Brief Rating Rationale
CRAF reaffirms ratings assigned to the Bonds and Bank facilities of CIM Financial Services Ltd.

Ratings

Instrument*	Amount (MUR Million)	Rating**	Rating Action
Bond (March 2019) – Long term	3,500	**CARE MAU AA; Negative [Double A; Outlook: Negative]**	Reaffirmed
Bond (October 2019) -Long term	2,000	**CARE MAU AA; Negative [Double A; Outlook: Negative]**	Reaffirmed
Bond (July 2020) – Long term	2,089	**CARE MAU AA; Negative [Double A; Outlook: Negative]**	Reaffirmed
Bond (July 2020) – Short Term	911	**CARE MAU A1+**	Reaffirmed
Bank Facilities – Long Term/Short Term	4,733	**CARE MAU AA; Negative/ CARE MAU A1+ [Double A; Outlook: Negative/ A One Plus]**	Reaffirmed
Short Term loan (without earmarking working capital limit)	1,000	**CARE MAU A1+**	Reaffirmed

**Details of facilities/instruments in Annexure I*
***Complete definition of the ratings assigned are provided in Annexure II*

Rating Rationale

The ratings assigned to the bonds issue and bank facilities of CIM Financial Services Ltd ("CFSL"), has been reaffirmed at CARE MAU AA; Negative/ CARE MAU A1+. The ratings continue to derive strength from experienced & resourceful promoters, professional & highly qualified management team and merger of CIM Finance Ltd, MELCO and other companies into CFSL. The ratings also consider CFSL's long and satisfactory track record, dominant market share in Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), well diversified asset portfolio, moderate asset quality & satisfactory collection efficiency, comfortable capital adequacy ratio ("CAR") & overall gearing ratio, adequate liquidity, satisfactory financial position, stringent NPA recognition norms (due above 90 days) and no cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

The long-term rating is constrained by risk associated with increasing competition in the financial services business, entry of new players in CFA segment, exposure to regulatory risks, risk associated with volatility in interest rates, increase in exposure to relatively riskier segments such as unsecured lending and uncertainty related to the collection efficiency of the company over next few months.

Rating Sensitivities:

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

- Improvement in disbursement & profitability on a sustained basis along with improvement in asset quality.

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

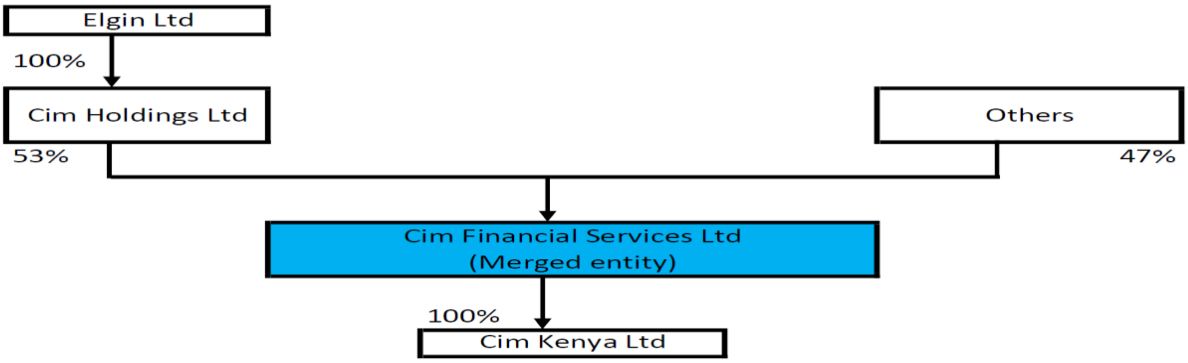
- Deterioration in asset quality of GNPA/Stage 3 Assets.
- Weakening of profitability, collection efficiency and capital adequacy levels.
- Moderation in liquidity profile and increase in the share of high yield products.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months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

BACKGROUND

Since 1987, CIM Financial Services Ltd. ("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, deposit taking, unsecured loans, credit cards and factoring over the years.

CFSL is the leading provider of Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), leasing, unsecured loans, credit cards, factoring in Mauritius and operates around 100 counters and a network of more than 700 merchants in Mauritius and Rodrigues. It is the largest Non-Banking Institution in Mauritius in terms of Asset under Management.

On August 14, 2019, Board of CFSL communicated that both CFL and MELCO have successfully refunded all the deposits, availed from the deposit holders, and has lodged an application for the surrender of the deposit taking licence with the Bank of Mauritius. Furthermore, the Board of CFSL has also approved the 'in principle' amalgamation of CFL, MELCO, CIM Agencies Ltd, CIM Management Services Ltd and CIM Shared Services Ltd. with and into CFSL (subject to Regulatory Approval). Effective October 1, 2020, the aforementioned companies got amalgamated with and into CIM Financial Services Ltd. Post-amalgamation, CFSL continues to focus on its strategy to strengthen its core consumer finance lending business within an improved governance framework and through securing more opportunities as a lender on both the local and the regional markets. The group structure as at October 01, 2020 (i.e., post merger) is as under:



CFSL holds 80% market share in CFA market. CFSL is focusing on extending loans & advances to meet its existing customers' financing needs beyond their immediate retail financing requirements. This is a high yielding portfolio and are extended to existing customers with good past track record. AUM in this portfolio has increased by 58% in FY20 over FY19 (48% in FY19 over FY18).

In FY20, CFSL's interest income has increased by 19% over to FY19. Total income of the company has recorded and increasing trend in FY20 by booking a growth of 14% over FY19 due to higher interest income. Total PAT (before provision) increased by 33.56% in FY20 vis-à-vis 24.92% in FY19. In FY20, CFSL made a provision of MUR 653 million to mitigate the possible delay/default in repayment by its clients due to the impact of COVID19, which led to lower PAT and profitability in FY20 over FY19.

The collection efficiency in FY20 was 90- 94%. Overall gearing and interest coverage were also satisfactory. CAR as on Sep 20 was at 28.45% was well above the Regulatory requirement of 10%. NIM was hovering in the range of 12-14% during last 2 years. ROTA, though declined due to higher provision for NPA in FY20 (MUR 653 million) was at 1.37% in FY20 (3.03% in FY19).

Prospects

CFSL's prospects largely depends on the fortunes of retail industry (electronic goods/ furniture's & fixtures), automotive and construction sectors, the demand drivers of major products financed by the company. The growth of both the aforesaid sectors has close linkages with the economic growth of the country. The contraction in GDP growth of Mauritius in CY20 and the vulnerability of GDP growth in CY21, due to prolonged impact of the lockdown in various businesses, may transmit into job losses, which is expected to have an impact on the collection efficiency of CFSL over next 6 months. The ability to improve its ROTA along with maintaining CAR at similar levels are key rating sensitivities. CRAF will continuously monitor the collection efficiency of CFSL over next few months and any significant dip in collection efficiency may trigger a rating downgrade.

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.