

**Rating Rationale
Emtel Limited (“Emtel”)**

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	1,000.00	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Downgraded from CARE MAU AA; Stable
Proposed Bond Issue	1,150.00	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Assigned

Rating Rationale

The rating continues to derive strength from the strong parentage of Currimjee group and Bharti group, extensive experience of both groups in the telecom sector, Emtel Limited’s (“Emtel”) strong brand presence with its position as the second largest player in the Mauritian telecommunication market, integrated telecommunications operations, additional income in the form of dividend from EMVision Ltd, economies of scale in procurement with the Bharti and Currimjee groups, established & reasonably large subscriber base, robust spectrum profile, strong distribution network allowing consistent growth in subscriber base and growth in usage of data and strong financial position along with adequate debt coverage & strong liquidity indicators. CRAF has also taken into account the very strong articulation by Emtel’s management to restrict dividend pay-out in future years.

The rating assigned to the existing Bond issue of Emtel of Mur 1,000 million has been revised because of the proposed additional borrowing of Mur 1,150 million in 2 tranches (Mur 700 million in March 2020 and Mur 450 million in March 2021) to acquire 90% stake in EMVision Ltd. (which holds 52.94% stake in MC Vision Ltd.) from its promoter Currimjee Jeewanjee & Co. Ltd. While, MC Vision Ltd. is a debt free and cash generating company with a consistent dividend paying track record for last 5 years, however this fully debt funded acquisition will lead to higher than projected debt in Emtel which in turn will impact the projected debt coverage ratios vis-à-vis the level considered by CRAF during Initial Rating exercise.

The rating is, also constrained by increasing competition among existing service providers, capital intensive nature of the industry leading to significant capital expenditure, high exceptional dividend pay-out ratio leading to depletion in net worth for last 2 years and its exposure to regulatory and obsolescence risks.

The rating is sensitive to the company’s ability to sustain profitability, maintain & increase market share in the Mauritian telecom market, improve its capital structure & net worth and timely execution of the projects within stipulated cost. Going forward, high dividend pay-out ratio leading to depletion of net worth and higher than envisaged debt and overall gearing may trigger a rating downgrade scenario.

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 pioneering groups, the Currimjee Jeewanjee Group of Mauritius and a Swedish company, Comvik which later to become Millicom International Cellular (MIC) S.A, a global telecommunications group based in Luxembourg. 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. As such, Indian Continent Investment Limited, (ICIL) a promoter entity owned by the Bharti group of India acquired 25% stake in Emtel. Emtel was also one of the founding partners of Bharti Cellular in India which is now branded as Airtel the third largest mobile operator in the world.

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 - GoM owned company, entered the market). Emtel has been in the forefront in technology and innovation. The main milestones are as follows:

- In 1998, Emtel introduced prepaid mobile service,
- In 1999, Emtel launched GSM (2G) technology,
- In 2004, Emtel was the first operator to launch 3G network in Mauritius and in Africa,
- In 2008, Emtel was first to launch mobile services in Agalega,
- In 2012, Emtel was first operator to deploy 4G technology and to launch TIER 3 compliant Data Centre services in Mauritius,
- In 2012, Emtel invested in LION 2 submarine optical fibre cable project and became a member of the LION 2 consortium,
- In 2015, Emtel launched Airbox, thus providing high speed internet to the home where no cabling is required.
- In 2015, Emtel launched the Emtel Cash which enables subscribers to store, send and receive money using mobile phone.
- In 2017, Emtel launched Airbox services in Rodrigues.
- In 2017, Emtel entered in a consortium agreement with 5 other operators in the Indian Ocean to build and operate the METISS submarine cable project connecting Mauritius, Reunion and Madagascar to South Africa.
- In 2018, Emtel was the first operator to launch Internet in Agalega.

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Mauritius has 3 telecom service providers (My.T, Emtel and MTML) and Emtel is the second largest telecom service provider after My.T in the country. As at 31st December 2019, Emtel had a mobile subscriber market share of approximately 42% of the mobile telecom sector in Mauritius (total mobile subscribers in Mauritius are 1.57 million).

Emtel has 23 showrooms across the Republic of Mauritius (including 1 in Rodrigues) and provides mobile telecom services (voice, SMS, mobile data to prepaid & post-paid subscribers), home broadband, fixed line, enterprise business solutions. Emtel generates majority of its revenue from its voice and data services.

Emtel is a professionally managed company. It is governed by an 8-member Board of Directors comprising of eminent industrialists and professionals. Mr. Bashirali A Currimjee is the Managing Director and Chairman; he is responsible for leading the board and supports the CEO. Mr. Bashirali 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. The CEO, Mr. Rajvardhan Singh Bhullar, looks after the day-to-day running of the business. Mr. Rajvardhan (MBA) has over 39 years of experience, having over 14 years in the Telecom sector working for Airtel India, Seychelles, Sierra Leone and Rwanda. He was formerly Managing Director of Airtel Rwanda. He is assisted by a team of professionals looking after various functions of the company.

Update since last Review

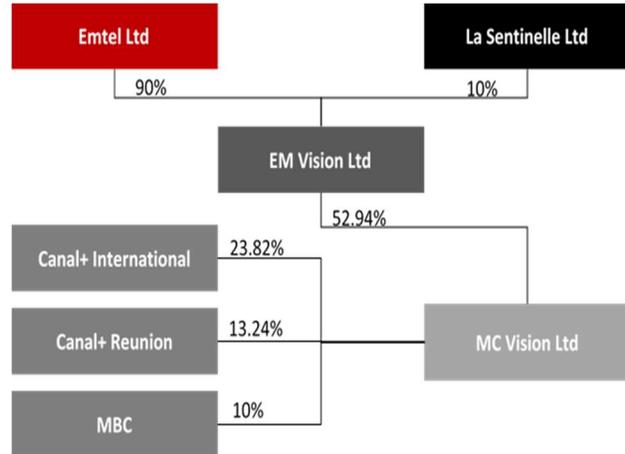
Emtel proposes to acquire 90% stake in EMVision Ltd (“EMVision”) from its promoter Currimjee Jeewanjee & Co. Ltd, the flagship company of the Currimjee Group at an aggregate cost of Mur 1,150 million. The balance 10% stake in EMVision Ltd will remain with the existing shareholder, La Sentinelle Ltd. EMVision Ltd is an investment holding company which holds 52.94% stake in MC Vision Ltd (“MC Vision”), cashflow generating company. EMVision does not hold any other investment and does not have any other business activity. It is a debt free company and only source of income is in the form of dividends from MC Vision.

MC Vision Ltd: -

Incorporated in 1997, MC Vision is the leader in digital pay TV market in Mauritius, with over 124,000 households subscribing to its services. The current shareholders of MC Vision are EMVision (52.94%), Canal+ International (23.82%), Canal+ Reunion (13.24%) and Mauritius Broadcasting Corporation (10.0%). Canal+ International is a French-based pay-TV service which has over 7.9 million subscribers in the Indian Ocean, Africa, the Caribbean, the South Pacific, Poland and Vietnam. Canal+ Reunion is a subsidiary of Canal+ International which operates in Reunion Island. The Mauritius Broadcasting Corporation is Government-owned and is the national public broadcaster of Mauritius, broadcasting on TV & Radio.

Post-acquisition, Emtel will effectively own 47.65% of MC Vision and will consequently be entitled to additional annual dividend income streaming from MC Vision. In addition, revenue and cost synergies are expected to arise from this acquisition due to combined marketing efforts, simpler customer experience management, shared Go to Market costs. Post-acquisition by Emtel, shareholding structure will be as under:

MC Vision operates under the trading name ‘Canal+ Mauritius’ and its main revenue comes from provision of subscription television direct to home satellite broadcasting and re-broadcasting services and video on demand through its PLAY service - on which it earns subscription fees, rental income and connection & installation fees. MC Vision also offers the MyCanal service through which its customers can have access to contents on their mobile devices,



laptops and PCs. MC Vision airs more than 100 channels, including premium content, and also has exclusive rights over channels such as Canal+ and Zee TV. The basic TV bundle starts at MUR 800 per month, with additional channel bundles (e.g. Cine and Series, Foot & Sport, Bollywood Pack, Kids Pack etc.) costing additional MUR 100 to MUR 400 per month. MC Vision also provides its subscribers with access to Netflix as from MUR 300 per month. Customers opting for all channels available are charged MUR 2,000 per month. MC Vision also markets home broadband (Airbox by Emtel) to its TV subscribers in partnership with Emtel.

As per management Accounts for FY19 (provisional result), MC Vision is debt free company with annual EBIDTA ranging between Mur 400-500 million for last 3 years. As par last 3 years track record, MC Vision pays 70-75% of its PAT as dividend.

Transaction

The transaction will entail a total cash requirement of MUR 1,150 million (Mur 700 million payable by March 2020 and Mur 450 million payable by March 2021) payable to Currimjee Jeewanjee & Co. Ltd by Emtel. Accordingly, Emtel proposes to raise bonds worth MUR 700 million in March 2020 and MUR 450 million in March 2021, in line with payment timeline for the acquisition.

Repayment Terms - The Bond will be repaid out of internal cashflow from operations of Emtel and dividend income to be received from MC Vision.

Amount (MUR Million)	Proposed Issue date	Repayment (MUR million)	Indicative Interest Rate (Fixed Rates)
Tranche I - 700	March 2020	March 2023: 250	3.95%
		March 2025: 300	4.30%
Tranche II - 450	March 2021	March 2028: 300	4.70%
		March 2030: 300	5.00%

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CREDIT RISK ASSESSMENT

Strong parentage and experienced management of Currimjee & Bharti Group

Currimjee group was founded by Currimjee Jeewanjee (grandfather of Mr. Bashirali Currimjee) and has over 125 years of existence. Mr. Currimjee arrived in Mauritius in 1884 and started a little business in Port Louis, trading in commodities in 1890. Over the last 129 years, the group has expanded into Commerce, Telephony, IT, Pay TV, Manufacturing, Soap, Soft drinks, Water, Margarine, Insurance, Energy, Tourism and Real Estate, etc. Currently, Currimjee group operates in seven business clusters namely: Telecom, Media & IT (Emtel, Canal+, Screenage and Currimjee Informatics), Real Estate, Tourism & Hospitality (Anantara Le Chaland Hotel), Commerce & Financial Services (Batimex Limited, Island Life Assurance), Energy (Total Mauritius Limited), Food & Beverages (Quality Beverages Limited and Margarine Industries Limited) and Home & Personal care (Soap & Allied Industries). The Currimjee Group's turnover was MUR 6,659 million in FY17 with 7 clusters and have been ranked 16th (among top 100 companies/groups) in Mauritius. The Currimjee group's telecom operations constitute around 40% of the total turnover of the group.

The other promoter Bharti group (Bharti) is one of India's leading integrated telecommunication service providers. The mobile services group provides mobile services in all 22 telecommunication circles across India, while the home services group provides broadband and wireline services. Bharti also provides mobile services in Sri Lanka, Bangladesh and 14 countries in Africa.

By virtue of being a part of the Currimjee & Bharti group, Emtel has qualified, professional and experienced management team with vast experience in the telecoms sector. Moreover, Emtel enjoys strong financial flexibility being a prominent company of the Currimjee group.

Strong brand recognition

Emtel has a strong presence across the Republic of Mauritius. As on December 31, 2019 it had 42% market share of mobile subscribers in Mauritius (total mobile subscribers in Mauritius is 1.57 million). Due to very noticeable and memorable advertising, the company has been able to establish a strong brand recall. The brand 'Emtel' is ranked among Mauritius' buzziest brands across telecom and non-telecom brands.

Strong spectrum profile laying foundation for revenue visibility and business growth

Prior to the enactment of the Information and Communications Technologies Act in 2001 ("ICT Act"), the telecommunications industry was regulated under the Telecommunications Act 1988, which introduced the Telecommunications Authority. The ICT Act, established the Information and Communication Technologies Authority ("ICTA") - which is responsible for:-

1. exercise licensing and regulatory functions in respect of information and communication services in Mauritius including the determination of types and classes of licensees and the approval of prices,

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- tariffs and alterations thereto;
2. advise and assist in the formulation of national policies with respect to the regulation of the information and communication industry;
 3. ensure the safety and quality of every information and communication services including telecommunication service and, for that purpose, determine technical standards for telecommunication network, the connection of customer equipment to telecommunication networks;
 4. allocate frequencies and manage, review, and, where appropriate, reorganise the frequency spectrum;
 5. to further the advancement of technology, research and development relating to information and communication technologies through modern and effective infrastructure taking into account the convergence of information technology, media, telecommunications and consumer electronics;

The ICTA provided PLMN, PSTN, ILD and ISP licenses to Mauritius Telecom and Emtel respectively for a period of 15 years, with a clause to apply for renewal. In addition to the said main licences, the licensee should avail itself of additional spectrum licences together with the payment of annual fees up until the expiry of the licences.

As on February 29, 2020, Emtel has PLMN, PSTN, ILD, ISP licenses along with spectrum licences in various frequency bands.

The PLMN license and related spectrum licences were renewed in December 2019. The ILD and the ISP licenses have been renewed on 15 December 2018 and 13 May 2019 respectively and are valid for three years. The PSTN license is valid until 30 June 2026.

Emtel pays in excess of Mur 163 million annually in relation to license fees, solidarity levy, CSR and USF.

Consistent increase in subscriber base due to strong distribution network

The Subscriber base of Emtel has increased at an annual growth rate of 5% over last 3 years. Prepaid subscribers account for 88% of the total base. The total mobile subscribers in Mauritius is 1,556,632. The company sells its products/sim cards/recharge facility through 23 showrooms. It also supplies SIM cards and recharge facility through a wide network of retails outlets across the island. The latter are services via channel partners or distributors.

Intense competition impacting the key performance indicators

On account of aggressive marketing strategy of the 3 telecom operators to offer services to a limited targeted base/market, the competition in the industry had intensified. Emtel's Average Revenue per User (ARPU) for mobile subscribers declined slightly during last 3 years, despite increase in subscriber base of Emtel in FY17 and FY18, due to increase in usage of data services (higher usage of web-based communication services like

WhatsApp, Viber, Face time etc.) vis-à-vis normal voice calls, SMS and VAS and also reduction in tariff in line with competition.

ARMB has also declined over the last 3 years. This is because earlier mobile internet users were being charged on a pay-as-you-go basis. However over last 3 years several mobile data packages have been introduced and are very popular in the mobile data market. This in turn has led to increase in revenue from data services over last 3 years. This also led to a growth in revenue and EBIDTA. The turnover of Emtel for last 3 years are as shown below:

MUR Million

For the year ended,	FY16	FY17	FY18
Total Income	2,557.3	2,740.0	3,005.3

The company has stated that call completion rate is more than 98% and call drop rate is also very low.

Emtel’s management feels that going forward it will earn more revenue from data than voice business, similar to global trends. The operational efficiencies and market share for Emtel are likely to increase in the long term with the rising subscriber base and steady investment in infrastructure (fibres and towers).

Significant investment in Towers

As at December 31, 2019, Emtel had over 400 cell sites which are either on leasehold land/buildings, Emtel owned land and on shared basis with other operators. This enables it to cover 95% of the population of Mauritius and 96% of network area coverage.

Investment in Capital Expenditure (Capex) funded by debt and internal accruals

Capex is an integral part of the telecom business and Emtel has to continuously incur Capex to develop infrastructure to provide better services. In the projected period (FY20-26), Emtel will have annual capex of around MUR 500 million, to be funded through a mix of term loan and internal accruals.

The investment in Capex is mainly to cater for the growing demand in data and enterprise solutions and to provide an island-wide coverage of LTE which is the enabler of high-speed data. The Company also started to invest in METISS submarine cable project which is led by a consortium of six operators to connect Mauritius, Reunion, Madagascar and South Africa. This cable is expected to be operational in 2020 and shall bring the much awaited and needed extra capacity as well as redundancy in international connectivity for the country. This apart the company has to invest in inland fibre project connecting the balance and new towers through optical fibres, procure equipment’s (routers, last mile equipment), and invest in hardware & software upgrade & other IT projects.

Strong Financial position; albeit moderation in leverage and debt coverage indicators due to envisaged additional debt

Emtel's turnover increased by 10% to MUR 3,005 million in FY18 (2017: MUR 2,740 million) due increase in portfolio of products and services to meet customer needs in various segments viz: - mobile, enterprise solutions and high-speed internet to the home. Diversification of offerings to the customers increased and which countered the decline in the traditional voice and SMS service, a phenomenon which is impacting all mobile operators in the world more so in mature markets. Higher turnover coupled with focus on optimisation of operating expenses through different means (automation and leveraging on the economies of scale of the group/partner for better pricing) led to a growth in EBIDTA (Earnings Before Interest Depreciation Tax and Amortisation). Higher EBIDTA coupled with lower depreciation and stagnant interest cost led to a significant increase in PAT level (MUR 418 million in FY18 vis-à-vis MUR 238 million in FY17).

During FY16-FY18, Gross Capital Accruals (GCA=PAT+ Depreciation + other non-cash expenditure) was comfortable in the range of MUR 870 - 970 million vis-a-vis annual debt repayment obligation of MUR 300 million. GCA was MUR 977 million in FY18 vis-à-vis debt repayment obligation of MUR 287 million.

Total debt/ EBIDTA was comfortable at 1.00x times. The average fund based working capital utilisation was around 41% during the last 12 months ended December 2019, as confirmed by the management.

However, CRAF notes that, the additional debt of Mur 1,150 million will impact the company's financial flexibility and debt servicing ratios in near future. CRAF now expects the gearing ratio (Total debt/Networth) to hover in the range of 1.6-1.8x and Total debt/EBIDTA to remain in the range of 1.5 -1.7x during the Bond repayment period. Any deterioration from the same will have an adverse impact on the Rating.

Higher dividend payout ratio leading to lower Networth of the company and moderate overall gearing

Emtel has exceptionally paid higher dividend to its shareholders. This has been subject to availability of cash after meeting debt repayment obligations and investment in Capex. This exceptional high dividend payment has confined the growth of the networth of the company, despite consistent high profits.

Overall gearing ratio has deteriorated over last three account closing dates (0.66 as on December 31, 2016 to 1.49 as on December 31, 2019) due to debt availed for capital expenditure. Overall gearing is expected to further deteriorate to a maximum of 1.70x in FY21, because of new MUR 1,150 million bonds to be raised to finance the acquisition of EMVision Ltd.

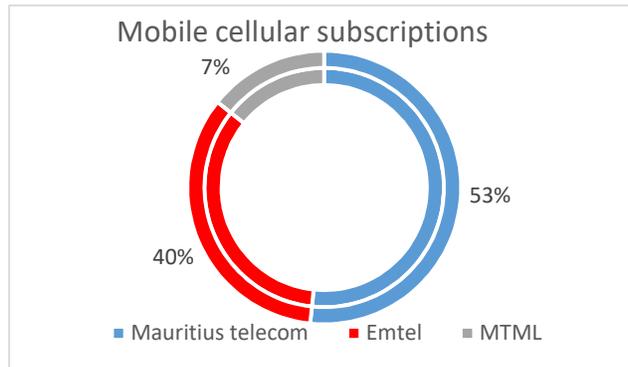
During the projected period, the management has very strongly stated that the dividend payout ratio will be subject to availability of cash post debt repayment.

Highly competitive industry

The Mauritian telecommunication industry is a frontrunner in the region, having been the first to launch mobile telecom networks in 1989 in the southern hemisphere, the first to provide 3G service in Africa in 2004 and one of the first countries to launch Satellite TV services in 2006. In attempt to become a regional hub for connectivity and to harness a growing need for bandwidth and redundancy, the country is also having new submarine cables landing in Mauritius (e.g. METISS will be operational in FY20). State of the art services such as LTE and fibre broadband services are also available countrywide.

The needs of the mobile market are catered for by 3 network operators namely, Mauritius Telecom, Emtel, and MTML, who have 53%, 40% and 7% of subscriber base respectively as at 31 March 2019.

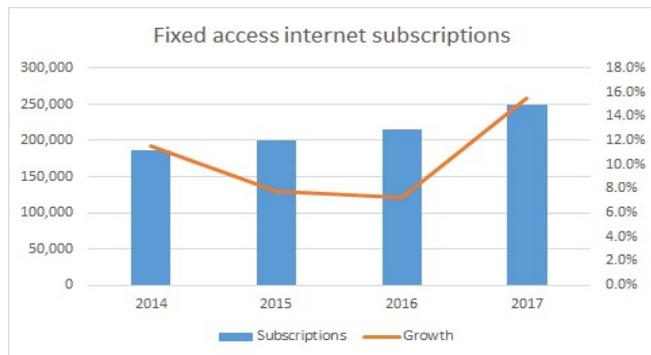
Total number of subscribers was 1,556,632 in March 2019 (4.3% increase from March 2018), 91% of which were prepaid users, and 9% post-paid users. Despite increase in subscriber volume over the years, the mobile market is undergoing a shift from voice to data services. Demand for the latter rose by 14.2% in 2017



while volume of calls from mobile cellular telephone dropped by 4.2% over the same period. The movements can be explained by an increasing use of web-based communication services such as WhatsApp, Viber etc. In addition, while earlier years witnessed mobile internet users being charged on a pay-as-you-go basis, daily, weekly and monthly data packages have been introduced since and are dominating the mobile data market. Short Message Service remained stable annually with around 1 billion SMS sent per annum.

A service whose demand remains on the rise is home internet connectivity, with Mauritius Telecom dominating the market share.

The telecom companies are also exposed to new regulatory changes and also obsolescence of existing technology with advent of new technology which will entail more Capex.



Subscription Television Industry in Mauritius

Mauritius has only one public television broadcasting service, the Mauritius Broadcasting Corporation (MBC), which runs a broadcasting service in Mauritius since 1965. Every household which is liable to pay an Electricity Bill is automatically subject to pay monthly fees of MUR 150 to MBC for its services unless the

person declares that it does not possess a television set. MBC currently broadcasts 16 channels including BBC News and French channel TV5 Monde and users have to purchase a set-top box (normally costing less than MUR 1,000) to receive such channels. The alternative to MBC channels is Subscription-TV.

The Subscription-TV market in Mauritius has 4 players, namely MC Vision Ltd. (popularly known as Canal Plus), Mauritius Telecom Ltd (My.T), Mediacom Ltd (Parabole Maurice) and Vitiro Ltd. (DStv Mauritius). They are all licensed by the Independent Broadcasting Authority.

MC Vision Ltd.:- MC Vision provides satellite TV and airs more than 100 channels, including premium content, and also has exclusive rights over channels such as Canal+ and Zee TV. It has over 124,000 households subscribing to its services in Mauritius. The basic TV bundle starts at MUR 800 per month, with additional channel bundles (e.g. Cine and Series, Foot & Sport, Bollywood Pack, Kids Pack etc.) costing additional MUR 100 to MUR 400 per month. MC Vision also provides its subscribers with access to Netflix as from MUR 300 per month. Customers opting for all channels available are charged MUR 2,000 per month.

My.T:- Unlike MC Vision's satellite TV, My.T provides Internet Protocol TV (IPTV) which requires an internet connection for the content to be delivered to the user. My.T provides a free basic channel bundle (51 channels including 16 MBC channels) with every broadband subscription and has over 160,000 IPTV subscribers. Subscribers have the option to pay and add channel bundles. The monthly price of add-on channel bundles ranges from MUR 58 to MUR 499.

Parabole Maurice:- provides satellite TV with over 100 channels in Mauritius. It forms part of a regional group in the Indian Ocean, the Parabole Group, which provides satellite television to Mauritius, Réunion, Madagascar, Mayotte and Comoros. The group has more than 10,000 customers in Mauritius and over 90,000 homes as its customers in all five territories. In Mauritius, subscribers can choose from 4 channel bundles ranging from MUR 400 per month (Candy pack- 42 channels) to MUR 1,545 per month (Smarty pack- 81 channels). Customers going for all the channels (i.e. Smarty pack + all options) are charged MUR 1,935 per month.

DStv:- provides direct broadcast satellite TV with a wide array of channels. Most of its subscribers are Hotels and non-francophone expats living in Mauritius. DStv offers 6 packages (Access, Family, Indian, Compact, Compact Plus and Premium) with monthly subscription fees varying from MUR 400 (Access- 72 channels) to MUR 2,700 (Premium-136 channels). Chinese content channels are an additional option costing USD 5.93 (MUR 222) per month. Opting for all channels (DStv Premium + Chinese content) will cost a subscriber around MUR 2,922 per month.

Almost every household in Mauritius has one or more television sets, granting them access to MBC channels.

However, due to the limited content there has been an observed trend whereby more and more people opt for subscription-TV as their disposable income rises. As long as no new taxes are introduced, disposable income is expected to continue its growth and make subscription-TV affordable to more households. While decrease in number of customers for subscription-TV remain highly unlikely because of the habit-forming traits of the product, the rise of video on demand services (Netflix, Prime Video, Zee5, Hulu etc.) has the potential to significantly hamper growth of the subscription-TV market.

Purpose of the Bond issue:

In June 2019, Emtel issued a Bond of MUR 1,000 million and utilized the proceeds for the refinancing of its existing loans and for investment in new Capex. As on December 31, 2019, Emtel had long term debt of MUR 1,309 million and short-term debt of MUR 300 million from MCB, Barclays and SBM. Emtel proposes to raise bonds worth MUR 700 million in March 2020 and MUR 450 million in March 2021 (Additional MUR 1,150 million in total) to finance acquisition of 90% stake in EMVision Ltd.

FINANCIAL PERFORMANCE

Standalone Financial performance of Emtel

MUR Million

For the year ended as on	FY16	FY17	FY18
	12M	12M	12M
Revenue	2,557.3	2,740.0	3,005.3
Total Income	2,557.3	2,740.0	3,005.3
EBIDTA	954.7	1,047.2	1,151.5
Depreciation	593.3	702.0	559.5
Interest	50.9	49.4	54.9
PBT	352.3	318.2	550.9
PAT	278.6	237.7	417.5
Gross Cash Accruals (GCA)	872.0	939.7	977.0
Dividend paid/proposed	182.2	364.3	616.3
Financial Position			
Equity share capital	151.8	151.8	151.8
Tangible networth*	1,294.5	1,160.3	966.5
Total debt	857.6	862.5	1,187.5
- Long term debt	831.3	787.5	837.5
- Short term debt	26.3	75.0	350.0
Cash & Bank balances	33.3	76.9	73.3
Key Ratios			
Profitability (%)			
EBIDTA / Total income	37.33	38.22	38.31
PAT / Total income	10.90	8.68	13.89
ROCE- operating (%)	14.99	14.75	25.39
RONW (%)	21.52	19.37	39.26
Solvency			

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For the year ended as on	FY16	FY17	FY18
<i>Long Term</i>			
Long term debt equity ratio	0.64	0.68	0.87
Overall gearing ratio	0.66	0.74	1.23
Interest coverage (EBIDTA/Interest)	18.77	21.21	20.97
Total Debt/ Gross Cash Accruals	0.98	0.92	1.22
Total Debt/ EBIDTA	0.90	0.82	1.03
<i>Liquidity</i>			
Current ratio	0.40	0.48	0.37
<i>Turnover</i>			
Average collection period (days)	22	23	23
Average inventory (days)	5	6	7
Average creditors (days)	16	17	13
Op. cycle (days)	11	12	17

Adjustments

1. Tangible network is calculated by netting off revaluation reserve.
2. Gross Cash Accruals (GCA) is calculated as PAT + Depreciation + other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt) / Tangible Network.

FY19 Performance (Provisional)

As per Management Accounts for FY19 (Jan -Dec 31, 2019) provided by Emtel, it has stated to have achieved a revenue of more than Mur 3,200 million, EBIDTA of around Mur 1,400 million and PAT of around Mur 477 million. As per the Provisional Accounts, overall gearing is expected to be in the range of 1.40-1.50x and Total debt/EBIDTA in the range of 1.10-1.20x. Emtel is expected to submit their Audited Accounts by April 2020 and CRAF will conduct Annual Surveillance by May 2020.

Details of Existing Instrument

Existing Long-term Bond

Instrument	Amt. (MUR Million)	Repayment (MUR Million)
Long term Bond (Issued in June 2019)	1,000	5 th year – 500 (June 2024) 7 th year – 500 (June 2026)

Details of Proposed Instrument

Proposed Long-term Bond

Instrument	Amt. (MUR Million)	Proposed issue date	Repayment (MUR Million)
Long term Bond	Tranche 1: 700 Tranche 2: 450	March 2020 March 2021	March 2023: 250 March 2025: 300 March 2028: 300 March 2030: 300

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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.