CIEL Limited

January 09, 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bank Facilities – Long Term/ Short Term	180	**CARE MAU AA-; Stable/CARE MAU A1+ [Double A Minus; Outlook: Stable /A One Plus]**	**Revised from CARE MAU A+; Positive/CARE MAU A1 [Single A Plus; Outlook: Positive / A One]**
Long term Bond I	970 (reduced from 1,270)	**CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]**	**Revised from CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**
Long term Bond II	1,530	**CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]**	**Revised from CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**
Long term Bond III	500	**CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]**	**Revised from CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**
Total	**3,180**		

Rating Rationale

The ratings assigned to the bond issues and bank facility of CIEL Limited have been revised to CARE MAU AA-/CARE MAU A1+, with a change in outlook from 'Positive' to 'Stable' for the long-term rating.

The ratings continue to derive strength from established track record of the CIEL Group, experienced & resourceful promoters, professional and highly qualified management team, dominant presence across diverse business clusters and several geographical areas, stronger performance across the group's clusters with turnaround in the hospitality cluster, consistent improvement in Group performance with robust profitability, maintenance of healthy cash flow position and satisfactory gearing level, and huge land bank which can be monetized to reduce debt at group level and moderate financials.

The ratings are however constrained by the performance of CIEL Limited being dependent on the performance of its subsidiaries & affiliates which in turn is contingent to several factors including exchange rate for the export-driven textile cluster, new debt-funded capital expenditure increasing the overall gearing in the healthcare cluster, high inflation and rising interest rate environment increasing the risk of non-performing loans for the finance & banking cluster and macroeconomic factors including the potential global economic slowdown which may affect the hospitality cluster.

Rating Sensitivities:

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

- Sustained increase in Group revenue and profitability
- Reduction in overall gearing level of the Group and maintenance of healthy cash flow position
- Enhanced dominant position in the textile and healthcare industries,

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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- Continued growth across the two banks operating in the Finance cluster and achieving a resilient position in the Hotels & Tourism cluster and
- Successful monetization of existing land bank for the Property cluster.

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

- Decline in the operational and financial performance across subsidiaries, significantly affecting the profitability and debt repayment capacity at consolidated level
- Additional debt taken increasing the consolidated gearing level to above 1x

BACKGROUND

CIEL Limited ("CIEL") is an investment holding company with a 110-year history of owning and developing businesses in Mauritius and overseas. Starting with the acquisition of a sugar estate in 1912, the Company has over the century successfully transitioned from a primary sector operator focused on the sugar industry to become a major player in six sectors of the Mauritian economy namely, Agriculture, Textile, Hotels & Resorts, Healthcare, Property development & management, and Finance. Operating more than 30 brands through different subsidiaries and associates, CIEL and its subsidiaries, collectively called ("CIEL Group" or the "Group") is one of the leading business groups in Mauritius. Besides, having a dominant position in Mauritius, the Group has a significant regional presence with operations in strategic regional markets such as South Africa, Madagascar, Kenya, Uganda, Tanzania, India and Bangladesh.

At 30 September 2022, CIEL was operating a portfolio of companies valued at MUR 22,918 million. Some of the portfolio companies are listed below:

Name of the company	Sector	Rating
C-Care (Mauritius) Ltd	Healthcare	CARE MAU A+; Stable/A1+
Bank One	Banking	CARE MAU A+; Stable
CIEL Finance Limited	Finance	CARE MAU A; Stable
Alteo Limited	Sugar, Energy & Property	CARE MAU A; Under Credit Watch with Developing Implications
City and Beach Hotels (Mauritius) Limited	Hotel & Resorts	CARE MAU A-; Stable

CIEL is listed on the Official Market of the Stock Exchange of Mauritius (SEM) and had a market capitalization of MUR 10,125 million at 15 November 2022.

The Company is ultimately owned and controlled by members of the Dalais family, with Mr. Pierre Arnaud Dalais and Mr. Jean-Pierre Dalais directly holding 8.06% and 5.52% respectively.

CIEL Limited (Standalone & Consolidated) – Higher dividends from Group companies have boosted the revenue of CIEL by 59.4% during FY22, resulting in a PAT of MUR 341 million compared to MUR 130 million in FY21. EBITDA and PAT margin were 82.74% and 58.20% respectively for FY22, up from 73.33% and 35.24% respectively for the prior year. Interest coverage was up from 1.93 times in FY21 to 3.35 times for FY22. The financial position of CIEL is also stable with an overall gearing ratio of 0.15 times.

At a consolidated level, the robust performance of the Textile cluster and the revival of the hotel cluster have contributed to a 60% rise in Group revenue. PAT grew from MUR 446 million to reach MUR 2,154 million in FY22. The overall gearing level of the Group has been reduced from 1.38 times at 30 June 2020 to reach a more comfortable level of 0.85 times at 30 June 2022.

CIEL started FY23 strongly with a 50% rise in Group revenue from MUR 5,970 million in Q1FY22 to MUR 8,966 million in Q1FY23. Group EBITDA and PAT were also significantly higher at MUR 1,328 million (Q1FY22: MUR 719 million) and MUR 691 million (Q1FY22: MUR 192 million) respectively. The quarter's robust performance is supported by improved results in almost all clusters of the Group.

Annexure I
Details of Instrument

Details of Bank Facility

Bank	Type of facility	Amount (MUR Million)
Mauritius Commercial Bank Ltd	Overdraft	180

Long term Bond

Particulars	Amount (MUR Million)	Repayment (MUR Million)
Long term Bond (Issued in January 2018)	970	FY23 – 380 FY25 – 300 FY28 – 290

Long term Bond

Particulars	Amount (MUR Million)	Repayment (MUR Million)
Long term Bond (Issued in September 2019)	1,530	FY26 - 400 FY27 - 400 FY29 - 100 FY30 - 200 FY30 - 330 FY34 - 100

Long term Bond

Particulars	Amount (MUR Million)	Repayment (MUR Million)
Long term Bond (Issued in May 2021)	500	FY31 - 130 FY31 - 50 FY37 - 170 FY37 - 150

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.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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About CARE Ratings (Africa) Private Limited:
CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognised by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.
CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.
CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.
CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.