CIEL Limited
Brief Rationale
CRAF reaffirms the rating assigned to the various instruments & bank facilities of CIEL Limited to CARE MAU A+/ CARE MAU A1 with change in outlook from Stable to Positive

Ratings

Facility/Instrument	Amount (MUR Million)	Rating	Remarks
Bank Facilities – Long Term/Short term	180	**CARE MAU A+; Positive/CARE MAU A1 [Single A Plus; Outlook: Positive /A One]**	Rating reaffirmed with change in outlook from Stable to Positive
Long term Bond I	970	**CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**	Rating reaffirmed with change in outlook from Stable to Positive
Long term Bond II	1,530	**CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**	Rating reaffirmed with change in outlook from Stable to Positive
Long term Bond III	500	**CARE MAU A+; Positive [Single A Plus; Outlook: Positive]**	Rating reaffirmed with change in outlook from Stable to Positive

Rating Rationale

The ratings assigned to the bonds issue and bank facility of CIEL Limited ("CIEL"), has been reaffirmed at CARE MAU A+/ CARE MAU A1 with change in outlook from Stable to Positive. The change in outlook is in line with improvement in performance of Textile, Healthcare, Finance and Agro clusters of the group in H1FY22 and resumption of operations of hotel cluster in Q2FY22 due to opening of the international borders in Mauritius. The group has also been successful in reducing the debt at the consolidated level.

The ratings continue to derive strength from established track record of CIEL group, experienced & resourceful 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 FY21 & H1FY22, expected dividend flow from Textile, Agro & Property, Healthcare and Finance clusters, comfortable financial performance with low gearing & working capital utilization level, huge land bank which can be monetized to reduce debt at group level and moderate financials.

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, high debt level availed to finance acquisition and renovation in Hotel cluster, losses in the Hotel cluster (due to closure of international borders from March 2020 to September 2021, because of the pandemic) which in turn has impacted the financial performance of the group at the consolidated level, market & political risks associated with operations in Africa and currency risk associated with Textile and Hotel clusters.

Rating Sensitivities:

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

- Turnaround in the operational performance of Hotel Sector
- Reduction in debt at the group level
- Stability in the performance of Textile, finance, Agro & Healthcare sector

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

- Dip in performance in Hotel Sector, Textile & Healthcare sector
- Any new debt funded acquisition
- Higher than projected debt level and lower than projected profitability at Consolidated level.

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 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 Textile, Finance, Hotel & Resorts, Healthcare and Agro & Property sector. CIEL group earned total revenue of MUR 18 billion in FY21 (MUR 21 billion in FY20). CIEL Textile is the major cash generating cluster of CIEL group. Major companies of the group are:

Name of the company	Sector	Rating
C-Care (Mauritius) Ltd	Healthcare	CARE MAU A+; Stable/A1+
Bank One	Bank	CARE MAU A+ (IS); Negative
CIEL Finance Limited	Finance	CARE MAU A+; Stable
Alteo Limited	Sugar & Property	CARE MAU A; Positive
City and Beach Hotels (Mauritius) Limited	Hotel	CARE MAU BBB+ Negative
Aquarelle India Pvt. Ltd	Textile	CARE BBB; Positive
CIEL Textile	Textile	Unrated
Sun Limited	Hotel	Unrated
CIEL Healthcare Limited	Healthcare	Unrated

CIEL is a professionally managed company. It is governed by a 16-member Board of Directors comprising of 5 members from the Dalais family and several 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.

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 FY21, CTL posted a similar revenue and significant increase in profitability due to a higher demand for casualwear led by online retail clients, good order book at good margins in Knits & Knitwear segments (however, lower demand for formal shirts) and depreciation of Mauritian rupee.

In FY21, CFL achieved a revenue of Mur 3,782 million (Mur 3,462 million in FY20) and PAT of Mur 608 million (Mur 501 million in FY20). While Bank One paid nil dividend in FY21 due to higher provisions, the same was offset by higher dividend from BNI Madagascar due to its strong performance.

In FY21, CIEL Healthcare has posted a PAT of MUR 330 million (MUR 32 million in FY20) primarily due to better performance of C-CARE. C-Care (Mauritius) Limited has achieved a PAT of Mur 277 million in FY21 (Mur 42 million in FY20).

In FY21, Alteo posted a normalised PAT of MUR 1,864 million with the total turnover of MUR 9,549 million. Sugar sector of Alteo contributes to around 20% of the total revenue.

Sun was majorly impacted by the Covid-19 pandemic due to border closures resulting in no tourist arrivals during FY21. Sun secured marginal income of MUR 528 million during the financial year through quarantine and local market activities. Consequently, Sun posted a loss in FY21.

At a consolidated level, in FY21 CIEL posted a Normalised PAT of MUR 1,022 million (normalised loss of MUR 32 million in FY20) on a turnover of MUR 17.9 billion. CIEL Limited (Consolidated) derives majority 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 H1FY22, CIEL's (Consolidated) revenue increased by 44.6% from MUR 9,147 million in H1FY21 to MUR 13,222 million due to significant improvement in the performance of Textile, Healthcare & Finance cluster with reasonable contribution from hotel cluster (due to re-opening of borders from October 2021).

Going forward, CARE Ratings (Africa) Private Limited expects reduction of debt at consolidated level by way of monetization of non-core/loss making assets.

Prospects

The prospects of the company depend upon its ability to sustain profitability in textile, finance, agro and healthcare vertical & improve profitability in hotel and property vertical, reduction of debt at group level and consistent dividend pay-out by textile, healthcare, agro & property and finance verticals.

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.