

Rating Rationale
Ducray Lenoir (Investments) Ltd (“DLI”)

Ratings

Instrument*	Amount	Rating**	Rating Action
Proposed Bond Issue	MUR 600 million	CARE MAU A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]	Assigned

***Details of facilities/instruments in Annexure I*

***Complete definition of the ratings assigned are provided in Annexure II*

Rating Rationale

The rating is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the rated Bonds, as per the terms of the transaction and is not a standalone rating of Ducray Lenoir (Investments) Ltd. (“DLI”).

The rating, assigned to the proposed bond issue of MUR 600 million of DLI, derives strength from the pledge of shares of MUA Ltd. (MUA - CARE MAU AA-; Stable) & MCB Group Ltd. (MCBG - CARE MAU AAA; Negative) with 1.7x cover, part of bond proceeds to be utilised for acquisition of MUA & MCBG shares -post which DLI will have an investment portfolio providing around 2.5x share coverage against proposed Bond issue and creation of Debt Service Reserve Account (DSRA) - equivalent to 1 year coupon payment.

The rating also takes into consideration last 5 years profitable operations & steady dividend payment track record of MUA and MCBG (barring CY20), low volatility & high trading density of both the stocks vis-à-vis SEMDEX during last 7 years, experienced & resourceful promoter, majority of DLI’s investment in shares of MUA, MCBG and United Docks and positive cashflow of subsidiaries/associate companies engaged in trading of medical equipment and services business.

The rating is, however, constrained by the lack of any operational cash flows in DLI (being an investment holding company), major revenue source being dividend from MUA & MCBG, envisaged high reliance on sale of MUA & MCBG shares or refinancing of the rated debt at the time of its maturity, exposure to regulatory risk, volatility in share price of MUA & MCBG – security for the transaction and dip in performance of cash generating subsidiaries.

The rating is sensitive to the mode of redemption which is to be finalised before 4 months of due date of redemption of MUR 200 million in Year 6 (2027) and 6 months before due date of redemption of MUR 400 million in Year 7 (2028).

Rating Sensitivities:

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

- 30% increase in share price of MUA and MCBG from September 20, 2021 level
- 30% increase in dividend pay-out by MUA and MCBG compared to the projected pay out. Thus, leading to an increase in Profit After Tax of DLI

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

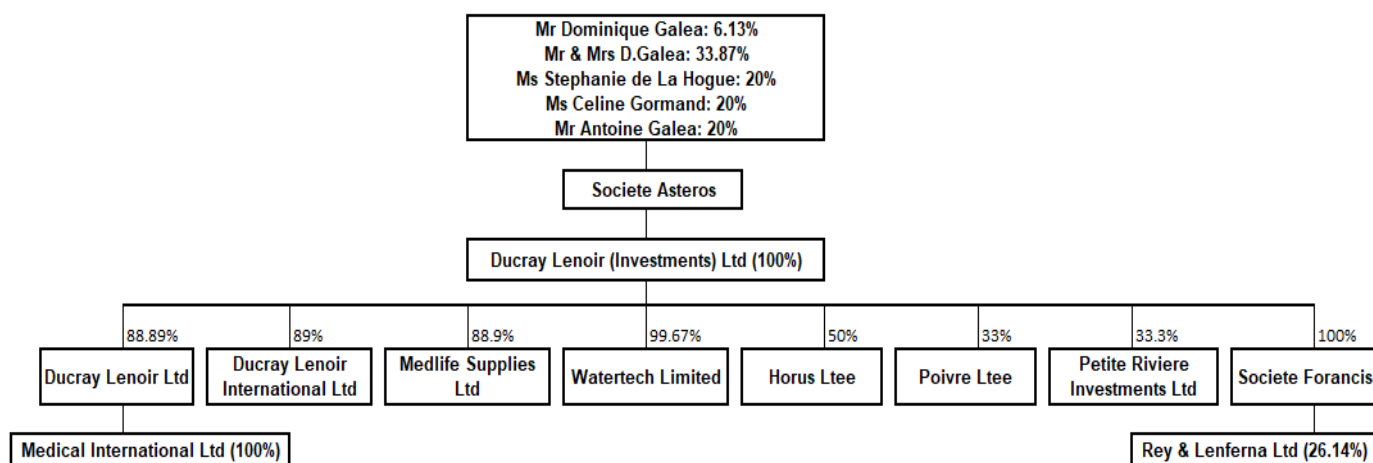
Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Additional debt over and above the proposed bond issue of MUR 600 million in DLI which may affect DLI’s ability to service debt.
- Any additional debt availed by KASA Holdings Ltd which may affect its ability to pay MUR 20 million.
- Lower dividend pay-out by MUA and MCBG compared to the projected pay out which may affect DLI ability to service debt/interest
- Decline in share price of MUA and MCBG by more than 15% from September 20, 2021, level.
- Deterioration in credit profile of MCBG and MUA.

BACKGROUND

Ducray Lenoir (Investment) Ltd (“DLI”), was incorporated in July 2005, as an investment holding company. DLI is an 100% subsidiary of Societe Asteros, a company 100% controlled and managed by Mr. Dominique Galea and his family. Along with the investment in its subsidiaries, DLI also holds the investment in listed domestic companies (primarily in MUA, MCBG and United Dock).

DLI is the holding company of Ducray Lenoir Ltd, Ducray International Ltd, Medlife Supplies Ltd, Watertech Limited, Horus Ltee, Societe Forancis and others. Additionally, the company has investments in Petite Riviere Investments Ltd and Poivre Ltee as associates. DLI through its subsidiaries and associates offer a wide range of products & services in various sectors of the economy including importing and selling of laboratory equipment and medical equipment, engineering, water treatment & maintenance services and others. The group structure as at August 31, 2021 is depicted below:



Snapshot of DLI’s investments as on August 31, 2021:

- Equity shares of listed companies in Mauritius** – Along with the investment in Subsidiaries (as depicted in the group structure above), DLI also holds the investment in listed Mauritian companies. As at August 31, 2021, DLI has an investment portfolio of MUR 1,246 million (December 31, 2021 - MUR 850 million). **99% of the investment portfolio (MUR 1,246 million) is invested in shares of MUA Ltd. (66% - CARE**

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

MAU AA-; Stable), MCB Group Ltd. (20% - CARE MAU AAA; Negative) and United Docks Ltd. (13%).

As at August 31, 2021, DLI is the major shareholder in MUA - holding 14%.

2. **Investment in trading of medical equipment** - DLI, through its subsidiaries Ducray Lenoir Ltd., Ducray Lenoir International Ltd., Medlife Supplies Ltd and Medical International Ltd is engaged in importing and selling of laboratory and medical equipment.
3. **Investment in service sector** - DLI, through Societe Forancis holds Rey & Lenferna Ltd. Rey & Lenferna Ltd. along with its subsidiaries is engaged in providing solutions in the automotive, commercial, industrial, residential and textile sector.
4. **Investment in property business**- DLI, through its subsidiaries Horus Ltee, Poivre Ltee, Petite Riviere Investments Ltd holds rental yielding properties (land or building) in Mauritius.
5. **Investment in aqua sector** - Watertech Limited is involved in the designing, construction, monitoring of fountains & ponds, irrigation systems, swimming pools, etc. It is regarded among the best in the field of water and wastewater treatment in Mauritius and Seychelles.

DLI is governed by 3-member Board of Directors comprising of 1 Executive and 2 Non-Executive Director, all belonging to Galea family. The strategic affairs of the company are looked after by Mr. Dominique Galea - Chairman of the group. He is assisted by Ms. Stephanie de La Hogue and Mr. Antoine Galea and a team of experienced professionals for managing the day-to-day affairs.

CREDIT RISK ASSESSMENT

Experienced & resourceful shareholders

DLI is a 100% subsidiary of Societe Asteros, which in turn is 100% controlled and managed by Mr. Dominique Galea and his family. Mr. Galea is the largest shareholder and Chairman of MUA and CGI. This apart, his promoted companies are engaged in importing and selling of laboratory and medical equipment, engineering, water treatment & maintenance services and others.

Majority of the investment portfolio is invested in shares of MUA Ltd. (MUA - CARE MAU AA-; Stable) & MCB Group Ltd. (MCBG - CARE MAU AAA; Negative)

DLI holds investment in listed Mauritian companies, along with investment in subsidiaries. As at August 31, 2021, DLI has an investment portfolio of MUR 1,246 million (December 31, 2020 - MUR 851 million). Majority of investments of DLI are in 3 listed companies - MUA, MCBG and United Docks.

Investment portfolio over last 3 years:

(MUR Million)	Dec-2018		Dec-2019		Dec-2020	
	Market Value	%	Market Value	%	Market Value	%
MUA Ltd	415	56%	518	60%	626	74%
MCB Group Ltd	184	25%	251	29%	150	18%
Other	148	20%	101	11%	75	9%
Total	747	100%	870	100%	851	100%
Debt	236		288		281	
Market value/ Debt	3.16		3.02		3.01	

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

DLI's Investment portfolio has increased steadily over last few years - from MUR 747 million in FY18 to MUR 1,246 million as on August 31, 2021. Shareholding stake of DLI in MUA, MCB & United Docks for the last 3 years is as below:

Name of the company	MUA Ltd			
	Dec-18	Dec-19	Dec-20	Aug-21
Issued share capital of MUA Ltd	45,090,000	45,090,000	50,100,000	50,100,000
Investment held by DLI(no. of shares)	6,021,511	6,198,806	6,958,806	7,069,532
% Stake of DLI in MUA Ltd	13.35%	13.75%	13.88%	14.11%

Name of the company	MCB Group Ltd			
	Dec-18	Dec-19	Dec-20	Aug-21
Issued share capital of MCB Group	238,683,096	238,900,661	239,252,238	239,252,238
Investment held by DLI (no. of shares)	672,315	786,703	628,103	880,803
% Stake of DLI in MCB Group Ltd	0.28%	0.33%	0.26%	0.37%

Name of the company	United Docks Ltd			
	Dec-18	Dec-19	Dec-20	Aug-21
Issued share capital of United Docks	10,560,000	10,560,000	10,560,000	10,560,000
Investment held by DLI(no. of shares)	1,390,853	1,400,853	1,400,853	2,401,340
% Stake of DLI in United Docks Ltd	13.17%	13.17%	13.27%	22.74%

Satisfactory track record & profitable operation due to steady dividend received from MUA & MCBG

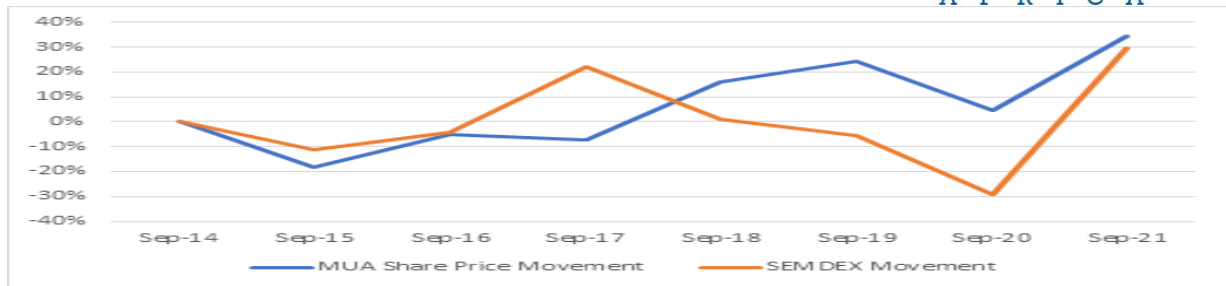
DLI has a stable track record of receiving dividend from MUA and MCBG. The dividend received by DLI in the last 3 years is as below:

Particulars	2018		2019		2020	
	Dividend Income	%	Dividend Income	%	Dividend Income	%
MUA Ltd	16	69%	17	63%	19	87%
MCB Group Ltd	7	31%	10	37%	0	0%
Other	-	-	-	-	3	13%
Total	24	100%	28	100%	22	100%

Over the last few years, majority of the dividend (99%) has been paid by MUA and MCB. Except for 2020, when MCB has not declared any dividend, in line with the directives issued by BOM, regarding the declaration of dividend in FY20.

Performance of MUA Ltd & MCB Group Ltd in Stock market over last 4 years:

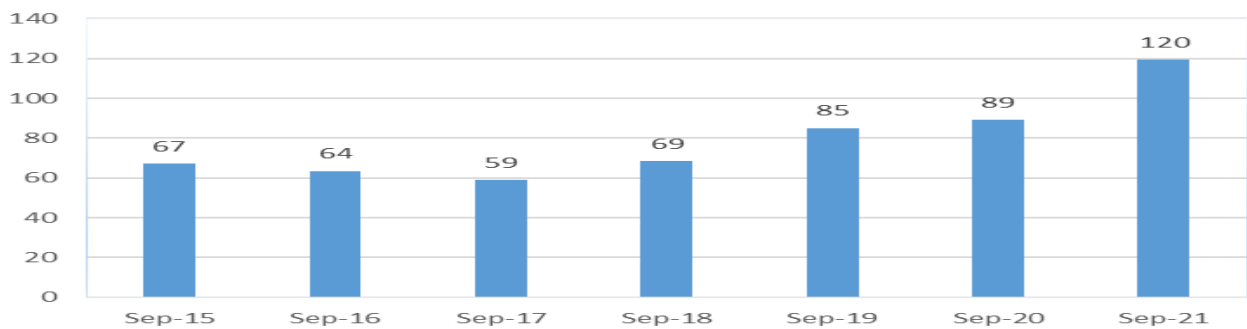
MUA Ltd: MUA founded on July 26, 1948, is engaged in providing both General & Life Insurance in Mauritius. MUA is listed on the Stock Exchange of Mauritius (SEM). Mauritius remains the primary market for MUA, maintaining 23% market share for general insurance and a 12% market share for life insurance. MUA ventured into East Africa in 2014 and is headquartered in Nairobi (Kenya). *MUA has a market capitalization of Mur 6 billion as at September 20, 2021.* The table below depicts last 7 years movement, in share price of MUA Ltd vis-à-vis the SEMDEX



Share Price (Movement in share price of MUA Ltd. over last 7 years)



MUA- Share Price last 7 years

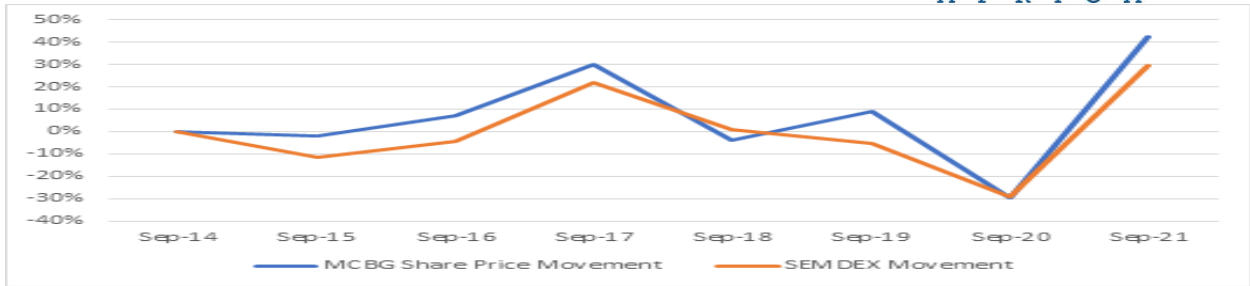


Dividend declared by MUA in last 4 year:

Particulars	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	July 21
Number of shares held by DLI	6,021,511	6,021,511	6,198,806	6,958,806	6,958,806
Dividend declared by MUA (per share)	2.59	2.68	2.82	2.82	0.80
Total dividend received by DLI (MUR Million)	17	16	17	19	6

MCB Group Limited: MCBG has a successful operational track record of more than 180 years. MCBG, has a diversified ownership base of around 21,000 shareholders, with foreign shareholding accounting for around 13% of the total. Top 6 largest shareholders holding in total of 18.8% stake are - National Pensions Fund (7.0%), Swan Life Ltd (3.1%), Promotion and Development Limited (3.0%), SICOM (2.6%), Eastspring Investments (Singapore) Ltd. (1.9%) and MUA Life Ltd. (1.2%).

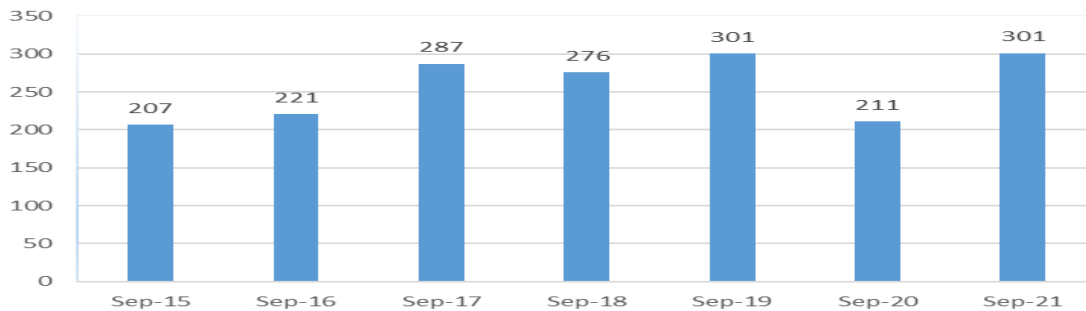
As at September 20, 2021, market capitalization of MCBG was MUR 71.3 billion (Mur 65.3 Billion as at June 30, 2021) – largest market cap. The table below depicts last 7 years movement, in share price of MCBG vis-à-vis the SEMDEX



Share Price (Movement in share price of MCBG Ltd. over last 7 years)



MCB Group - Share Price last 7 years



Dividend declared by the company for the last 4 years:

Particulars	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	July 21
Number of shares held by DLI	672,315	672,315	786,703	628,103	870,803
Dividend declared by MCBG (per share)	9.00	9.50	13.00	-	7.25
Total dividend received by DLI (MUR Million)	5	7	10	-	6

MCBG didn't declare any dividend in CY20. In September 2020, Bank of Mauritius issued Guidelines to all Banks, with respect to, dividend payment. While MCB Bank was profitable with Capital Adequacy Ratio well above Regulatory requirement, MCB Bank didn't declare any dividend in CY20. However, post approval from BOM, MCB Bank has paid dividend to MCBG in June 2021 and MCBG has declared and paid a dividend of MUR 7.25 per share in July 2021.

Total value of DLI's investment in MUA & MCBG providing 2.5x share coverage against proposed Bond issue

As on August 31, 2021, DLI holds MUR 827 million worth of shares of MUA (trading at MUR 120 at SEM as on September 22, 2021) and MUR 255 million worth of shares of MCBG (trading at MUR 305 at SEM as on September 22, 2021). Post Bond issue of MUR 600 million, part of the amount will be used to

purchase additional shares in MUA and MCBG. Increase in investment value of MUA will be MUR 880 million and MCBG will be MUR 447 million. Investments in other listed companies of DLI amounts to MUR 163 million. Thus, the total investment portfolio of DLI in MUA and MCBG will be MUR 1,490 million.

Accordingly, total value DLI's investment post bond issue will be of MUR 600 million, will provide around 2.5x cover.

Pledging of MUA and MCBG shares with 1.7x cover.

DLI, has invested in the shares of MUA and MCB and will pledge these shares against the Bond issue of Mur 600 million. The security coverage against the Bond issue will be 1.7x. Hence, DLI will pledge shares of MCB & MUA worth MUR 1,020 million. The shares will be pledged in the ratio of 3/4th in MUA (i.e., Mur 765 million) and 1/4th in MCB (i.e., Mur 255 million). The share coverage will be monitored on a half-yearly basis by the Securities Agent and in case of shortfall it will be topped up by the company.

Post 1.7x share pledge in Oct 2021, DLI will have unpledged investment portfolio of MUR 470 million - MUA shares (Mur 115 million), MCBG shares (Mur 192 million) and other investments shares (MUR 163 million) which provides cushion that in case of dip in share price on MUA and MCBG, DLI has adequate shares to top up.

Debt Service Reserve Account (DSRA) – equivalent to 1 year coupon payment

DLI will maintain an Escrow Account with SBM Bank (Mauritius) Limited. DLI will hold funds to pay the expected coupon payments for the next 12 months. In case the fund is used for debt repayment, the same will be replenished within one month.

Stable financial position of DLI

DLI's income depend on dividend from its investment in listed entities (mainly MUA and MCBG) and dividend paid by subsidiaries. Total income increased in FY19 due to higher dividend received from MUA and MCBG. Total Income dipped in FY20 due to nil dividend from MCBG, as restricted by the Bank of Mauritius amidst exceptional circumstances related to the pandemic. Accordingly, the PAT also dipped in FY20. Over the last few years, majority of the dividend (99%) has been paid by MUA and MCBG.

Stable performance of subsidiaries/associates

DLI's major subsidiaries are Ducray Lenoir International & Ducray Lenoir Ltd. – engaged in trading of medical equipment business and Rey & Lenferna – engaged in service industry.

As articulated by management, DLI will divest its stake in its medical & services business to a new company called KASA Holdings Ltd (to be owned 100% by Societe Asteros – holding company of DLI) at a cost of Mur 196 million within 18 months from the completion of Notes Issue. As per Sale Agreement to be signed between KASA Holdings Ltd and DLI, as from FY22 DLI will receive MUR 20 million

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

annually for next 10 years from KASA Holdings Ltd. This provides additional comfort for debt servicing of DLI going forward.

Performance of Ducray Lenoir International, Ducray Lenoir Ltd. and Rey & Lenferna:

Ducray Lenoir International Ltd (“DLIL”), incorporated in July 2014, is engaged in field of international trade consultancy, focusing on medical equipment and components. DLI holds 89% stake in DLIL -to be transferred to KASA Holdings Ltd by December 2021. The financial performance of DLIL:-

Ducray Lenoir International (MUR Million)	Dec-18	Dec-19	Dec-20
Revenue	34	43	105
EBITDA	7	7	37
PAT	7	7	37
GCA	7	7	37
Dividends declared and paid	11	6	-
Total Debt:	0	0	0
Cash	10	17	18
Tangible Net worth	27	28	67

Ducray Lenoir Limited (“DLL”), incorporated in 1956, is engaged in the import and export of laboratory and medical equipment and other related consumables. Ducray Lenoir Ltd is a 88.89% subsidiary of DLI-to be transferred to KASA Holdings Ltd by December 2021. The financial performance of DLL:-

Ducray Lenoir Ltd (MUR Million)	Dec-18	Dec-19	Dec-20
Revenue	257	281	479
EBITDA	6	25	98
Interest expense	1	2	3
PAT	0	12	71
GCA	4	22	82
Dividends declared and paid	0	0	25
Total Debt	13	56	52
Tangible Net worth	63	84	111
EBIDTA margin (%)	2.2	8.7	20.4
PAT margin (%)	0.1	4.2	14.9
Gearing (X)	0.2	0.7	0.5
Total Debt/EBITDA	2.3	2.3	0.5
Interest coverage	4.0	11.3	35.6

Rey & Lenferna Limited (“R&L”) is a private limited company incorporated in 1940. The company through its subsidiaries offer a wide variety of services and products, including solutions in the automotive, commercial, industrial, residential and textile sectors. DLI holds 26% stake in R&L -to be transferred to KASA Holdings Ltd by December 2021. The financial performance of R&L:-

REY & Lenferna (MUR Million)	Dec-18	Dec-19	Dec-20
Total Income	1,214	1309	1,484
EBITDA	110	111	165
Interest	17	21	14
PAT	59	38	94
GCA	93	94	145
Dividend	20	25	100
Equity share capital	143	143	143
Tangible net worth	504	521	505

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

REY & Lenferna (MUR Million)	Dec-18	Dec-19	Dec-20
Total debt	740	327	227
Cash & Bank	115	14	85
EBIDTA Margin	9.1	8.7	10.9
PAT/ Total income	4.9	2.9	6.4
RONW	11.8	7.4	18.4
Overall gearing	1.5	0.6	0.4
Interest coverage	0.2	0.2	0.1
Total debt/ GCA	8.0	3.5	1.6

Industry

General Insurance business in Mauritius

In Mauritius there are 15 General Insurance companies, which generated a gross-premiums of MUR 10.3 billion and net premiums of Mur 9.1 billion in CY19. The key players in general insurance are Swan General (30%), MUA (23%), Eagle Insurance (12%) and SICOM (10%). Motor insurance made up the lion's share of general insurance business, accounting for 74% of total policies. Motor and Accident & Health segment is shared between 13 insurers, the major players being Swan (30%), MUA (21%), SICOM (9%), Mauritius Eagle (9%), Phoenix insurance (7%), NIC (5%) and New India insurance (5%). Property (14%), Miscellaneous (6%), Liability (6%), Engineering (3%), Transportation (5%) and Guarantee (<1%) insurance make up the remaining general insurance business. While number of Guarantee and Accident & Health insurance policies grew by 17% and 26% respectively, the total number of general insurance policies witnessed a 1.3% increase from 2018 to 2019 mainly on account of less transportation (-19%) and Engineering and Liability (-10%) insurance policies.

Banking Industry

As on June 30, 2020, 20 banks were licensed by the Bank of Mauritius, of which 5 were local banks, 9 were subsidiaries of foreign banks, 1 is a joint venture, 4 were the branches of foreign bank and 1 private bank. The Mauritius banking sector is dominated by 2 large banks Mauritius Commercial Bank (MCB Bank) and State Bank of Mauritius (SBM).

The banking industry has remained characterised by an excess liquidity situation (MUR 70 billion in September 2021), while banking operators have continued to display low non-performing loan ratio (6.2% in September 2020) in the face of the challenging context.

Like most economies worldwide, the Mauritian economy was impacted by the ramifications of the COVID-19 pandemic since early 2020. Almost all industries witnessed a downturn, with the most impacted being the high-contact intensive sectors such as hospitality, arts, entertainment and recreation and cosmetics. The uncertainty associated with the pandemic has, in turn, affected the banking sector.

On the heels of the COVID-19 shock, the Government of Mauritius took several measures to support households and economic operators. The Key Repo Rate was slashed successively to stand at 1.85% in April 2020 (2.85% in March 2020 and 3.35% in August 2019). Overall, the Mauritian economy contracted by 14.7% in 2020 - as gauged by GVA at basic prices – in the wake of the ramifications of the COVID-19 pandemic. As for FY 2020/21, nationwide economic growth is projected to contract in view of the downturn

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

in the tourism sector amidst the pandemic. That said, the financial and insurance activities is set to post a resilient outcome, while construction of large-scale infrastructure projects has picked up. It is worth noting that this is the first contraction in GDP since 1980. Of note, the domestic economy had expanded by 3% in 2019 (3.8% in 2018).

Prospects

The prospects of Ducray Lenoir (Investments) Ltd depends on the following:

- Projected and timely payment of Dividend by MUA Ltd and MCB Group Ltd
- Timely payment of sale of investment proceeds from KASA Holdings Ltd.

The rating is sensitive to the operational and financial performance of MUA Ltd, MCB Group Ltd, and various subsidiaries/associates.

CRAF will continuously monitor the dividend payment by MUA and MCB and payment of sale proceeds by KASA Holdings Ltd. Any additional debt over and above the proposed bond issue of MUR 600 million in DLI and any debt funding in KASA Holdings Ltd affecting DLI's ability to service debt, will trigger a review.

Financial Performance - Ducray Lenoir (Investments) Limited MUR Million

For the year ended as on	Dec-18	Dec-19	Dec-20
<i>Dividend from MUA Ltd.</i>	16	17	19
<i>Dividend from MCBG</i>	7	10	-
Total Income	24	28	23
EBIDTA	23	27	22
Interest	13	16	14
PBT	10	11	8
PAT	10	11	8
Gross Cash Accruals (GCA)	10	11	8
Equity share capital	136	136	136
Tangible net worth	667	754	732
Total debt	236	288	281
Cash inflow from KASA Holdings Ltd	-	-	-
PAT / Total income (%)	41.8	39.2	33.7
Market value of investments/Debt	3.16	3.02	3.01
RONW	1.6	1.5	1.1
Overall gearing ratio	0.35	0.38	0.38
Interest coverage (times)	1.8	1.7	1.6
Total debt/ EBIDTA	10.31	10.67	13.03

Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networkth.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

Annexure I
Details of Instrument - Proposed Long-term Bond

Terms	Description	
Issuer	Ducray Lenoir (Investment) Ltd	
Issue Size	MUR 600 million	
Purpose	Proceeds from the Bond issue will be partly utilized to repay the outstanding banking facilities and partly to increase stake in MCB Group Ltd (“MCBG”) & MUA Ltd (“MUA”)	
Currency	Mauritian Rupee	
Tenure	7 years	
Expected Issue date	October 21, 2021	
Indicative Interest Rate and Repayment		
Interest Commencement Date	October 21, 2021	
Year	6th year (FY27)	7th year (FY28)
Amount	MUR 200 million	MUR 400 million
Indicative interest rates (fixed)	4.05% p.a.	4.20% p.a.
Interest Payment	Semi Annually (April and October)	
Investors (Indicative)	ABC Banking Corporation Ltd (Mur 200 million) and SBM Bank (Mauritius) Ltd (Mur 400 million)	
Provisions related to Secured notes		
Security	<p>Pursuant to and in accordance with the terms and conditions of the Security Agreements, the Issuer will provide for the Notes to be secured with security. As per Private Placement Memorandum -</p> <ol style="list-style-type: none"> SCR means the share coverage ratio obtained by dividing: (i) the market value of shares owned by the issuer that are subject to the Security Agreements based on the 15-day volume-weighted average price as at the end of the trading day on the AC Calculation Date; with (ii) the aggregate of: (x) the interest that has accrued (but is not yet payable) in respect of all Notes governed by the Pricing Supplement that are in issue on that AC Calculation date; and (y) the Final Redemption Amounts that is likely to be payable by the issuer in respect of all Notes governed by the Pricing Supplement that are in issue on that AC Calculation Date. Security cover of 1.7x at all times during the tenure of the Bond. DLI will pledge shares of MUA and MCBG worth Mur 1,020 million. These shares, held in Central Depository & Settlement Co. Ltd. (CDS) account, will be pledged in favour of the Investors and the pledge will be registered on behalf of the Investors with CDS. Security cover to be monitored by the Investors on coupon payment date i.e., every six months. If the share price drops and the security cover falls below 1.7x the Investors will inform the Issuer during the next coupon payment date. Adjustment to be made by the Issuer within the following month. Issuer will provide a compliance statement confirming compliance with these actions. If the SCR is more than 1.7x on a FC Calculation date, the Issuer shall have the right to request the Noteholder(s) to release such number of Pledged shares such that after such release, the SCR will be no less than 1.7x. Power of Attorney will be provided by the Issuer to the Investors. This will enable the Investors to sell shares if the designated Account is not funded on T-4 months (for Tranche A MUR 200 million) and T-6 months (for Tranche B MUR 400 million) to maturity. Initial ratio of security pledged will be 3/4th MUA shares and 1/4th MCBG shares. Post share pledge in Oct 2021, DLI will have unpledged investment portfolio of MUR 470 million - MUA shares (Mur 115 million), MCBG shares (Mur 192 million) and other investments shares (MUR 7 million) available for top up. <p>Escrow Account with SBM Bank Mauritius Limited- One years’ worth of coupon payment (MUR 24-25 million) will be held in an Escrow Account to cover coupon payments. If at any time during the Bond’s tenor the funds in the escrow account are utilised to pay any coupon, the same must be replenished, within one month, from dividend income and annual Mur 20 million receivable from KASA Holdings Ltd.</p>	
Call option	Issuer will have the option to call the bonds at any coupon payment date from 4 th coupon payment.	
Registrar	DTOS Registry Services Ltd.	
Financial Covenants (FC)	<ol style="list-style-type: none"> The Issuer will maintain an interest coverage ratio of 1.5x If the funds for payment on maturity are not available - 4 months before maturity for Mur 200 million issue and 6 months before maturity for Mur 400 million issue, Investor may start selling the shares (pledged in favour of investors). Issuer will not be able to buy more shares if the escrow account is not fully funded. 	

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

Terms	Description
Conditions precedent	KASA Holdings Ltd will provide a letter of undertaking to ensure annual payment of MUR 20 million for 9-10 years, against transfer of stake of subsidiaries.
Interest Coverage ratio (“ICR”)	‘ICR’ means the ratio obtained by dividing: (i) the aggregate of: (x) the EBITDA during the 12 months preceding the Balance Sheet Date; and (y) the amount of Committed Receivable actually paid during the 12 months preceding the Balance Sheet Date; with (ii) the aggregate interest payable during the 12 months preceding the Balance Sheet Date;
New Debt	Issuer will not raise any new debt without seeking the Noteholder’s approval at a duly convened Noteholder’s meeting if it is breaching any of the covenants and has not taken action to cure the breach.
T-mechanism structure	A structured payment mechanism is in place to ensure the timely payment of interest & principal obligations of Bond in case DLI does not have sufficient funds. As per the Private Placement Memorandum: - 1. Interest payment - DLI has to fund the interest payment in Designated Account. In case, interest is not funded in Designated Account, Security Agent/Trustee will utilise the fund in Escrow Account and pay interest. Post utilisation, Escrow Account needs to be replenished by DLI or through share sell. Principal Repayment - As under

Principal Repayment

- a. **MUR 200 million in October 2027 (FY27)** – DLI has to fund the designated Account four months before maturity. In case not funded, Investors will have the right to sell pledged MCBG and MUA shares.

Trigger Date	Action Point
T – 4 months June 19, 2027	A designated Account to be created where DLI will fund the interest and principal payment. This account will be used for the fund for debt servicing obligations. Principal repayment of Mur 200 million - DLI has to fund the designated Account 4 months before payment. If fund is not there, Investors has the right to sell the pledged shares (MCBG & MUA shares) and raise Mur 200 million.
T-15 days October 4, 2027	Issuer to ensure Designated Account is funded.
T (October 19, 2027)	Repayment of the total amount of Principal payment of Mur 200 million.

- b. **MUR 400 million in October 2028 (FY28)** – DLI has to inform the mode of principal repayment six months before maturity and fund the Account three months before maturity. In case not funded, Security Agent/Trustee/Investors will have the right to sell pledged MCBG and MUA shares.

Trigger Date	Action Point
T – 6 months April 19, 2028	For principal repayment of Mur 400 million, DLI has to inform mode of payment.
T – 3 months July 13, 2028	If the company has not communicated, Investor will start selling the shares.
T-15 days October 3, 2028	Issuer to ensure Designated Account is funded.
T (October 19, 2028)	Repayment of the total amount of Principal payment of Mur 400 million.

* *T being the due date for payment of principal.*

(In case any of the trigger dates fall on a Sunday or a public holiday, the previous working day shall be reckoned as the trigger date).

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. Our 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.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com