Brief Rationale
CRAF reaffirms CARE MAU A+; Stable rating to the Bond issue of CIEL Finance Limited

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	500	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	Reaffirmed

Rating Rationale
The rating assigned to the bond issue of MUR 500 million of CIEL Finance Limited ("CFL") has been reaffirmed at CARE MAU A+ Stable. The rating continues to derive strength from a strong parentage of CIEL and Amethis groups, experienced and resourceful promoters, professional and experienced management team, satisfactory performance of various affiliates in banking & financial sector of Mauritius and Madagascar, strong operational and financial parameters of major dividend (80-90%) paying company - BNI Madagascar, turnaround in performance of Bank One in 9MFY21 after posting a loss in FY20, successful performance of KIBO Funds with track record of profitable exit from majority of the investments in KIBO Fund I and satisfactory gearing & debt service coverage indicators of CFL.

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, dependency 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.

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

- Further improvement in operational & financial performance of the dividend paying companies
- Timely and profitable exit from the investments in KIBO Fund II
- BNI Madagascar and Bank One – Maintain asset quality, profitability, capital adequacy with comfortable liquidity and asset liability maturity profile.

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

- Dip in performance in Bank One and BNI Madagascar
- Loss making exits from the investments in KIBO Fund II
- BNI Madagascar and Bank One – decline in asset quality, profitability, capital adequacy and asset liability maturity profile.

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 €725 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.

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+; Stable) is among the fastest growing bank in Mauritius.

In 2014, CIEL acquired a controlling stake in BNI Madagascar, the oldest and second largest commercial bank of Madagascar. In 2015, CIEL transferred the stake in BNI Madagascar to CFL.

CFL also owns 8.3% stake in KIBO Fund II LLC (KIBO II) and a 50% stake in KIBO Capital Partners Limited which manages the two private equity funds. CFL also holds a 63.28% stake in MITCO Group and 95.5% in Investment Professionals Ltd. It holds 23% in a stockbroker, LCF Securities Ltd. (along with the IBL group) and 100% in CIEL Finance Data Services Ltd.

CFL is a professionally managed company. It is currently governed by a Board of 9 Directors, comprising of 1 Executive Director, 7 Non-executive directors and 1 Independent Non-Executive Director. The day-to-day operations of the company are looked after Mr. Lakshmana Bheenick, who replaced Mr. Marc Emmanuel Vives in March 2021. He is being assisted by a team of experienced professionals.

During FY20 and FY21, total dividend received by CFL was MUR 199 million and MUR 232 million respectively.

In FY21 (July 1-June 30), CFL (standalone) posted a profit after tax of Mur 121 million (Mur 103 million in FY20) and revenue of Mur 253 million (MUR 203 million in FY20). Dividend from various group companies is the major source of income of CFL. Revenue has increased by 16% in FY21 (FY20: decrease of 14%) with the increase of dividend income from BNI Madagascar. EBIDTA level & margin has improved by 12% in FY21 (decrease of 5% in FY 20). With the increase in revenue, PAT & GCA also witnessed an increase of around 18% compared to FY20. CFL has paid a dividend of Mur 79 million in FY21 (FY20: 22 million). As on June 30, 2021, CFL had a total investment of MUR 3,985 million (MUR 3,853 million as on June 30, 2020) in its various business verticals.

In FY20, BNI Madagascar's Net interest income went up by 9% and PAT was MUR 691 million. As on December 31, 2020, BNI`s CAR was satisfactory at 9.64% (regulatory requirement of 8.00%), and Common Equity Tier I (CET I) ratio was 9.31%. CAR as on June 30, 2021, was 10.05%.

BNI has a stable deposit base and the term deposits have witnessed good rollover rate (75%) in recent years. Total deposits, which remain the Bank`s core source of funding, grew by 13% in FY20 (19% in FY19) with CASA proportion at 87% as on December 31, 2020. Banks' credit to deposit ratio has increased to 0.69x in FY20.

In FY20, Bank One posted a loss of MUR 492 million. As at December 31, 2020, Bank One`s CAR stood comfortable at 19.81% (against a regulatory requirement of 11.875%), and Common Equity Tier I (CET I) CAR was 12.45% (against regulatory requirement of 8%). CAR as on September 30, 2021, was 21.12% (against a regulatory requirement of 11.875%) and Common Equity Tier I (CET I) stood at 14.23% (against the regulatory requirement of 8.0%).

Bank One's deposit base declined from MUR 48 billion as on Dec 31, 2020, to MUR 37 billion in as on Sept 30, 2021, primarily because of the conscious decision of the Bank's senior management to redeem all doubtful deposits from global companies (GBC deposits) in line with the country's effort to clean up all suspicious monetary transaction and adhere to the stringent AML/FATF guidelines of European Commission to exit Mauritius' inclusion from the grey list of E.U.

In 9MFY21, interest income declined by 28% over 9MFY20 due to decline in loans book from MUR 22 billion in 9MFY20 to MUR 20.5 billion in 9MFY21. In these uncertain times, the strategy of the bank has been to be very prudent and selective in offshore lending which resulted in a contraction of the loans portfolio in 9MFY21. Non-interest income remains stable as 9MFY21. Bank One closed 9MFY21, with profit after tax of Mur 337 million against a loss of Mur 419 million in 9MFY20.

Prospects

The prospects of CFL depends on operational & financial performance of major dividend paying bank – BNI Madagascar, turnaround in the performance of Bank One and successful exit from the KIBO Funds II in a timely manner.

Annexure I

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.