

Brief Rating Rationale
CRAF assigns CARE MAU AA (Stable) /CARE A1+ ratings to the bank facilities of
CIM Finance Limited

Ratings

Facility/Instrument	Amount (MUR Million)	Rating
Long term Bank Facilities	650	CARE MAU AA; Stable [Double A; Stable]
Long term/Short term bank Facilities	350	CARE MAU AA; Stable/ CARE MAU A1+ [Double A; Stable/A One plus]

Rating Rationale

The ratings assigned to CIM Finance Limited (CFL) derive strength from long & satisfactory track record of CFL & CIM group, experienced promoters, professional and highly qualified management team, dominant market share in Credit Facility Agreement (CFA) [previously termed as Hire Purchase] (95%), well diversified asset portfolio, consistent growth in disbursements, moderate asset quality, satisfactory financial position with moderate gearing and comfortable asset-liability maturity profile & liquidity profile.

The ratings are however constrained by risk associated with increasing competition in the financial services business, capital adequacy ratio (CAR) being close to Regulatory norm of 10% as on September 30, 2016, exposure to regulatory risks, risk associated with volatility in interest rates and increase in exposure to relatively riskier segments such as unsecured lending.

Ability of CFL to maintain asset quality and profitability while increasing asset size, improving asset liability maturity profile, proposed equity infusion by the promoters to maintain CAR in the range of 11.50% to 12.00% - well above Regulatory norm of 10% and continued support from promoters are the key rating sensitivities.

BACKGROUND

CIM Finance Limited (CFL) was incorporated, in 1987, by the Taylor family and Rogers group of Mauritius as CIM Limited. The main objective was to provide CFA/credit facilities to the customers of the retail outlets (selling electronic goods/furniture) of the group. In April 1996, the company was rechristened as CIM Finance Limited. CFL is regulated by Bank of Mauritius (BOM) as well as the Financial Services Commission (FSC) of Mauritius.

In July 2005, CIM Financial Services Limited (CFSL) was incorporated, to manage the global business, finance business and property business of CIM group. Subsequently, CFL was made a wholly owned subsidiary of the CIM Financial Services Limited, a company listed in the Stock Exchange of Mauritius. Till 2012, Rogers group and Taylor family (through CIM holding Limited) were holding majority stake in CIM Financial Services Limited. However, post restructuring in 2012, CFSL came under the fold of Taylor family. At present, Taylor Family through various companies owns majority share (56%) of CFSL. The balance 44% is held by corporates, Insurance Companies, pension funds and individuals. CFL is currently one of the largest Non-Banking Deposit Taking Institution (NBDIT) in Mauritius in terms of Asset under Management and turnover. It operates around 85 counters and a network of more

CARE Ratings (Africa) Private Limited

Registered Office: 1st Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

than 700 merchants in Mauritius and Rodrigues. The main services offered are CFA, leasing, deposit taking, unsecured loans, credit cards, factoring and credit insurance.

CFL witnessed a significant growth in total Assets under Management (AUM) from MUR 5,536 million in FY15 to MUR 7,722 million in FY16. CFL holds 95% market share in CFA market. Traditionally, it was a high yielding product. In September 30, 2015, charges were reduced from 19% p.a. to 12% p.a. CFL recognizes NPA as from 90 days and writes off 100% of loan overdue beyond 360 days. This apart the company also makes specific provisioning and portfolio provisioning (1.00% of the portfolio value) in line with the Guideline on Credit Impairment Measurement and Income Recognition of BoM. GNPA was 4.57% as on September 2016. Net NPA to networth was 0.24% as on September 2016.

The collection efficiency has remained stable at 94%. CFL has written of provision for NPAs of MUR 152 million in FY16 (MUR 102 million in FY15).

CFL's CAR deteriorated to 10.8% as on Sept 30, 2016 (despite capital infusion of MUR 50 million in FY16) from 12.9% as on Sept 30, 2015 primarily due to higher disbursement in CFA segment. However, the same was still above the regulatory requirement of 10%. In order to support CAR and enable CFL to execute higher disbursement in FY17, CFSL has infused capital of MUR 150 million in Q1FY17 (Sept-Dec 2017) and CAR was 11.3% as on Dec 31, 2016. CFL's management has indicated that they have plans for additional equity infusion of more than MUR 200 million by September 2017 in order to support the projected growth in the business of CFL and maintain CAR in the range of 11.50%- 12.00%. Overall gearing ratio was comfortable at 4.64 as on Sept 30, 2016.

Being a deposit taking NBFC, the company has to maintain 10% of its deposits in liquid portfolio (Fixed Deposit with Banks/Treasury Bills issued by GoM). However, the company's investment in Fixed deposits are more than 18% with commercial Banks for last 3 years. The company has cumulative negative mismatch in 1 year time bucket, primarily arising out of repayment of short term loans to holding company. Loans from holding company of MUR 1,200 million are rollover in nature and generally rolled over on maturity. This apart the average utilisation of fund based working capital limits (MUR 3600 million) in the 12 months ended February 2017 was about 64%. CFL maintains a cash & bank balance of around than MUR 300 million.

In FY16, (October – September 2016), CFL reported a PAT of MUR 248.8 million (MUR 259.7 million in FY15) on a total income of MUR 1,344 million (MUR 1,173 million in FY15).

Disclaimer

CRAF's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security or to invest in or withdraw funds from deposits. CRAF has based its ratings 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/deposit programme.

In case of partnership/proprietary concerns, the rating assigned by CRAF is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CARE Ratings (Africa) Private Limited

Registered Office: 1st Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com