

Brief Rating Rationale

CRAF reaffirms ‘CARE MAU AA; (Stable)’ and ‘CARE MAU A1+’ ratings assigned to the bank facilities, ‘CARE MAU A1+’ rating assigned to the short-term loan and assigns ‘CARE MAU AA; (Stable)’ rating to the proposed Bond issue of Mur 3,500 million of CIM Finance Ltd.

Ratings

Facility/Instrument	Amount (MUR Million)	Rating	Rating Action
Long term Bank Facilities	1,250 (reduced from 1,480)	CARE MAU AA; Stable [Double A; Outlook Stable]	Reaffirmed
Long term/Short term bank Facilities	1,870 (enhanced from 1,640)	CARE MAU AA; Stable/ CARE MAU A1+ [Double A; Outlook Stable/A One plus]	Reaffirmed
Short Term loan	1,000	CARE MAU A1 + (A One Plus)	Reaffirmed
Bank Facilities – Long term Bond from MCB	3,500	CARE MAU AA; Stable [Double A; Outlook Stable]	Assigned

Rating Rationale

The ratings assigned to bank facilities, short term loan and proposed bond issue of CIM Finance Ltd. (“CFL”) derive strength from long & satisfactory track record of CFL & CIM group, experienced & resourceful promoters, professional and highly qualified management team, dominant market share (~90%) in Credit Facility Agreement (“CFA”; previously termed as Hire Purchase), well diversified asset portfolio, consistent growth in disbursements, moderate asset quality, satisfactory financial position with moderate gearing and comfortable asset-liability maturity profile, capital adequacy ratio (“CAR”) & liquidity profile.

The ratings are however 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 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, 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 Ltd. (“CFL”) was incorporated, in 1987, by the Taylor family and Rogers group of Mauritius as CIM Ltd. 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 Ltd. CFL is regulated by Bank of Mauritius (“BOM”) as well as the Financial Services Commission (“FSC”) of Mauritius.

In July 2005, CIM Financial Services Ltd. (“CFSL”) was incorporated, to manage the global business,

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finance business and property business of CIM group. Subsequently, CFL was made a wholly owned subsidiary of the CIM Financial Services Ltd., a company listed in the Stock Exchange of Mauritius. Till 2012, Rogers group and Taylor family (through CIM holding Ltd.) were holding majority stake in CIM Financial Services Ltd. However, post restructuring in 2012, CFSL came under the fold of Taylor family. At present, Taylor Family through various companies owns majority share (53%) of CFSL. The balance 47% 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 95 counters and a network of more than 700 merchants in Mauritius and Rodrigues. The main services offered are CFA, leasing, deposit taking, unsecured loans, credit cards and factoring.

CFL witnessed a moderate growth in total Assets under Management (AUM) from MUR 9,388.6 million in FY17 to MUR 10,376 million in FY18. CFL holds 90% 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 in 90 days (for Finance lease and factoring portfolio) and in 360 days (for Hire Purchase, loans & advances and credit cards portfolio) and writes off 100% of loan overdue beyond 360 days. This apart it 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 4.65% as on September 2018 (3.9% as on September 2017). Net NPA to networth was 0.18% as on September 2018 (0.14% as on September 2017).

The collection efficiency has remained stable at 95-96%. CFL has written of provision for NPAs of Mur 219 million in FY18 (Mur 194 million in FY17).

CFL's CAR as on September 30, 2017 and September 30, 2018 was satisfactory at 13.54% and 14.31% and well above the Regulatory norm of 10% (stipulated by Bank of Mauritius). CIM Financial Services Ltd. have made equity infusion of MUR 200 million in December 2018 and the Board of CFSL has approved additional equity infusion in FY19 in order to support the projected growth in the business of CFL and maintain CAR of 12%. CAR as on December 31, 2018 was 13.29%. Overall gearing ratio was comfortable at 5.59 times as on Sept 30, 2018 (6.04 times as on Sept 30, 2017).

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 between 16- 18% with commercial Banks for last 3 years.

While CFL's Asset-Liability maturity over 1 years is positive and comfortable, however it has cumulative negative mismatch in 6-12-months' time bucket, primarily arising out of repayment of cash credit and short-term loans availed from holding company short term loans from banks.

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The loans from holding company (MUR 1,000 million) are generally rolled over during maturity. This apart as on Sept 30, 2018, the holding company – CFSL has cash balance of around Mur 1.6 billion and investment in liquid USD Bonds & FDs of Mur 1.6 billion, which can be utilized by CFL to manage liquidity (if required).

Average utilisation of fund based working capital limits & short-term loans in the 12 months ended December 2018 was about 58% and as on the same date, 42% remained unutilised, providing liquidity cushion to the company. CFL also had cash & bank balance of Mur 190 million and deposit of Mur 450 million on Sept 30, 2018.

CFL is also availing a long-term bond of Mur. 3,500 million from MCB and proposes to utilize the same to repay short-term borrowings from CFSL and working capital. This will help CFL to align its borrowing and lending schedule, because H.P. portfolio is for 24-30 months and lease portfolio is 4-5 years.

In FY18, (Oct 1 – Sept 30), CFL reported a PAT of MUR 250.2 million (MUR 250.5 million in FY17) on a total income of MUR 1,542.8 million (MUR 1,508.9 million in FY16).

In Q1FY18 (Oct 1- Dec 31), CFL has earned an interest income of Mur 307 million (Mur 271 million in Q1FY17) and PAT of 66.3 million (Mur 57.9 million in Q1FY17).

Disclaimer

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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.

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