CIM Financial Services Ltd

12 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Green Bond Issue	375	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Bond Issue (March 2019)	2,500	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Bond Issue (October 2019)	1,070	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Bond Issue (July 2020)	2,089	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Bank Facility - Long Term/Short Term	7,733	**CARE MAU AA; Stable/ CARE MAU A1+ ble A; Outlook: Stable/ A One Plus]**	**Reaffirmed**
Long Term Bond Issue (March 2023)	2,590	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Proposed Long Term Bond Issue	160	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Proposed Green Bond Issue	250	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Reaffirmed**
Proposed Term Loan	644 (USD 14 million) *	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	**Assigned**
Total	**17,411**		

**Exchange rate of USD 1 = MUR 46.00*

Rating Rationale

The ratings assigned to the bond issues and bank facilities of CIM Financial Services Ltd ("CFSL") continue to derive strength from the experienced & resourceful promoters, professional & highly qualified management team and large & distributed network across the island. The ratings also consider CFSL's long and satisfactory track record, dominant market share in Credit Facility Agreement ("CFA"), well diversified asset portfolio, satisfactory collection efficiency, strong capital adequacy ratio & overall gearing ratio, adequate liquidity, satisfactory financial position, and no cumulative mismatch in asset-liability maturity profile.

The ratings are however constrained by continued high gross NPA level though the net NPA has improved on account of provisioning, risks associated with increasing competition in the financial services business, entry of new players in CFA segment and risk associated with volatility in interest rates.

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

Rating Sensitivities:

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

- Improvement in disbursement & profitability on a sustained basis
- Significant improvement in asset quality with Gross NPA falling below 10%

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

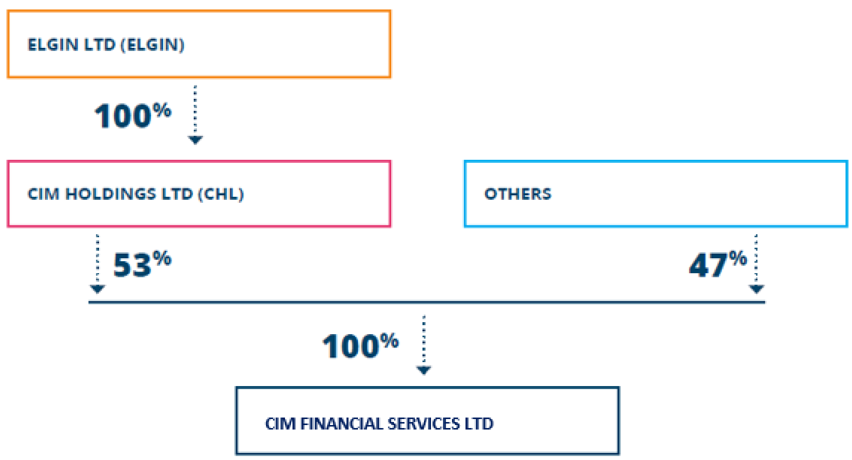
- Deterioration in asset quality or rise in Gross NPA
- Weakening of profitability, collection efficiency and capital adequacy levels.
- Moderation in liquidity profile and increase in the share of high yield products.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

BACKGROUND

Since 1987, CFSL (operating within the Rogers Group) has been engaged in providing hire purchase/credit facility agreements (CFA) in Mauritius and expanded its activities to leasing, unsecured loans, credit cards and factoring over the years.

In July 2005, CIM Financial Services Ltd (CFSL) was incorporated to regroup and manage the finance (including CFL), global business, and insurance clusters of the Rogers Group.

In 2012, the controlling shareholders of Rogers Group namely the ENL Group, and Elgin Ltd (each controlling 26.5% of the Group at the time) agreed to restructure the Group. Post-restructuring, Elgin Ltd (Taylor Family) obtained control of the credit finance, global business and real estate clusters of the Rogers Group with a 53% stake while the remaining 47% is distributed among other financial institutions, corporates and the general public. CFSL is listed on the Official Market of the Stock Exchange of Mauritius ("SEM") with a market capitalization of approximately MUR 7,826 million at 31 January 2023. The shareholding structure of CFSL at 30 September 2022 was as follows:



In March 2017, CFSL disposed its global business cluster and in January 2019, the property activities were spun off so that CFSL could focus on and expand its core activities, i.e., the credit financing and leasing businesses.

On 01 October 2020, five group companies namely, CIM Finance Ltd, Mauritian Eagle Leasing Company Ltd, CIM Agencies Ltd, CIM Management Services Ltd and CIM Shared Services Ltd, all got merged with and into a single entity, CIM Financial Services Ltd ("CFSL").

In March 2022, CFSL completed the acquisition of Tsusho Capital (Mauritius) Limited ("Tsusho Capital"), a private company incorporated in February 2009, licensed by the Financial Services Commission ("FSC") to engage in the offering of finance and operating leases for motor vehicles supplied by Toyota (Mauritius) Ltd and CFAO Motors (Mauritius) Ltd. Post the acquisition, the operations of Tsusho Capital have been fully integrated into those of CFSL.

CFSL is the leader in the Credit Facility Agreement ("CFA") market, and controls significant market share in leasing, unsecured loans, credit cards, and factoring in Mauritius. At 30 September 2022, CFSL operated 91 counters and had a network of around 650 merchants in Mauritius and Rodrigues.

CFSL is a professionally managed company governed by a 10-member Board of Directors with a reasonable mix of executive, non-executive and independent directors. The board is chaired by Mrs. Aisha Timol while the strategic affairs and day-to-day running of the Company are entrusted to the CEO, Mr. Mark van Beuningen.

Acquisition of Loinette Capital Limited: In March 2023, CFSL announced that it has reached an agreement for the acquisition of a controlling stake in Loinette Capital Limited ("Loinette Capital"), a South African based company but incorporated in Mauritius and licensed by the Financial Services Commission to provide credit financing mainly to corporates in countries across the African continent. CFSL is acquiring a controlling 75% stake in Loinette Capital for a consideration of USD 14.2 million, to be fully funded by raising new term loans from banks. The consideration is equivalent to 75% of the asset book of Loinette Capital. The acquisition forms part of CFSL's strategy to leverage on its expertise and resources to expand its leasing business into the African market through an established leasing firm.

Summary of audited financials for CIM Financial Services Ltd

Year ended/as on 30 September	**FY19**	**FY20**	**FY21**	**FY22**
	MUR million			
Total Income	2,198	2,513	2,652	3,000
Profit after Tax	383	191	415	601
Net Stock-on-hire	12,568	13,477	14,351	15,990
Total debt	9,095	9,837	9,832	11,808
Tangible networth	4,087	4,090	4,483	4,843
Ratios				
PAT margin (after provisioning) (%)	17.41	7.59	15.65	20.05
Overall gearing (times)	2.23	2.41	2.19	2.38
Total Net debt to Total Gross loan assets (%)	62	61	57	59
Gross NPA (%)	8.39	15.40	15.75	14.93
Reported CAR (%)	25.00	28.45	30.35	26.73

Details of Rated Instruments

1. Bond Issue

Instruments	Amount (MUR Million)	Tenure	Repayments
Bond Issue (March 2019)	2,500	2 years 2 years	MUR 1,500 million – August 2023 MUR 1,000 million – October 2025
Bond Issue (October 2019)	1,070	5 years	Bullet repayment in October 2024
Bond Issue (July 2020)	2,089	3 years 5 years 10 years	MUR 750 million – July 2023 MUR 1,059 million – July 2025 MUR 280 million – July 2030
Green Bond Issue	375	13 months	MUR 125 million – March 2023 MUR 250 million – July 2023
Long Term Bond Issue	2,590	3 years 5 years	MUR 1,045 million – March 2026 MUR 1,545 million – March 2028
Proposed Long Term Bond Issue	160		
Proposed Green Bond Issue	250	13 months	

2. Details of Bank Facilities

A-1: Proposed Term Loan

Facility	Bank	Amount	Tenure	Repayment
Proposed Term Loan	Absa Bank (Mauritius) Limited	MUR 460 million (USD 10 million) *	4 Years	MUR 57.50 million half yearly
	The Mauritius Commercial Bank Limited	MUR 184 million (USD 4 million) *	4 Years	MUR 23.00 million half yearly
Total		**MUR 644 million (USD 14 million) ***		

**Exchange rate of USD 1 = MUR 46.00*

A-2: Long-term facilities

Name of Bank	Amount (MUR million)	Repayments
Absa Bank (Mauritius) Limited	585	MUR 63 million half yearly
Absa Bank (Mauritius) Limited	613	MUR 87.5 million half yearly
Absa Bank (Mauritius) Limited	300	MUR 50 million half yearly
BCP Bank (Mauritius) Ltd	200	
SBI (Mauritius) Ltd.	300	MUR 50 million repayable half yearly
SBM Bank (Mauritius) Ltd	700	200 million half yearly
Total	**2,698**	

A-3: Short term facilities

Name of Bank	Amount (MUR million)
AfrAsia Bank Ltd	1,045
Bank of Baroda	360
Bank One Limited	220
Absa Bank (Mauritius) Limited	750
BCP Bank	325

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Name of Bank	Amount (MUR million)
SBI (Mauritius) Ltd.	10
SBM Bank (Mauritius) Ltd	1,000
Total sanctioned and rated	**3,710**
Rated but not yet sanctioned	**326**

A-4: Revolving Credit Facility

Name of Bank	Tenure	Amount (MUR million)	Repayment
MCB Ltd	1 year	500	Repayable in November 2023
MCB Ltd	1 year	500	Repayable in December 2023
		1,000	

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 recognized 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.