p.a.) in FY20. MUR 40 million will be disbursed in June/July 2020 and MUR 160 million will be disbursed over FY21. The 10-Year loan will have a 1-year moratorium period, with equal yearly principal repayments of MUR 22.2 million as from FY22. The radiotherapy building is expected to become operational in FY23 (December 2022).

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 4.4% 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 MUR 5 billion and the industry is a growing one.

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 Quartre Bornes, Flacq Hospital in Flacq and Candos in the district of Plaine-Wilhems), 6 specialized public hospitals and 8 specialty centers, having a capacity of over 4,500 beds managed by around 3000 nurses and 600 doctors.

The private sector, being the oldest medical service provider on the island, provides its services in over 20 private medical clinics with a total bed capacity of 705, 31 medical laboratories and 291 private pharmacists scattered across the island. The private sector generates business of approximately MUR 1.6 Billion which represents 30% of total expenditure on health in the Mauritian economy. The private healthcare industry employs around 550 doctors which are supported by a pool of approximately 2500 nurses and staffs.

The largest private clinics are Clinique Darné and Wellkin Hospital having operational beds of 112 and 127 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 FY19

C-Care's revenue increased by 10% in FY19 over FY18, due to higher synergies between Wellkin and Clinique Darné (leading to lower cost), increase in occupancy rate and stable average revenue per bed in both the hospitals. This enabled C-Care to post higher EBIDTA and positive PAT in FY19. Wellkin posted positive EBIDTA in FY19, due to occupancy of 68% in FY19 (58% in FY18) and stable average revenue per bed (MUR 10.5 Million for FY19). Clinique Darne also posted positive EBIDTA in FY19 due to occupancy of 78% in FY19 (84% in FY18) and stable average revenue per bed (MUR 10.7 Million for FY19). Interest coverage and debt coverage indicators have also improved significantly in FY19 over FY18. Overall gearing ratio also improved as on June 30, 2019 due to lower working capital borrowings. C-Care has a policy to stock inventory of around 30-40 days, based on the general trade parlance across the industry. Out of the total billing/ operating revenue of C-Care, around 70% pertains to cash paying patients followed by balance 30% covered under Mediclaim/ Insurance policies.

The collection period remains comfortable at 3-4 weeks with a substantial number of patients opting for on-spot cash settlement. Current ratio was 1.00x as on June 30, 2019. Average bank limit (Mur 50 million) utilization during last 12 months was well below 25% as confirmed by the management and bankers of C-Care. In Q1FY20, C-Care has achieved a turnover of Mur 482 million and PAT of Mur 28 million vis-à-vis turnover of Mur 451 million and loss of Mur 1.8 million in Q1FY19.

FINANCIAL PERFORMANCE

Standalone Financial performance of C-Care Mur *Million*

For the year ended/ as on	**Jun-17**	**Jun-18**	**Jun-19**
	12M	**12M**	**12M**
		(Audited)	
Revenue	1216.4	1726.4	1898.6
Total Income	1232.8	1732.1	1910.6
EBITDA	78.4	112.0	210.5
Depreciation	79.5	121.4	122.1
Interest	13.2	23.5	21.6
PBT	-14.3	-32.9	66.7
PAT	-24.7	-36.6	116.1
Gross Cash Accruals (GCA)	54.8	84.8	188.8
Dividend paid/proposed	17.1	0.0	0.0
Financial Position			
Equity share capital	289.8	289.8	289.8
Tangible networth	423.7	387.3	505.8
Total debt	519.8	466.8	454.9
Cash & Bank balances	71.4	151.84	123.8
Key Ratios			
Profitability (%)			
EBIDTA / Total op. income	6.45	6.49	11.09
PAT / Total income	-2.00	-2.12	6.08
ROCE- operating (%)	-2.58	-1.47	7.55
RONW (%)	-9.33	-9.04	26.00
Solvency			
Debt equity ratio	1.06	1.16	0.89
Overall gearing ratio	1.23	1.21	0.90
Interest coverage (times)	5.95	4.78	9.73
Long term Debt/ EBITDA	5.75	4.02	2.14
Total debt/ EBITDA	6.63	4.17	2.16
Liquidity			
Current ratio	1.05	1.02	1.00
Quick ratio	0.78	0.88	0.85
Avg. Collection Period (days)	34	44	55
Avg. Inventory (days)	50	36	33
Avg. Creditors (days)	56	77	98
Op. cycle (days)	27	4	-10

Adjustments

1. Tangible networth 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 Networth.
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 (Mur Million)	Debt repayment terms
AfrAsia Bank Mauritius	Long term loan	450.00	Tenure – 10 years Moratorium – 2 years Repayable in 8 annual ballooning instalments commencing from FY20
Grand Total		**450.00**	

The repayment terms are as follows:

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Principal	-	48.2	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**

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.

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.