

**Brief Rationale**  
**CRAF assigns CARE MAU A+ (Stable) rating to the proposed Bond Issue of**  
**CIEL Finance Limited**

**Ratings**

<b>Instrument</b>	<b>Amount (MUR Million)</b>	<b>Rating</b>	<b>Rating Action</b>
Bond Issue	500	<b>CARE MAU A+ Stable</b> <b>[Single A Plus; Outlook: Stable]</b>	<b>Assigned</b>

**Rating Rationale**

The rating assigned to the proposed bond issue of MUR 500 million of CIEL Finance Limited (“CFL”) derives strength from strong parentage of CIEL and Amethis group, experienced and resourceful promoters, professional and experienced management team, successful performance of various affiliates in banking & financial sector of Mauritius and Madagascar, strong operational and financial parameters of major dividend (80-90%) paying companies - BNI Madagascar and Bank One, successful performance of KIBO Funds with track record of profitable exit from majority of the investments in KIBO Fund I and satisfactory financial performance with low gearing & high debt service coverage indicators.

The rating is however constrained by high dependency on dividend income from affiliates – which is primarily contingent on the performance of BNI Madagascar, high level of competition in Mauritian and Madagascar banking segment, low penetration rate of banking operations in Madagascar, vulnerability of the operations of BNI Madagascar to the political and economic environment of the country and its exposure to foreign currency fluctuation risk and interest rate risks.

The rating is sensitive to operational & financial performance of major dividend paying banks – BNI Madagascar & Bank One, political & economic stability in Madagascar and successful exit from the KIBO funds in timely manner.

**BACKGROUND**

CIEL Finance Limited (“CFL”), incorporated in February 2013, is the investment holding company for the Finance cluster of CIEL group. CFL is engaged in banking, fiduciary services, private equity investment and asset management services.

At the time of inception, CFL was wholly owned, controlled and managed by CIEL Limited. CIEL group is one of the largest industrial and investment groups based in Mauritius with operations across African and Asian countries. In 2015, Amethis Africa Finance Limited acquired 24.9% stake of CFL. Amethis is one of the leading investment fund managers dedicated to the African continent, with an investment capacity exceeding €650 Million and is led by a team of experienced investors and bankers.

In 1992, CIEL group ventured into the financial sector by setting up Investment Professionals Limited (IPRO), which is engaged in providing discretionary portfolio management (pension funds and private clients) and fund management services (Mauritius and India). Mauritius International Trust Company Limited (MITCO) is another subsidiary of CFL which is one of the Tier 2 players in the offshore sector of Mauritius.

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In 2008, CIEL made an entry into the banking sector through the acquisition of First City Bank Limited (subsequently renamed as Bank One) in a joint venture with I&M Holdings of Kenya. Bank One (rated CARE MAU A+ (IS) Stable) is among the fastest growing bank in Mauritius.

CFL also owns a 39.7% stake in KIBO Fund LLC (KIBO I), 8.3% stake in KIBO Fund II LLC (KIBO II) and 50% stake in KIBO Capital Partners which manages the two private equity funds (KIBO I & KIBO II). CFL is governed by a Board of 9 Directors. The day to day operations are looked after by Marc Emmanuel Vives and assisted by a team of experienced professionals.

During FY18 and FY19, total dividend received by CFL was MUR 196 Million and MUR 238 Million respectively. Over last few years, CFL has received majority of the dividend (85-90%) from IOFHL (holding company of BNI Madagascar), BNI Madagascar and Bank One. Bank One has all along been profitable, however it has started paying dividend from FY17 and it has increased over last 2 years. MITCO is also a stable dividend paying company. Going forward, as indicated by the management, 90% of the dividend will be paid by IOFHL, BNI and Bank One.

In FY19 (July 1-June 30), CFL (Standalone) has achieved a revenue of MUR 238 million (MUR 196 million in FY18) on a PAT of MUR 130 million (MUR 83 million in FY18). Interest coverage was comfortable at 9.26x. As on June 30, 2019, overall gearing was 0.05x and total debt/EBIDTA was 1.23x. The same is expected to deteriorate to 0.15x and 3.20x post the proposed bond issue and improve thereafter.

In FY19 (July 1-June 30), CFL (Consolidated) has achieved a revenue of MUR 2,611 million (MUR 2,346 million in FY18) on a PAT of MUR 742 million (MUR 648 million in FY18). Interest coverage was comfortable and overall gearing was 0.15x and total debt/EBIDTA was 0.62x.

**Purpose of the proposed Bond issue:**

As on June 30, 2019, CFL had a total long-term debt of MUR 181 million. CFL proposes to issue a Bond of MUR 500 million and utilise the proceeds for repayment of existing high cost borrowings (5.75%) of MUR 175 million (due in September 2022) with Mauritius Commercial Bank, capital contribution of MUR 150 million in Bank One Limited and refinancing / investing in KIBO Fund II LLC for an amount of MUR 175 million.

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