

**CIEL Limited
Brief Rationale**

CRAF assigned CARE MAU A+; Stable rating to the Proposed Bond Issue of Mur 500 Million of CIEL Limited and reaffirms the rating assigned to the various instruments & bank facilities of CIEL Limited to CARE MAU A+; Stable/ CARE MAU A1

Ratings

Facility/Instrument	Amount (MUR Million)	Rating	Remarks
Proposed Bond Issue III	500	CARE MAU A+; Stable [Single A plus; Outlook: Stable]	Assigned
Bank Facilities – Long Term/Short term	180	CARE MAU A+; Stable/ CARE MAU A1 [Single A plus; Outlook: Stable /A One]	Reaffirmed
Long term Bond I	1,270	CARE MAU A+; Stable [Single A plus; Outlook: Stable]	Reaffirmed
Long term Bond II	1,530	CARE MAU A+; Stable [Single A plus; Outlook: Stable]	Reaffirmed

Rating Rationale

The rating assigned to the existing Bank Facilities of MUR 180 Million, Long Term Bond of MUR 1,270 Million and MUR 1,530 Million of CIEL Limited was reaffirmed. CRAF has also assigned CARE MAU A+; Stable rating to the proposed Bond issue of Mur 500 million of CIEL Limited. The proceeds of the Bond issue of MUR 500 million will be partly used to repay MUR 300 million (part of outstanding Bond issue of MUR 1,270 million) and partly to reduce the working capital utilization. Post the issuance of the Bond of MUR 500 million and repayment of MUR 300 million of outstanding Bond, CRAF will withdraw the rating assigned to the Bond issue of MUR 300 million.

The rating assigned to the existing Bank Facilities of MUR 180 Million, Long Term Bond of MUR 1,270 Million and MUR 1,530 Million of CIEL Limited was downgraded, from CARE MAU AA; Negative/ CARE MAU A1+ to CARE MAU A+; Stable/ CARE MAU A1 in December 2020, due to lower than expected profitability at both standalone and consolidated level – primarily due to closure of business during national lockdown in Q4FY20 resulting into a loss in majority of the clusters in FY20 and higher than envisaged debt at the Hotel cluster in order to fund losses arising out of closure of hotels due to the pandemic and subdued performance of its hotel property in Maldives.

The ratings continue to derive strength from established track record of CIEL group, experienced promoters, professional and highly qualified management team, presence across diverse business clusters (Textile, Finance, Healthcare, Hotel & Resorts, and Agro & Property), turnaround in performance of major dividend paying clusters (Textile, Finance, Agro and Healthcare) in H1FY21, expected dividend flow of from Textile, Agro & Property, Healthcare and Finance clusters, increase in stake to 100% in CIEL Textile and 20% in C-Care (Mauritius) Limited in July 2019 - which is expected to enhance dividend inflow from Textile & Healthcare clusters, huge land bank which can be monetized to reduce debt at group level and moderate financials.

CARE Ratings (Africa) Private Limited

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

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

The long-term rating is, however, tempered by CIEL being an investment company and its only source of revenue being dividend from group companies - contingent upon performance of various subsidiaries/associate companies amidst the pandemic, high debt level availed to finance acquisition and renovation in Hotel cluster, losses in the Hotel cluster (due to closure of hotels since March 2020, because of the pandemic) which in turn has impacted the financial performance of the group at the consolidated level in FY20 and H1FY21, market & political risks associated with operations in Africa and currency risk associated with Textile and Hotel clusters.

The ratings are sensitive to the ability of CIEL Limited to reduce debt at both standalone & consolidated level by monetizing its non-core/loss making assets, turnaround in the operational & financial performance of the Hotel cluster, any new debt funded acquisition or renovation and improvement in investment to debt ratio.

BACKGROUND

CIEL Limited (CIEL), an investment & holding company of CIEL group, is controlled and managed by the siblings of Mr. Adrien Dalais (holding more than 30% stake). CIEL is one of the largest industrial and investment groups based in Mauritius with operations in African and Asian countries. Apart from Mauritius, the CIEL group clusters are present in Maldives through the hotel industry, Tanzania and Kenya through the agricultural industry, Uganda and Nigeria through the healthcare sector, Kenya, Seychelles, Madagascar & Botswana through the finance industry and Madagascar, India and Bangladesh through the textile industry.

CIEL derives its revenue as dividend from the various group companies engaged in 5 diversified sectors - Textile, Finance, Hotel & Resorts, Healthcare and Agro & Property. The major companies of the group are CIEL Textile Limited, Aquarelle International Limited (textile; CARE MAU A; Stable), Aquarelle India Pvt. Ltd (textile; CARE BBB; Stable), CIEL Finance Limited [finance; CARE MAU A+; Stable], Bank One [bank; CARE MAU A+; Negative], C-Care (Mauritius) Ltd. (hospital; CARE MAU A; Stable/ CARE MAU A1), Alteo Limited (sugar; CARE MAU A; Stable), City and Beach Hotels (Mauritius) Limited – subsidiary of Sun Limited (hotel; CARE MAU A-; Under Credit Watch with Negative Implications). CIEL Textile is the major cash generating cluster of CIEL group. The group earned total revenue of around MUR 24 billion in FY20 (MUR 23 billion in FY19).

CIEL is a professionally managed company. It is governed by a 15-member Board of Directors comprising of 4 members from the Dalais family and a number of eminent industrialists and professionals. The strategic affairs of the company are looked after by Mr. Arnaud Dalais - Chairman of the group and his brother Mr. Jean-Pierre Dalais Group Chief Executive. Mr Arnaud Dalais' son is also actively involved in the family business. They are assisted by Mr. Jerome de Chasteauneuf (Executive Director; Group Finance Director) associated with CIEL group for more than 20 years and a team of experienced and qualified professionals.

CARE Ratings (Africa) Private Limited

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

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

CIEL Limited (Standalone) derives its revenue as dividends from the various group companies engaged in 5 diversified sectors - Textile, Agro & Property, Finance, Hotel & Resorts and Healthcare. In FY20, CTL posted lower revenue and profitability due to closure of the factories due to lockdown. In FY20, CFL achieved a revenue of Mur 3,462 million (Mur 2,853 million in FY19) and PAT of Mur 501 million (Mur 630 million in FY19). While Bank One paid nil dividend in FY20 due to higher provisions, the same was offset by higher dividend from BNI Madagascar due to its strong performance. In FY20, CIEL Healthcare has posted a PAT of MUR 32 million primarily due to better performance of C-CARE. C-Care (Mauritius) Limited has achieved a PAT of Mur 42 million in FY20 (Mur 116 million in FY19). In FY20, Alteo posted a normalised PAT of MUR 254 million with the total turnover of MUR 8,287 million. Sugar sector of Alteo contributes to around 20% of the total revenue. In FY20, Sun Limited posted revenue of Mur 5,058 Million, EBIDTA of MUR 1,029 million and normalised loss of MUR 827 million.

At a consolidated level, in FY20 CIEL posted a Normalised loss of MUR 32 million (normalised profit of MUR 1,307 million in FY19) on a turnover of MUR 21.9 billion (MUR 24.2 billion in FY19). CIEL Limited (Consolidated) derives around 65% of its PAT from textile, healthcare, property and finance cluster. Hotel cluster accounts for 50% of the total debt. Around 95% of the debt in textile is short-term working capital backed by inventory and receivables. In FY20, Consolidated revenue decreased by 10% primarily due to the closure of businesses due to lockdown in Q4FY20. However, the Finance, Healthcare and Property cluster of the company posted a decent result to net-off the losses of the other major Hotel and Textile clusters. As on June 30, 2020, CIEL Limited (Consolidated) had a cash balance of MUR 1,416 million (MUR 1,712 million in June 2019). Interest coverage was 3.51x during FY20. Overall gearing was 1.35x as on June 30, 2020.

In H1FY21, CIEL at the consolidated level booked a loss of MUR 450 million (Profit of MUR 795 million in H1FY20) on a turnover of MUR 9,147 million (MUR 12,906 million in H1FY20).

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: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

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.

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.

CARE Ratings (Africa) Private Limited

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

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com