

Emtel Limited ("Emtel")
10 July 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue – Long Term	1,000	CARE MAU AA-; Stable [Double A Minus Outlook: Stable]	Reaffirmed
Bond Issue – Long Term	900 (reduced from 1,150)	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Reaffirmed
Total	1,900 (reduced from 2,150)		

Ratings Rationale

The rating continues to derive strength from the experience of Currimjee group and India based Bharti Airtel group operating in the telecom industry, Emtel Limited's ("Emtel") strong brand presence with its position as the second largest player in the Mauritian telecommunication market, integrated telecommunications operations, improved performance from EMVision Ltd (a key subsidiary), established & reasonably large subscriber base, robust spectrum profile, strong distribution network allowing consistent growth in subscriber base and growth in usage of data and moderate financial position along with comfortable debt coverage & liquidity indicators.

The ratings are, however, constrained by increasing competition among existing service providers, capital intensive nature of the industry leading to significant capital expenditure, leveraged capital structure, high dividend pay-out leading to depletion in networth and the exposure to regulatory and technology/obsolescence risks.

Rating sensitivities**Positive factors that could, individually or collectively, lead to positive rating action/upgrade**

- Improvement in operational & financial performance of company.
- Steady increase in subscriber based both in Emtel and MC Vision.
- Ability to increase market share for Emtel in terms of postpaid and prepaid subscribers.
- Improved performance and higher dividend from EM-Vision.

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Higher quantum of Capex required for enhanced services than envisaged.
- Higher dividend payment or higher debt resulting in gearing higher than 2.5x.
- Deterioration in profitability and total debt/EBITDA.

BACKGROUND

Emtel Limited ("Emtel") was incorporated in July 1987 by the Currimjee group (currently owning 75% stake in Emtel). In May 1989, Emtel became the first operator to commercially launch mobile telephony in the whole southern Hemisphere as an international joint venture of the two groups, the Currimjee Jeewanjee Group of Mauritius, and a Swedish company, Comvik which later went on to become Millicom International Cellular (MIC) S.A, a global telecommunications group based in Luxembourg.

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

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In 2014, the Currimjee group procured the entire stake of Millicom in Emtel. In 2015, Emtel partnered with Bharti Airtel Limited, India's leading provider with operations in 20 countries across Asia and Africa. Indian Continent Investment Limited, (ICIL) a promoter entity owned by the Bharti group of India acquired 25% stake in Emtel. Emtel signed a Technical Services Agreement with Bharti Airtel Limited to benefit from the technical and commercial knowhow and business support of Airtel in various areas.

The popularization of the mobile phone in Mauritius had a direct increase in demand for Emtel's services, it being the only mobile phone operator of the Island until 1996 (when Cellplus Mobile Communications Ltd belonging to Mauritius Telecom – a GoM owned company, entered the market). Emtel has been in the forefront in technology and innovation.

Management: Emtel is a professionally managed company. It is governed by a 7-member Board of Directors comprising of eminent industrialists and professionals. Mr. Bashirali A Currimjee is the Managing Director and Chairman. He has served as Honorary Consul General for the Republic of Turkey in Mauritius, President of Mauritius Chamber of Commerce, and Industry (MCCI) and Business Mauritius, Director of SBM and Director at the Bank of Mauritius. Mr. Krishnaduth Goomany was appointed as the CEO of Emtel in 2021. He has over 31 years of experience in the telecommunication industry and a great understanding of the local market having previously worked for Mauritius Telecom, Cellplus Mobile Communications Ltd and Comviva Technologies Ltd. He is assisted by a team of professionals looking after various functions of the company.

Performance in FY22: In FY22, total income increased marginally from MUR 3,203 million to MUR 3,254 million. EBITDA and PAT were also higher at MUR 1,453 million and MUR 478 million. During FY22, GCA was comfortable at MUR 1,173 million vis-a-vis debt repayment obligation of MUR 825 million. Total debt/EBITDA and Total debt/GCA were higher at 1.85x times and 2.51x times in FY22 (excluding the impact of finance lease). As on December 31, 2022, overall gearing stood at 2.23x and same is expected to improve to 1.32x in FY23 due to part repayment of the bond. Interest coverage was 8.7x in FY22. The average fund based working capital utilization was at 13.3% during the last 12 months ended March 2023. Emtel paid a dividend of MUR 532 million in FY22. In FY22, the company's CAPEX totalled to MUR 1,479 million which was invested mainly in deployment of 5G technology equipment, modernization of old equipment and extension of the inland fibre.

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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.

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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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