

CM Diversified Credit Ltd ("CMDCL")

January 30, 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Secured Credit-Linked Notes (CLNs)	2,300* (enhanced from 1,967)	CARE MAU A (SO); Stable/ CARE MAU A1 (SO) [Single A (Structured Obligation); Outlook: Stable/ A One (Structured Obligation)]	Reaffirmed
Total	2,300		

*CMDCL has a bond portfolio of MUR 2,300 million at December 2022

Rating Rationale

The ratings assigned to the Secured Credit-Linked Notes (CLNs) issued by CM Diversified Credit Ltd ("CMDCL") continue to derive strength from the healthy credit profile of the reference entities making up the bond portfolio in which CMDCL has invested in, the shortfall underwriting provided by MCB Stockbrokers Ltd ("MCBSB") which guarantees to buy back the notes in the event of execution of put options by noteholders, the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the interest on the CLNs, and the ultimate parentage from MCB Group Ltd (rated CARE MAU AAA; Stable).

The rating is however, constrained by the inherent risk involved with potential execution of all put options on the CLNs by noteholders on the same interest reset date, ability of MCBSB to arrange for funds to settle the put proceeds in a timely manner, and the operational and financial performance of the weaker entities in the reference portfolio.

Rating Sensitivities:

Positive Factors - Factors that could lead to a positive rating action/upgrade:

- Improved operational and financial performance of the reference entities leading to stronger credit profile
- Ability of MCBSB to place notes with new noteholders in the event of execution of put options by noteholders

Rating Sensitivities:

Negative Factors - Factors that could lead to a negative rating action/downgrade:

- Significant deterioration in the operational and financial performance of the reference entities leading to weaker credit profile
- Inability of MCBSB to place existing notes with new noteholders in the event of execution of put options by noteholders

BACKGROUND

CM Diversified Credit Ltd ("CMDCL") was incorporated as a Special Purpose Vehicle (SPV) in March 2019. It is wholly owned subsidiary of MCB Capital Markets Ltd, which is in turn a 100% subsidiary of MCB Group Limited (CARE MAU AAA; Stable). MCB Group Limited ("MCBG") is also the parent company of The Mauritius Commercial Bank Limited (rated CARE MAU AAA (IS); Stable), the largest commercial bank in Mauritius.

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

CARE Ratings (Africa) Private Limited

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CMDCL was incorporated with a share capital of MUR 52.50 million (52,500 ordinary shares issued at MUR 1,000 each), fully subscribed by MCB Capital Markets Ltd. As at 30 June 2022, the share capital of the company was MUR 137 million.

CMDCL issued Secured Credit Linked Notes ("CLNs") to investors and utilized the proceeds from the issue to invest into a diversified portfolio (the "reference portfolio") of bonds issued by rated entities.

The returns generated from the bonds in the reference portfolio are utilised to meet the interest and principal repayments on the CLNs to noteholders

At December 2022, the reference portfolio comprised of bonds issued by the following entities:

Company	Ratings	Portfolio during last rating in Dec 2021	% of total portfolio	Current portfolio in Dec 2022	% of total portfolio
ENL Limited	CARE MAU A; Stable	461	23.4	761	33.1
MUA Ltd	CARE MAU AA-; Positive	511	26.0	511	22.3
CIEL Ltd	CARE MAU AA-; Stable	365	18.6	365	15.9
Omicane Holdings	CARE MAU A-; Stable	230	11.6	199	8.7
Ascencia Limited	CARE MAU AA-; Stable	200	10.2	200	8.7
Currimjee Jeewanjee	CARE MAU A-; Stable	200	10.2	-	-
CIPF	CARE MAU A-; Stable	-	-	150	6.5
CFL	CARE MAU A; Stable	-	-	110	4.8
Total		1,967	100	2,296	100

Detailed rationale of entities in the reference portfolio are available on CRAF's website at <http://www.careratingsafrica.com/rating-symbols-definitions.php>

Shortfall and Underwriting from MCB Stockbrokers Ltd

- (a) In the event of the exercise of a Put Option by a holder of the Notes (the "Existing Investor") in accordance with the terms of the PPM, the Underwriter shall purchase and/or cause for the purchase of, all the Notes in respect of which a Put Option has been exercised.
- (b) The performance of the Underwriting Services shall be done pursuant to, and in line with, the procedure set forth in the PPM/Listing Particulars or such other procedure as may be agreed with the SEM from time to time.
- (c) The Underwriter shall pay the Put Proceeds to each Existing Investor on the Transfer Date.

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Details of Rated Instrument

Instrument	Amount (MUR million)	Maturity	Interest Rate
Secured Credit-Linked Notes (CLNs)	2,300 (enhanced from 1,967)	10 August 2037	Higher of 3.60% p.a. or [(Weighted avg. Rate of 91 Days T-Bill (December 2022 to March 2023)) minus 15 bps]

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks 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. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure I

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. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

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.

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