

Brief Rationale
CRAF assigns CARE MAU A- Stable rating to the proposed bond issue of
Currimjee Jeewanjee and Company Limited

Ratings

Instruments	Amount (MUR Million)	Rating	Remarks
Proposed Bond (long term)	2,100	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Assigned

Rating Rationale

The rating assigned to the proposed long-term bond issue of MUR 2,100 million of Currimjee Jeewanjee and Company Limited (CJ & Co.) derives strength from the experienced group, investment across diverse business verticals and professional team managing each vertical, consistent flow of dividend from telecom, energy & real estate vertical, comfortable cash surplus of the major dividend paying company [Emtel Limited (rated CARE MAU AA- Stable) operating in telecom vertical], steady rentals from leased properties with around 90% occupancy, low debt profile of majority of subsidiaries barring Emtel Limited and IKO (Mauritius) resort village Ltd. and liquid asset in the form of investment in shares of listed & cash generating entities and land at prime location, which can be easily 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 December 2024, there will be 18.75% stake sale of Emtel through an IPO route, leading to a fund raising of MUR 1,700 million which will be mostly utilized to prepay 1st tranche of the Bond (MUR 800 million) due in August 2026 and reduce term loan availed from SBM & MCB. In case of delay in the launch of the IPO, the management will inform the mode of arrangement of funds for redemption of bonds by August 2025.

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, 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
- Stake sale of Emtel leading to fund raising of Mur 1,700 million by December 2024 and stake sale in a subsidiary by June 2022 and utilization of the proceeds for repayment of bond and term loans leading to improvement in its debt coverage indicators
- Unlocking value of properties including freehold properties and utilise the proceeds to repay debt.

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Negative Factors

- Delay in envisaged equity raising proceeds through IPO of Emtel
- Additional investment in hospitality and financial sectors (above Mur 400 million)
- Additional debt at the company (above Mur 400 million) & group level till the rated Bond is repaid in 5th year from its date of issue
- Deterioration in performance of any major subsidiary leading to support requirement from CJ & Co
- Deterioration in credit profile of Emtel

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 FY20 was MUR 7,372 million with 7 clusters (MUR 7,550 million in FY19).

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 (Mauritius) Ltd. & Ceejay Gas Ltd. and Compagnie Immobiliere Ltee. Currimjee Jeewanjee & Company Limited earned a total income of MUR 636 million in FY19 and MUR 389 million in FY20. Lower revenue in FY20 was due to lower up-streaming of dividend by the subsidiaries in order to be better prepared to face the challenges ensuing from the pandemic and maintain liquidity. Currimjee Jeewanjee & Company Limited and the various subsidiaries (Currimjee group) achieved a revenue of MUR 5,100 million in FY19 and MUR 4,900 million FY20.

As on December 31, 2020, Currimjee Jeewanjee and Company Limited had long term debt of MUR 2,964 million and working capital (overdraft and money market line) of MUR 296 million. In August 2021, CJ and Co. proposes to issue a Bond of MUR 2,100 million in various tenures ranging from 5 to 10 years.

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The Bond proceeds will be utilized for the following:

Purpose	Amount (Mur Million)
Repayment of existing debt	1,700
Investment in Island Life Assurance (capital infusion)	150
Investment in a Distribution Center (warehouse) and commercial project	250
Total	2,100

Bond will be repaid partly from IPO issue of Emtel in FY24 and operational cashflow.

IPO of Emtel Limited: CJ & Co. holds 75.01% stake in Emtel Limited. In FY24, CJ & Co. proposes to raise fund through IPO of 18.75% of its stake in Emtel. The proceeds from the IPO will be used for repayment of the 1st Tranche of Bond issue (Mur 800 million) and part repayment of term loan with MCB and SBM. Part of the term loans from SBM and MCB will be repaid from disposal of stake in Ceejay Gas.

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. 75% stake in Emtel valued at more than Mur 6,000 million
3. Plots of land in Curepipe, Rose Hill, Phoenix and Port Louis
4. 44 arpents of land at Plaisance and 62 arpent 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 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 in FY22 and utilization of the proceeds for debt repayment in CJ & Co.

Disclaimer

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Annexure I

Rating Symbols

Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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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