Currimjee Jeewanjee and Company Limited

July 13,2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond (long term)	2,200 (enhanced from MUR 2,100 million)**-**	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Total	**2,200**		

Rating Rationale

The rating assigned to the long-term bond issue of Currimjee Jeewanjee and Company Limited (CJ & Co.) derives strength from the experienced group, comfortable cash surplus of the major dividend paying company (Emtel Limited rated CARE MAU AA-; Stable) operating in the telecom vertical, investment across diverse business verticals and professional team managing each vertical, consistent flow of dividend from telecom, energy & real estate vertical. It also derives comfort from the steady rentals from leased properties with around 90% occupancy, low debt profile of majority of subsidiaries barring Emtel Limited and IKO (Mauritius) Hotel Limited, liquid asset in the form of investment in shares of listed entities, locally and internationally and land at prime location which can be disposed to repay debt. The rating also takes into consideration the moderate financial position of CJ & Co. both at standalone & consolidated level and management's articulation that, by in 2024, the group is likely to list Emtel Limited through IPO and the proceeds to be used to pay off debt. Timely listing of Emtel is critical from credit perspective and any delay in the launch of the IPO may adversely impact the ability of the company to meet the repayment obligation due in August 2026. The rating is, however, constrained by the volatility in projected profitability in the pandemic impacted hotel & tourism cluster, possible extension of support to hotel & tourism cluster and insurance vertical. There is also market risk associated with sale of land & property development and CJ & Co, being an investment company, main source of revenue is dividend income - dependent on the performance of the subsidiaries and associate companies.

Rating Sensitivities

Positive Factors

- Ability to improve debt coverage indicators with dividend inflow commensurate to its debt level
- Turnaround in operational performance of the Hotel & Insurance vertical
- Successful IPO of Emtel in FY24 and stake sale in Ceejay Gas in FY22 and utilisation of the proceeds for debt repayment in CJ & Co.

Negative Factors

- Additional debt at the company & group level till Bond is repaid in 5th year
- Additional Investment in hospitality and financial sectors
- Deterioration in performance of any major subsidiary leading to support requirement from CJ & Co
- Deterioration in credit profile of Emtel and delay in IPO of Emtel

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

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BACKGROUND

Currimjee Jeewanjee and Company Limited (CJ & Co) was incorporated on 15 April 1948. Its shareholders are Currimjee Limited (62.95% stake) and Currimjee Jeewanjee Properties Ltd. (37.05% stake).

Currimjee Limited (formerly known as Fakhary Limited), 100% owned by Currimjee family, was founded in 1890 with more than 130 years of existence. It owns 99.75% stake of Currimjee Jeewanjee Properties Ltd.

Currimjee group was founded by Currimjee Jeewanjee –grandfather of Mr. Bashirali Currimjee (Chairman of CJ & Co). Mr. Anil C Currimjee is the Chairman of Currimjee Limited, the Managing Director of CJ & Co and Director in Currimjee Industries Limited.

Currimjee Limited, through its 2 main subsidiaries - Currimjee Jeewanjee and Company Limited and Currimjee Industries Limited, operates in 7 clusters - Telecoms, Media & IT, Real Estate, Tourism & Hospitality, Commerce & Financial Services, Energy, Food & Beverages, and Home & Personal Care. The Currimjee group's total income for FY21 was Mur 7,075 million with 7 clusters (Mur 6,920 million in FY20).

Currimjee Jeewanjee & Co Limited through its various subsidiaries operates in 5 clusters - Telecoms, Media & IT, Real Estate, Tourism & Hospitality, Commerce & Financial Services and Energy. The company primarily derives its revenue mainly as dividends from Emtel Limited (CARE MAU AA- Stable), Total Energies Marketing Mauritius Ltd (Total Mauritius) & Ceejay Gas Ltd. and Compagnie Immobiliere Ltee. Currimjee Jeewanjee & Company Limited earned a total income of MUR 389 million in FY20 and MUR 554 million in FY21. Currimjee Jeewanjee & Company Limited and the various subsidiaries (Currimjee group) achieved a revenue of MUR 4,820 million in FY20 and MUR 4,880 million in FY21.

As on December 31, 2021, Currimjee Jeewanjee and Company Limited had long term debt of MUR 3,364 million (Bond issue – MUR 2,200 million and SBM loans of MUR 1,164 million) and working capital limit (overdraft and money market line) of MUR 100 million. In August 2021, CJ and Co. raised a Bond of MUR 2,200 million in various tenures ranging from 5 to 10 years. The management's articulated that, by in 2024, the group is likely to list Emtel Limited through IPO and the proceeds to be used to pay off debt. Timely listing of Emtel is critical from credit perspective and any delay in the launch of the IPO may adversely impact the ability of the company to meet the repayment obligation due in August 2026.

During discussion, the management articulated that in case of delay in IPO, CJ & Co. has investment in following liquid assets, which can also be liquidated to repay the Bonds.

1. Listed shares of Bharti Airtel & Airtel Africa
2. Part sale of the stake in Emtel
3. Plots of land in Curepipe, Rose Hill, Phoenix and Port Louis
4. 44 arpents of freehold land at Plaisance and 63 arpent of freehold land near the hotel

Prospects

CJ & Co's prospects depend on its ability to improve profitability in hospitality & insurance sector, and consistent dividend receipt from Emtel, MCR, Total Mauritius and CIL. The rating is sensitive to the company's ability to maintain & improve profitability in dividend paying companies, additional investment in hospitality & financial sector, additional debt at company & group level and deterioration in performance of any major subsidiary leading to support requirement from CJ & Co. The rating is also dependent on successful IPO of CJ's stake in Emtel and stake sale in subsidiary and utilization of the proceeds for debt repayment in CJ & Co.

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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.

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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.