La Prudence Leasing Finance Co. Ltd.

28 July 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	369	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	**Reaffirmed**
Proposed Bond Issue/Bank Facilities	231	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	**Reaffirmed**
Proposed Bank Facilities	100	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	**Reaffirmed**
Total	**700**		

Ratings Rationale

The rating assigned to the Bonds and Bank Facilities of La Prudence Leasing Finance Co. Ltd ("La Prudence Leasing") continue to derive strength from its established 20-year track record in the financial services industry as a NBDTI in Mauritius, strong promoters background who can support the capital requirements as and when needed, diversified lease book with limited exposure to sectors which are vulnerable to the economic shocks, and stringent provisioning measures which allowed for a sound management of credit risk. The rating also factors in the comfortable liquidity profile to meet short-term obligations, growth in asset under management and improved asset quality with reduction in both gross and net NPA, comfortable Capital Adequacy Ratio (CAR) level over the past four years and robust systems, controls, and internal procedures.

The rating is however constrained by the lower market share with moderate book size, high competition from other industry players, leveraged capital structure and decline in the long-term deposits from corporates.

<u>Rating Sensitivities:</u>

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Healthy growth in lease book with non-performing loans remaining at satisfactory levels
- Growth in deposit book with cost of funds remaining low
- Decline in net NPA below 1% on sustainable basis

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Significant dip in Capital Adequacy Ratio from current levels
- Decline in deposit book
- Deterioration in asset quality with increase in Gross Non-Performing Asset

BACKGROUND

La Prudence Leasing Finance Co. Ltd ("La Prudence Leasing") was created in 2001 as a wholly owned subsidiary of La Prudence Mauricienne Assurance Ltée, an entity founded in 1988 by late Mr. Felix Maurel which has become an established insurance company in Mauritius by the early 2000s. In 2010, La Prudence Leasing Finance Co. Ltd and Credit Guarantee Insurance (a credit guarantee institution created in partnership with MCB) were exempted from a takeover of La Prudence Mauricienne Assurance Ltée and its subsidiaries by Mauritius Union Assurances Ltd. Following the takeover, La Prudence Leasing Finance Co. Ltd became a 100% subsidiary of Prudence Holding Ltd.

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

La Prudence Leasing holds a deposit-taking license from the Bank of Mauritius (BOM) and is also licensed by the Financial Services Commission (FSC) for conducting leasing business. The company's core business is to provide leasing facilities primarily from deposits raised from individuals and corporates. The aim of La Prudence Leasing is to facilitate the acquisition of vehicles and equipment for individuals and businesses by providing the necessary funding.

Over the years, the Company has been able to grow and diversify its customer base, reaching a total lease portfolio of MUR 1,476 million and a deposit base of MUR 1,275 million as at 31 December 2022.

La Prudence Leasing provides three types of leasing solutions namely, Finance Lease, Operating Lease and Sale & Lease back.

Following two consecutive years of decline in its income from finance lease operations mainly attributed to the effects of the COVID-19 pandemic, La Prudence Leasing witnessed at rise of 5.27% in FY22 from a corresponding increase in the net investments in finance assets which reached MUR 1,476 million in FY22 from MUR 1,258 million in FY21. With the rising interest rate environment, and key rate being at 4.50%, the Company is planning to refocus its strategy on floating rate leases.

La Prudence Leasing was able to maintain a satisfactory level of net income from its core operations given the lower interest expenses incurred for FY22. The interest expenses of MUR 45 million comprise interest on loans, lease liabilities and deposits from customers. The interest on deposits from customers made up of 94% of the interest expenses incurred. This has dropped from MUR 49 million in FY21 to MUR 42 million in FY22 following the fall in long-term corporate deposits. The overall deposit book of the Company has however increased by 2% on the back of a rise in deposits from individuals. Operating profit increased by 47% from FY21 to FY22 with higher total income.

La Prudence Leasing maintained a diversified lease book with very low exposure to vulnerable sectors. The Company conserved a reasonable GNPA over the past years apart from the increase in the years 2020 and 2021 due to higher non-performing assets. The GNPA has improved significantly in the year 2022 reaching 3.03% and has maintained NNPA at 1.21%

The liquidity profile of the Company stood at comfortable levels while the CAR remained at far above regulatory levels over the past four years.

Details of Rated Instruments

I. Bond Issue

Instrument	Tranches	Amount (MUR million)	Interest Rate	Repayment
Bond Issue	S1-FRN-15M	69	5.35%	May 2024
	S1-FRN-3Y	150	6.00%	February 2026
	S1-FRN-5Y	150	6.65%	February 2028

II. Proposed Bank Facility

Facility	Amount (MUR million)	Interest Rate	Repayment
Proposed Bank Facility	100	6.80%	Repayment - Year 2028

III. Proposed Bond Issue/Bank Facilities

Instrument /Facility	Tranches	Amount (MUR million)	Indicative Interest Rate	Repayment
Proposed Bond Issue/ Bank Facilities	S2-FRN-2Y S2-FLN-3Y S2-FRN-4Y S3-FRN-2Y S3-FRN-3Y S3-FRN-4Y S3-FRN-5Y	231	3.51% 4.56% 5.50% 3.51% 4.56% 5.50% 6.03%	Repayment August 2025 Repayment August 2026 Repayment August 2027 Repayment August 2025 Repayment August 2026 Repayment August 2027 Repayment August 2028

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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. 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.

Contact us

Contact
Name : Mr. Saurav Chatterjee
Title : Chief Executive Officer
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact
Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5955 3060
E-mail : vidhya.sagar@careratingsafrica.com

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.