

**MCB Group Limited**  
**14 August 2023**

**Ratings**

Facilities/Instruments	Amount (MUR Million)	Rating <sup>1</sup>	Rating Action
Bond Issue	2,000	CARE MAU AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed
Proposed Bond Issue	2,500	CARE MAU AAA; Stable [Triple A; Outlook: Stable]	Assigned

**Ratings Rationale**

The rating assigned to the bond issue of MCB Group Limited continues to derive strength from the long track record of the Group which established itself as one of the leading banking and financial services providers in Mauritius, professional and highly qualified management team, continued growth in total income and profitability, consistent flow of dividend income from subsidiaries (primarily from MCB Ltd), maintenance of robust liquidity position with significant holdings of high quality assets, close monitoring of assets coupled with strict provisioning measures adopted leading to low levels of Gross and Net Non-Performing assets, reliable source of funding comprising mainly of low cost current & savings account (CASA) deposits with satisfactory renewal rates, maintenance of comfortable capital buffer with an increasing consolidated Capital Adequacy Ratio and maintenance of low consolidated gearing level. The rating is further supported by The Mauritius Commercial Bank Ltd ("MCB Ltd") which is rated CARE MAU AAA (Is); Stable.

**Rating Sensitivities:**

**Positive Factors** - Factors that could lead to positive rating action/upgrade: **Not applicable**

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

- Subdued performance of subsidiaries, leading to lower dividend income for MCBG
- Decline profitability impacting the core capital and further the capitalisation level of the Group
- Significant dip in regulatory ratios
- Deterioration in asset quality giving rise to high levels provisioning and thus, affecting profitability

**BACKGROUND**

MCB Group Limited ("MCBG") was incorporated in 2013, as a result of the reorganisation of the Group. In April 2013, the shareholding of MCB Ltd was restructured, and its shares, which were listed on the Stock Exchange of Mauritius ("SEM"), were exchanged on a one-for-one basis for shares in MCBG, the bank's ultimate holding company. The ordinary shares of MCB Ltd were delisted, while MCB's shares were listed on the Official Market of the SEM. Furthermore, those MCB Ltd shares held by MCB Group were exchanged for shares in MCB Investment Holding Limited – incorporated in 04 November 2013, as a wholly owned subsidiary of MCB Group Limited, to be the intermediate holding for all group banking investments.

The Mauritius Commercial Bank Ltd [CARE MAU AAA (Is); Stable] was incorporated on 01 September 1838 by Mr. James Blyth founded as La Banque Commerciale de Maurice in Port Louis. In 1839, Queen Victoria granted a Royal Charter to the newly established bank for a period of twenty years under the name of 'The Mauritius Commercial Bank'. The charter was renewed every twenty years until 18 August 1955 when the Bank became a limited liability company. The bank was

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratingsafrica.com](http://www.careratingsafrica.com).

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listed on the Stock Exchange of Mauritius since 1989. Following a restructuring, MCB Group Limited was incorporated to hold 100% stake in MCB Ltd and act as the ultimate holding company for entities of the Group. Subsequently the shares of MCB Ltd were delisted and were exchanged on a one-for-one basis for shares in MCB Group which were listed on the SEM.

MCB Group has evolved into a prominent regional banking and financial services player, offering a comprehensive range of tailored and innovative solutions through its local and foreign subsidiaries and associates.

MCB Group is the holding company of the Group and the entities thereof operate under three business clusters: Banking, Non-Banking Financial and Other Investments.

**Banking** – With its 184-year history, MCB Ltd, the Group’s main subsidiary, is the market leader in the Mauritian banking sector. It services its customers across four main segments, namely, retail, business banking, corporate & institutional banking, as well as private wealth management. MCB Ltd operates a universal banking business model locally whilst having a targeted approach when conducting cross-border operations by focusing on niche market segments where it has built expertise. Headquartered in Port Louis, the Bank provides a wide range of banking products and services to its clients through a network of 39 branches/kiosks and a well-distributed more than 179 ATMs across the island.

Beyond Mauritius, the Group also leverages its overseas banking subsidiaries and associates through its stakes in MCB Madagascar SA, Banque Française Commerciale Océan Indien, Société Générale Moçambique, MCB Seychelles Ltd and MCB (Maldives) Private Ltd.

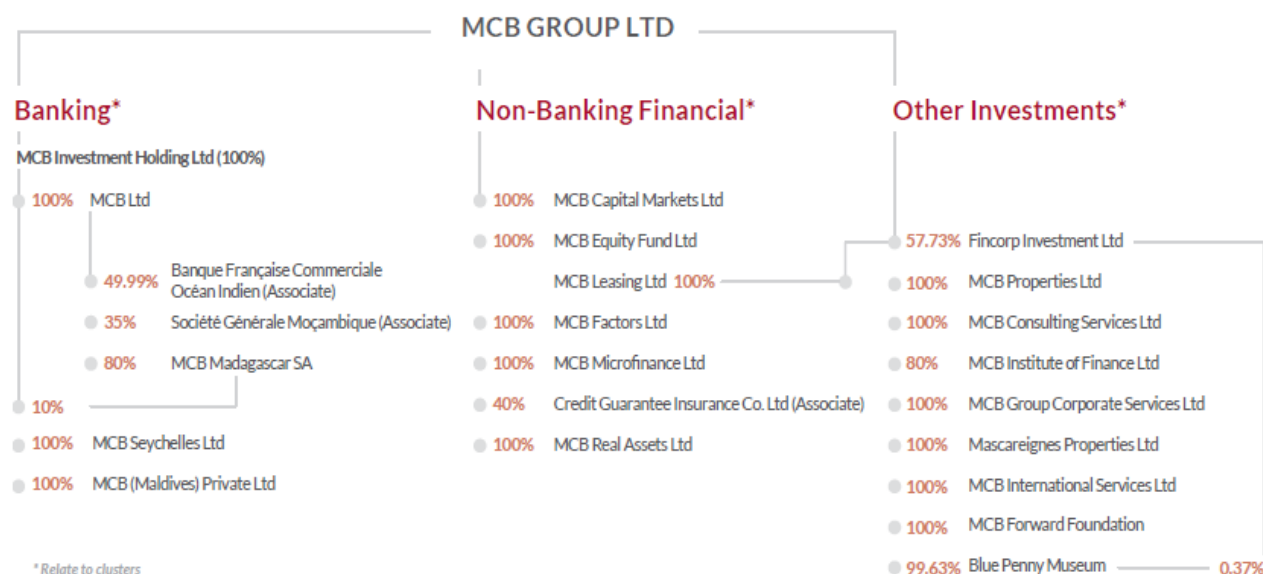
**Non- Banking** – MCBG, through its Non-Banking entities, provides its clients in and outside Mauritius with extensive and customized financial solutions. MCBG works closely with its customers to understand their imperatives, challenges and priorities, while assisting the clients to design solutions adapted to their needs. Within the non-banking financial cluster, MCB Capital Markets Ltd provides a broad range of investor services, notably including corporate finance advice, asset management, stockbroking, private equity, structured products, and registry services, while MCB Group through its subsidiaries also provides factoring services, leasing solutions, and microfinance.

**Other Investments** – MCBG is involved in activities beyond the traditional financial services field, as gauged by its engagement across several business areas and ancillary undertakings. The Group also has dedicated structures to promote its actions in the Corporate Social Responsibility and philanthropic fields.

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### CREDIT RISK ASSESSMENT

#### ***Long track record of the Group with dominant position in Mauritian banking sector***

MCBG is the ultimate holding company of the MCB Group. The subsidiaries and associates thereof operate under three distinct clusters namely Banking, Non-Banking Financial and Other Investments. MCBG derives its revenue mainly in the form of dividends from its subsidiaries. For FY22, MCBG received total dividend income of MUR 4,100 million from its subsidiaries and other investments. These dividends originated from three business verticals of the group but primarily from the banking cluster, with MCB Ltd having paid MUR 3,734 million to MCBG in FY22 compared to MUR 2,000 million for FY21.

With a total asset base of over MUR 725,000 million at 30 June 2022, MCBG is one of the largest financial services conglomerates in Mauritius. As on 28 April 2023, the market capitalisation of MCBG was around MUR 75,181 million, and the stock is one of the most traded stocks on the SEM representing around 32% of the market turnover for calendar year 2022.

#### ***Professional and highly qualified management team***

MCBG has a highly qualified employee pool with extensive experience in their related field. MCBG's improvement in operational efficiency over the years can be attributed to its sound management team. Each vertical is managed by a CEO and team of professionals. The CEO directly reports to the Chairman. The attrition level is quite low with key professionals having long association with the group. The group has more than 3,900 employees comprising of professionals, skilled and semi-skilled workers distributed among the various business verticals.

#### ***Established group with strong presence in banking and financial sector***

MCBG is one of the largest investment groups in Mauritius with operations/investments in Mauritius, France, India, Madagascar, Maldives, Mayotte, Mozambique, Réunion, Seychelles and South Africa. The financials of the major group companies are provided hereunder:

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Year ended/ as on 30 June 2022	Business	Stake (%)	Total Income	PAT	GCA	Dividend Payout	Tangible Networkth	Total Debt	Gearing Times	
			<b>MUR million</b>							
MCB Group Ltd (Standalone)	Holding Company	-	4,102	3,808	3,809	3,622	7,017	8,513	1.21	
MCB Ltd	Banking	100	25,448	8,948		3,734	64,857	585,860*	9.03	
MCB Seychelles#		100	1,757	457	545	231	2,175	20,160*	9.27	
MCB Maldives#		100	554	237	275	23	1,405	8,949	6.37	
<b>Non-Banking</b>										
MCB Capital Markets Ltd	Investment Holding Company	100	88	67	67	94	453	-	-	
MCB Equity Funds Ltd.	Private Equity Fund	100	82	(242)	(242)	-	3,821	668	0.17	
MCB Factors Ltd.	Factoring	100	73	18	20	-	405	240	0.59	
MCB Microfinance Ltd.	Credit Finance	100	45	(10)	(7)	-	43	256	5.97	
MCB Real Assets Ltd.	Investment Holding Company	100	61	49	49	-	1,508	258	0.17	
Fincorp Investments Ltd. (Fincorp)	Investment Company	57.73	219	327	512	73	7,072	4,767 <sup>§</sup>	0.67	
MCB Leasing Ltd.	100% subsidiary of Fincorp	57.73	456	62	247	41	681	3,612*	5.30	

# Year End 31 December 2022 \*Debt includes Deposits \$ Including entire deposits and debt of MCB Leasing

### Consistent flow of dividend from group companies

Below is a breakup of the dividend income received by MCBG over the past four years:

Year ended 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
<b>Dividends received from subsidiaries:</b>				
The Mauritius Commercial Bank Ltd	2,958	1,858	2,000	3,734
Other Banking subsidiaries	-	-	-	206
MCB Capital Markets Ltd	68	74	67	94
MCB Equity Fund	5	-	-	-
MCB Factors Ltd	17	10	25	-
MCB Real Assets Ltd	106	46	-	-
Fincorp Investment	36	36	11	36
Mauritius Commercial Bank Properties Ltd	-	9	-	-
International Card Processing Services Ltd	52	-	-	-
	<b>3,242</b>	<b>2,033</b>	<b>2,103</b>	<b>3,871</b>
<b>Dividends received from other investments</b>				
Africa Domestic Bond Fund (USD)	10	23	22	19
Other Investments	118	44	66	11
<b>Total Dividend income</b>	<b>3,370</b>	<b>2,100</b>	<b>2,191</b>	<b>4,100</b>

Historically, dividend distribution by MCB Ltd has been constituting around 90% of the total dividend income earned by MCBG.

### Comfortable Capital Adequacy Ratio

MCBG computes its CAR on a consolidated basis by taking into account the CAR at the level of each banking subsidiary. A history of the CAR of MCBG is provided below:

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As on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
<b>Capital base</b>				
Ordinary shares (paid-up) capital	2,608	2,719	2,775	3,109
Accumulated other comprehensive income and other disclosed reserves	6,076	7,495	11,464	7,539
Retained Earnings	47,972	52,502	58,640	67,545
Additional Tier-1 Capital	-	3,396	3,396	3,396
Regulatory adjustments	(1,780)	(2,659)	(4,537)	(4,145)
<b>Total Tier 1 Capital</b>	<b>54,876</b>	<b>63,453</b>	<b>71,739</b>	<b>77,444</b>
<b>Supplementary Capital (Tier 2 Capital)</b>				
Capital instruments	2,229	637	397	179
Provisions or loan-loss reserves	3,144	4,169	5,116	5,315
45% of surplus arising from revaluations of Land and Buildings	953	1,060	1,303	1,282
Regulatory adjustments	722	802	(903)	(516)
<b>Total Tier 2 Capital</b>	<b>5,604</b>	<b>5,064</b>	<b>5,913</b>	<b>6,260</b>
<b>Total Capital Base (T1+T2)</b>	<b>60,480</b>	<b>68,517</b>	<b>77,652</b>	<b>83,704</b>
<b>Total Risk Weighted Assets</b>	<b>348,707</b>	<b>368,775</b>	<b>446,762</b>	<b>461,859</b>
<b>Tier 1 Ratio (%)</b>	<b>15.7%</b>	<b>17.2%</b>	<b>16.1%</b>	<b>16.8%</b>
<b>Capital Adequacy Ratio (%)</b>	<b>17.3%</b>	<b>18.6%</b>	<b>17.4%</b>	<b>18.1%</b>

The stronger CAR resulted mainly from a wider Tier 1 capital base boosted by the strong profitability of MCBG. The predominant contribution to MCBG'S capitalization performance derived from banking entities, for which the maintenance of adequate capital levels is a key priority by virtue of their business operations and regulatory responsibilities. Risk-weighted assets of MCBG stood at MUR 462 million at 30 June 2022.

#### **Strong performance of major dividend paying companies**

**Banking division** – MCBG is the market leader in Mauritian banking sector via its main subsidiary, MCB Ltd, from which MCBG derives more than 90% of its dividend income.

MCBG's foreign banking subsidiaries in Madagascar, Maldives and Seychelles as well as its overseas associates, i.e. Banque Française Commerciale Océan Indien (BFCOI)- operating in Réunion Island, Mayotte and Paris- and Société Générale Moçambique provide clients with an array of banking services adapted to local market realities. Key solutions provided include inter alia deposit and credit facilities as well as payment services. MCBG's foreign subsidiaries capitalize on group synergies to position themselves as the preferred banking partner of corporate and individual customers.

#### **The Mauritius Commercial Bank Ltd**

MCB Ltd was established in 1838 and is the longest-standing and leading banking institution in Mauritius. The Bank provides retail, corporate, and private banking products and services in Mauritius and internationally (primarily in Africa). MCB Ltd is a 100% subsidiary of MCB Investment Holding Ltd (MCBIH) which in turn is wholly owned by MCBG. Headquartered in Port Louis, the Bank provides a wide range of banking products and services to its clients through a network of 39 branches/kiosks and a well-distributed more than 179 ATMs across the island. It has representative offices in Johannesburg, Nairobi, Paris and Dubai, and also holds stakes in regional banks such as MCB Madagascar SA (80% subsidiary), Banque Française Commerciale Océan Indien (Associate - 49.99%) and Société Générale Moçambique (Associate - 35%).

As at 30 June 2022, MCB Ltd held 48% share of the total banking sector deposits, in local currency terms while the bank had provided 40% of total credit to the economy and accounted for 32% of the total banking assets.

A summary of the financial performance of MCB Ltd is provided below:

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**Financial Performance of MCB Ltd**

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Interest Income	17,449	17,884	15,628	16,470
Non-Interest Income	6,400	7,247	7,121	8,978
Total Income	23,849	25,131	22,749	25,448
Interest Expenses	5,196	4,781	1,938	2,537
Net Interest Income	12,253	13,103	13,690	13,933
Operating Expenses (Exc. Depreciation)	7,841	11,415	11,520	11,835
Provisions	1,456	4,818	4,601	3,392
PBT	10,443	8,638	8,751	10,594
PAT	8,766	7,409	7,396	8,948
Deposits	314,377	371,608	475,484	492,421
Borrowings	56,446	51,830	75,501	93,439
Tangible Net worth	47,344	52,197	61,834	64,857
Loans & Advances (including placements with banks)	234,152	246,130	297,619	330,582
Investments in securities	116,398	135,915	183,560	222,823
Cash & Cash Equivalents	45,398	68,128	101,154	64,594
Total Assets	427,695	484,858	624,079	662,621
<b>Key Ratios</b>				
Interest Income/Avg. Interest Earning Assets (a) (%)	4.83	4.23	3.01	2.73
Interest Expenses / Avg. Interest Bearing Liabilities (b) (%)	1.55	1.20	0.40	0.45
Interest Spread (a-b) (%)	3.28	3.03	2.61	2.28
Net Interest Margin (NIM) (%)	3.14	2.87	2.47	2.17
Operational Expenses / Avg. Total Assets (%)	2.01	2.50	2.07	1.83
Cost / Income (%)	34	32	34	35
Operational Expenses / Total Income (%)	33	45	51	47
Treasury Income/PBT (%)	0.07	2.26	-	-
Yield on advances (%)	6.28	5.76	4.28	3.83
Cost of Deposits (%) – Savings and Term deposits only	2.14	1.61	0.42	0.42
Core Spread (%)	4.14	4.16	3.87	3.41
Credit Cost (%)	0.58	1.87	1.43	0.91
ROTA (%)	2.25	1.62	1.33	1.39
RONW (%)	19.31	14.89	12.97	14.13
Overall Gearing (times)	7.83	8.11	8.91	9.03
Capital Adequacy Ratio (%)	16.60	17.50	16.80	17.20
Tier I Capital Adequacy Ratio (%)	15.70	16.50	15.80	16.30
Credit/Deposit ratio (times)	0.73	0.65	0.60	0.68
CASA Proportion (%)	85.0	87.0	91.0	91.3
Gross NPA (%)	3.8	3.8	3.2	3.4
Net NPA (%)	2.8	2.6	2.0	2.2
Net NPA to Tangible Net worth (%)	14.0	12.6	9.6	12.2

***For the detailed Rationale of The Mauritius Commercial Bank Limited – please visit CRAF's website - [Rating Rationale - The Mauritius Commercial Bank Ltd](#)***

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### MCB Seychelles Ltd (“MCB Seychelles”)

Incorporated in March 2003, MCB Seychelles is a wholly owned subsidiary of MCBIH which in turn is wholly owned by MCBG. MCB Seychelles is a leading commercial bank in its domestic country, offering a comprehensive range of services to meet the needs of its valued customers. Latest reports have shown that the MCB Seychelles added approximately 1.8% value to the Seychellois economy and contributes to around 30% to the country’s financial sector.

A summary of the financial performance of MCB Seychelles is given below:

Year ended/ as on 31 December	FY19	FY20	FY21	FY22
	MUR million			
Total Income	1,021	633	1,384	1,757
EBITDA	683	334	736	988
PAT	236	107	307	457
GCA	317	164	391	545
Dividend Paid	-	-	-	231
Total Debt	14,254	11,545	19,912	20,160
<i>Long Term</i>	-	-	-	-
<i>Short Term</i>	-	147	810	320
<i>Deposit from customers</i>	14,254	11,398	19,102	19,840
Advances	6,977	5,728	9,570	10,267
Cash & cash equivalents	4,209	4,240	6,538	5,518
Tangible Network	1,217	898	1,885	2,175
RONW (%)	21.48	10.08	22.08	22.13
Interest coverage (times)	3.43	3.08	4.36	6.19
Gearing (times)	11.72	12.86	10.56	9.27
GNPA (%)	6.1	3.2	5.7	5.3
Tier I CAR (%)	N/A	12.1	14.8	15.3
CAR (%)	N/A	14.5	18.3	19.8
Liquid assets ratio (%)	N/A	29.3	33.5	26.25

\* Applicable exchange rate: FY22: SCR 1 = MUR 3.2944

MCB Seychelles contributes to around 5.2% of the total profits of MCBG. In MUR terms, advances grew by 7.3% whilst deposits increased by 3.9% for the period ended December 2022. The gross non-performing assets dropped from 5.7% at end of FY21 to 5.3% at end of FY22. With a CAR of 19.8%, the capital buffer of MCB Seychelles remains comfortably above the regulatory requirement of 12%. Liquid assets ratio was 26.25% against 20% as per regulatory guidelines.

### MCB (Maldives) Private Ltd (“MCB Maldives”)

Incorporated in May 2008, MCB Maldives, a 100% subsidiary of MCBIH which in turn is wholly owned by MCBG, is engaged in providing corporate, retail banking and other financial services including trade finance. The Maldivian economy continues its expansion through significant signals of opening towards foreign direct investment, and for the calendar year 2022, the economy is forecasted to register a 8.7% real GDP growth. MCB Maldives aims at being the preferred banking and financial partner of corporate customers, whether they are start-ups or well-established groups.

A summary of the financial performance of MCB Maldives is provided below:

Year ended/ as on 31 December	FY19	FY20	FY21	FY22
	MUR Million			
Total Income	451	358	545	554
EBITDA	261	197	316	322
PBT	189	113	292	326
PAT	138	73	244	237
Dividend Paid	-	-	-	23
Total Debt:	3,930	6,144	10,187	8,949

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Year ended/ as on 31 December	FY19	FY20	FY21	FY22
	<b>MUR Million</b>			
<i>Long Term</i>	127	138	152	139
<i>Short Term</i>	-	-	-	-
<i>Deposit from customers</i>	3,803	6,006	10,034	8,810
Advances	1,352	1,305	1,537	1,513
Cash & cash equivalents	1,618	3,470	6,103	4,590
Tangible Network	856	991	1,163	1,422
RONW (%)	18.04	7.90	22.70	18.24
Gearing (times)	4.59	6.20	8.76	6.41
Tier I CAR (%)	N/A	40.2	38.3	57.0
CAR (%)	N/A	50.6	59.6	77.2

\* Applicable exchange rate: FY22: MVR 1 = MUR 2.8539

MCB Maldives contributes to around 1.6% of the total profits of MCBG. During FY22, the advances portfolio contracted slightly mainly due to recoveries and settlement of non-performing loans. With a CAR of 77.2%, the capital buffer of MCB Maldives remains comfortably above the regulatory requirement of 12%.

**Non - Banking** – MCBG through its Non-Banking entities provides its clients in and outside Mauritius with extensive and customized financial solutions. MCBG works closely with its customers to understand their imperatives, challenges and priorities, while assisting the clients to design solutions adapted to their needs.

MCB Leasing Ltd and MCB Factors Ltd have pursued their market development initiatives, MCB Capital Markets Ltd registered a slight increase in assets under management and the successful completion of corporate finance transactions. As for MCB Micro finance Ltd, it made headway in fostering the financial inclusion and empowerment of small entrepreneurs.

#### **MCB Capital Markets Ltd. ("MCBCM")**

MCB Capital Markets Ltd is the wholly owned subsidiary of MCBG, providing investment banking and asset management services. Led by a dedicated and experienced team of specialists, the entity provides a broad range of investor services under one roof, notably including corporate finance advice, asset management, stockbroking, private equity, structured products, and registry services. The Company works with clients wishing to start or grow their operations in Africa and helps them develop solutions that meet their financing, strategic and investment objectives. Among the various services provided by MCBCM are:

- Advising blue chip clients locally and arranging financing for transactions and projects in Africa;
- Broaden investment management activities to alternative assets;
- Invest in private equity and hybrid debt opportunities alongside partners in Africa;

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A summary of the financial performance of MCBCM is provided below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Income	278	91	71	88
EBIDTA	274	86	68	80
Non-operational gains/(losses)	-	9	13	(12)
PAT	273	23	81	67
GCA	273	23	81	67
Dividend Paid	68	74	67	94
Total Debt	-	-	-	-
Cash & cash equivalents	142	11	2	9
Investment securities	7	89	144	101
Tangible Network	516	466	480	453
EBITDA margin (%)	98.54	95.01	95.67	90.13
PAT margin (%)	98.34	25.57	114.04	76.38
Gearing	N/A	N/A	N/A	N/A
Interest coverage (EBIDTA/Interest)	N/A	N/A	N/A	N/A

The revenue for MCBCM increased from MUR 71 million in FY21 to reach MUR 88 million in FY22 whereas PAT was down from MUR 81 million to MUR 67 million. The lower PAT is due to MUR 12 million of fair value losses incurred by MCBCM on its financial assets as a result of volatile market conditions. On a brighter side, the Company did not recognise any provisions during the year.

MCBCM remains a debt-free company and pays dividends to MCBG on a regular basis.

#### **MCB Equity Fund Ltd ("MCBEF")**

Incorporated in 2005, MCBEF is an equity fund which is wholly owned by MCBG. As at 31 December 2022, the fund had a portfolio valued at MUR 4,432 million. The fund provides equity and quasi equity to established and fast-growing businesses in Mauritius and across Africa.

The financial summary of MCB Equity Fund Ltd for is as below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Income	78	44	54	82
EBIDTA	39	4	8	31
Non-operational gains/(losses)	98	25	342	(260)
PAT	137	30	337	(242)
GCA	137	30	337	(242)
Dividend Paid	5	-	-	-
Total Debt	-	-	600	668
Cash & cash equivalents	104	152	158	66
Investment securities	3,571	3,570	4,187	4,108
Tangible Net worth	3,697	3,726	4,063	3,821
EBITDA margin (%)	50.17	10.05	13.78	37.63
PAT margin (%)	176.54	68.17	619.01	-
Gearing (times)	-	-	0.15	0.17
Interest Coverage (times)	-	-	0.61	2.41

Compared to a PAT of MUR 337 million in FY21, MCBEF incurred a loss of 242 million in FY22 arising as a result of MUR 260 million fair value losses on its financial assets. However, interest coverage remains comfortable at 2.41 times. At 30

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June 2022, MCBEF had MUR 230 million of shareholder loan with fixed repayment term, and a USD 7.8 million Facility Agreement from MCB Ltd.

### **MCB Factors Ltd (“MCB Factors”)**

Incorporated on July 09, 2005, MCB Factors is a wholly owned subsidiary of MCBG. MCB Factors is licensed and regulated by the Financial Services Commission of Mauritius as a factoring service provider. MCB Factors is a prominent operator in the field of factoring in Mauritius.

On the domestic market, MCB Factors provides both recourse and non-recourse factoring and it is a member of the Factors Chain International (FCI), a global network of factoring firms.

Currently, MCB Factors manage more than 200,000 invoices per year and following up more than 5,000 debtors on a daily basis. MCB factors offers mainly non-recourse factoring solutions to its clients. The procedures followed by MCB factors for providing factoring services are as follows:

**Step 1:** Client send their invoices raised to its customers and other relevant documents to MCB factors;

**Step 2:** MCB factors, after proper scrutiny of the documents provided, buy the invoices and pay the client up to 90% of its value within 24 hours and keep the balance (10%) in reserve account;

**Step 3:** MCB factors take the insurance (CGI) against the invoices paid;

**Step 4:** MCB factors collects payments from the customers on due dates;

**Step 5:** MCB factors releases reserve amount less factoring charges.

**Regulatory capital requirement** - As on 30 June 2022, MCB Factors had a networth of MUR 405 million against the statutory requirement which requires factoring companies to maintain a networth which is the higher of MUR 5 million or 5% of total liabilities (5% of MUR 261 million).

A summary of the financial performance of MCB Factors is given below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Total Income	111	92	57	73
EBIDTA	75	52	18	26
Interest	18	13	2	5
PAT	48	35	15	18
GCA	49	36	15	20
Dividend Paid	17	10	25	-
Total Debt	405	162	20	240
Cash & cash equivalents	-	32	59	12
Net factoring receivables	803	544	378	653
Tangible Networkh	388	414	393	405
EBIDTA margin (%)	67.33	56.70	31.84	35.29
PAT margin (%)	43.68	37.93	26.14	24.13
Overall Gearing (times)	1.04	0.39	0.05	0.59
Total Debt/EBIDTA (times)	5.42	3.10	1.08	9.36
Interest coverage (times)	4.11	4.11	7.89	5.68

### **MCB Microfinance Ltd (“MCB Microfinance”)**

Incorporated in July 2016, MCB Microfinance is a wholly owned subsidiary of MCBG. MCB Microfinance aims to facilitate access to business loans for micro-enterprises and self-employed individuals. MCB Microfinance offers two categories of business loans ranging from MUR 15,000 to MUR 800,000 to self-employed individuals and micro-enterprises:

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- (i) **working capital loans**, which aim at meeting the working capital needs such as purchase of raw materials or stock and have a tenor of 6-18 months; and
- (ii) **investment loans**, which are targeted to meet the capital spending requirements of businesses and have a tenor of 12-60 months.

The financial performance of MCB Microfinance over the past four years was as follows:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Income	37	42	36	45
EBIDTA	-	(10)	2	8
Interest	3	3	3	2
Impairments & non-operational gains/(losses)	10	19	4	13
Loss After Tax	(4)	(14)	(7)	(10)
GCA	(2)	(10)	(3)	(7)
Dividend Paid	-	-	-	-
Total Debt	189	183	205	256
Loans to customers	245	243	258	301
Tangible Network	61	72	55	43
EBIDTA margin (%)	0.69	-	6.40	18.24
PAT margin (%)	-	-	-	-
Gearing (times)	3.11	2.54	3.74	5.97
Interest coverage (times)	0.10	-	0.91	3.69

As on 30 June 2022, MCB Microfinance had a loan book of MUR 301 million out of which, 50% is due within the next 12 months. The remaining loans will be repayable to the Company within the next 5 years.

#### MCB Real Assets Ltd ("MCBRA")

Incorporated on 08 August 2017, MCB Real Assets Ltd is a wholly owned subsidiary of MCBG. The main activity of the company consists of investment holding. In October 2017, MCBRA acquired 93.4% in Compagnie des Villages de Vacances de L'Isle de France Limitee (CARE MAU A; Stable). Compagnie des Villages de Vacances de L'Isle de France Limitee ("COVIFRA") owns the Pointe aux Canoniers Resort, a resort located on 11.8 hectares of prime beachfront land in the northern part of Mauritius with 286 rooms. The resort is leased out to Holiday Villages Management (Mauritius) Services ("HVMS"), a wholly owned subsidiary of Club Med S.A.S in return for a fixed annual rental fee.

COVIFRA is not engaged in any additional business activities other than renting the Resort and the Company's earnings is not linked to the underlying performance of the Resort.

The summary of the financial performance of MCBRA is given below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Income	76	46	6	61
EBIDTA	75	45	5	60
Interest	-	-	6	11
PAT	75	45	(1)	49
GCA	75	45	(1)	49
Total Debt	-	-	374	258
Dividend Paid	106	46	-	-
Cash & cash equivalents	1	1	24	48
Investment securities	-	-	350	259
Tangible Network	1,461	1,461	1,459	1,508

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Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
EBITDA margin (%)	99.50	98.97	85.49	98.40
PAT margin (%)	99.50	98.94	-	80.18
Overall gearing (times)	-	-	0.26	0.17

**The detailed Rationale of Compagnie des Villages de Vacances de L'Isle de France Limitee is available at: [Rating Rationale - The Mauritius Commercial Bank Ltd](#)**

### Fincorp Investment Ltd ("FIL")

Fincorp Investment Ltd is a 57.73% subsidiary of MCBG. FIL is an investment company listed on the SEM, with the following two strategic assets:

- (i) **MCB Leasing Ltd**, a leasing company offering both finance and operating leases and a wholly owned subsidiary of FIL and
- (ii) **Promotion and Development Ltd**, an investment company listed with diversified interests including majority stake in Caudan Development Ltd (70.6%) - property company that owns & manages waterfront real estate development in Port Louis and Medine Group (35.1%).

The consolidated financials of Fincorp Investment Ltd for the past four years is provided below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Interest Income	282	269	249	219
Total Income	502	493	530	452
EBIDTA	432	415	458	376
Interest Expenses	218	218	167	142
Depreciation & amortisation	139	160	155	185
Impairments & reorganisation cost	6	10	23	11
Profits from associates	152	(77)	64	301
Profit/(Loss) After Tax	213	(51)	164	327
GCA	352	109	320	512
Dividend Paid	62	73	22	73
Total Debt	467	388	668	1,176
<i>Long Term</i>	334	354	657	771
<i>Short Term</i>	133	34	11	405
Total Deposits (MCB Leasing)	3,772	4,143	3,395	3,591
<i>Long Term deposits</i>	3,122	2,193	2,253	2,685
<i>Short Term deposits</i>	650	1,950	1,142	906
Total Debt and Deposits	4,240	4,530	4,064	4,767
Cash & cash equivalents	99	393	45	56
Tangible Networkth	5,655	5,982	6,574	7,072
EBIDTA margin (%)	86.00	84.12	86.33	83.21
PAT margin (%)	42.41	-	31.00	72.31
Overall Gearing (times)	0.75	0.76	0.62	0.67
Total Debt/EBIDTA (times)	9.82	10.92	8.88	12.68
Total Debt/GCA (times)	12.04	41.56	12.72	9.32
Interest coverage (times)	1.98	1.90	2.74	2.65

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### MCB Leasing Ltd. ("MCBL")

MCBL started its leasing operation in 2004, is licensed as a Non-Banking Deposit Taking Institution (NBDIT) by the Bank of Mauritius ("BOM") and it is also licensed by the Financial Services Commission ("FSC") to provide operating and finance leases to individuals and corporates.

MCBL raises deposits from customers and offers fixed and floating interest rate term deposits over periods ranging from 1 to 72 months.

A summary of the financial performance of MCBL is given below:

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Income	477	471	456	456
EBIDTA	413	395	364	384
Interest	176	180	135	114
Non-operational gains/(losses)	6	10	19	(11)
PAT	91	54	61	62
GCA	230	214	216	247
Dividend Paid	40	51	22	41
Total Debt (incl. deposits)	3,931	4,187	3,524	3,612
<i>Long Term</i>	3,931	4187	3524	3612
<i>Short Term</i>				
Cash & cash equivalents	99	393	56	45
Net investments in finance leases	3,479	3,294	3,151	3,043
Investment securities	199	446	304	334
Tangible Network	625	631	679	681
EBIDTA margin (%)	86.61	83.74	79.89	84.23
PAT margin (%)	19.02	11.38	13.28	13.56
Overall Gearing (times)	6.29	6.63	5.19	5.30
Total Debt/GCA (times)	17.11	19.56	16.33	14.64
Total Debt/EBIDTA (times)	9.52	10.61	9.67	9.40
Interest coverage (times)	2.34	2.19	2.69	3.37

### MCB Consulting Services Ltd ("MCBCS")

Incorporated in 2014, MCB Consulting Services Ltd is a wholly owned subsidiary of MCBG. MCBCS delivers sustainable solutions to companies to enable them to achieve their innovation and business development goals. MCB Consulting Services Ltd is spearheading more than 50 projects from 20 different countries, predominantly across the African, Asian and Middle East regions. Following record PAT generated in FY21, for FY22 the Company incurred a loss of MUR 41 million.

### Banking Industry

Like any other economy, the Mauritian economy lies on the strength and resilience of its banking sector which, on average directly contributes to around 6% of the Mauritian GDP. The sector is regulated by the Bank of Mauritius ("BOM") and at 31 December 2022, 19 institutions were licensed by the BOM to carry out banking activities in Mauritius out of which 6 were domestic banks, 10 foreign-owned subsidiaries and there were 3 branches of foreign banks.

As at January 2023, the total deposits in the banking sector amounted to MUR 1,711 million while total credit advanced was MUR 849 million. Compared to January 2022, total deposits and loans were 12.88% and 15.16% respectively higher. The sector has historically been dominated by the two largest banks namely, The Mauritius Commercial Bank Ltd (MCB

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Ltd) and SBM Bank (Mauritius) Ltd (SBM Bank) which control approximately 32% and 15% of total deposits respectively and provide around 36% and 15% of credit to the economy.

Given the importance of the banking sector to the Mauritian economy, the BOM identifies those banks which have Segment A (domestic / resident) assets representing at least 3.5% of GDP at market prices as Domestic-Systemically Important Banks (D-SIBs). Based on an assessment carried in June 2022, five banks were identified as D-SIBs namely, MCB Ltd, SBM Bank, Absa Bank (Mauritius) Limited, The Hongkong and Shanghai Banking Corporation Limited and AfrAsia Bank Limited.

To ensure the resilience of the sector the BOM aims that all banks are adequately capitalized by adhering to the standards set in the Basel III Guidelines which requires banks to maintain a capital level equivalent to at least 10% of their risk-weighted assets. In addition, the BOM also imposes an additional 2.50% capital buffer on all banks in Mauritius, which fully came into force as from 01 April 2022. Therefore, banks should maintain a Capital Adequacy Ratio (CAR) of at least 12.50% and a Tier I CAR of 10%.

In the case of D-SIBs, the banks are required to hold a surcharge ranging between 1% to 2.50% of their RWAs, depending on their systemic importance.

The Banking system is characterized by an excess of liquidity which at end of February 2023 approximated to MUR 2,838 million in rupee terms and MUR 23,458 million which was foreign currency denominated. Till the end of 2022, the average fortnightly Cash Reserve Ratio (CRR) on rupee deposits stood at 9%, while the average fortnightly CRR on foreign currency deposits was at 6%. Effective 27 January 2023, banks are required to maintain average 28-day CRR on both rupee and foreign currency deposits at 9%.

To pursue prudent liquidity risk management the BOM requires banks to maintain a stock of High-Quality Liquid Assets (HQLA) equivalent to 100% of their expected net cash outflows over the next 30-day period. At 30 June 2022, the liquidity coverage ratio was 236%, indicating the resilience of banks to short-term outflows of funds.

The quality of the banking assets improved slightly as shown by the ratio of Non-Performing Loans (NPLs) to gross loans which dropped to 4.40% at 30 September 2022, from 4.60% at end of June 2022.

The NPLs were adequately provided for, and credit risk is at a manageable level.

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**Summary of financial performance for MCB Group Limited (Standalone)**

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total Dividend income	3,370	2,100	2,191	4,100
Total income	3,376	2,120	2,585	4,102
Operating expenses	162	162	147	165
Interest expenses	288	218	72	129
EBDITA	3,214	1,958	2,438	3,938
PBT	2,923	1,738	2,365	3,808
PAT	2,923	1,737	2,365	3,808
Gross cash accruals	2,925	1,739	2,366	3,809
Net cash accruals	322	(131)	470	187
Share capital	2,608	2,719	2,776	3,109
Tangible Networkth	5,981	5,978	6,525	7,017
Total debt	6,544	6,512	8,512	8,513
- Short term	2,012	3,116	-	2,008
- Long term	4,532	3,396	8,512	6,505
Total assets	13,890	12,552	16,855	17,165
<b>Growth Ratios (%)</b>				
Total Assets (%)	5	(10)	34	2
Total Income (%)	15	(37)	22	59
PAT (%)	16	(41)	36	61
<b>Solvency Ratios</b>				
Overall gearing ratio (times)	1.1	1.1	1.3	1.2
Interest Coverage (times)	11.1	9.0	33.8	30.5
<b>Operating Efficiency</b>				
Total Income/Average Total Assets (%)	24.9	16.0	17.6	24.1
Operating Expenses/Average Total Assets (%)	1.19	1.22	1.00	0.96
Operating Expenses/Total Income (%)	4.80	7.63	5.69	4.00
Interest Expenses/Average Total Assets (%)	2.12	1.65	0.49	0.76
Interest cost/Total income (%)	8.54	10.27	2.79	3.14
<b>Profitability Ratios</b>				
Operating Margin (%)	95.2	92.4	94.3	96.0
PAT margin (%)	86.6	81.9	91.5	92.8
ROTA (%)	21.5	13.1	16.1	22.4
Net Interest Margin (%)	(2.0)	(1.6)	(0.4)	(0.8)
RONW (%)	50.6	29.0	37.8	56.2

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### Summary of consolidated financial performance for MCBG

Notwithstanding a significant rise in earning assets, net interest income rose by only 3.6%, being impacted by lower yields on Government securities locally and reduced margins on the Group's international loan book amidst a shift in the mix toward the shorter tenor loans. Despite a net loss from equity financial instruments carried at fair value, amidst market volatility as compared to a significant gain in the previous year, non-interest income went up by 11.8% on the back of (i) a growth of 36.1% in net fee and commission income to MUR 6,070 million, reflecting higher revenues across banking subsidiaries, with notable growth being registered in respect of regional trade financing and payment activities at the level of MCB Ltd (ii) a rise of 56.6% in profit arising from dealing in foreign currencies mainly due to the enhanced performance by MCB Ltd, (iii) The resumption of rental income at the level of MCB Real Assets, following the reopening of the Mauritius borders in October 2021. The Group PAT for the year ended 30 June 2022 grew by 20.9% to MUR 9,961 million, driven by enhanced performance of the banking cluster.

Net loans of the Group registered a year-on-year growth of 11.51% in FY22, supported by a similar growth at the level of MCB Ltd. The latter performance was largely explained by the continued expansion in its foreign activities, with related credit to customers increasing by 39.1%, mainly linked to the Energy & Commodities business, while rupee depreciation also weighed in the balance.

At the Bank level, total deposits increased by 3.6% to MUR 492,421 million, driven by a rise in rupee denominated deposit. 'Other borrowed funds' went up by 23.2% to stand at MUR 93,439 million, as a result of the USD 1 billion syndicated term loan facility raised at MCB Ltd level to refinance existing obligations and support the growth of its international activities. Shareholders' funds increased by 6.9%, resulting from retained profits for the year and the issue of scrip shares in lieu of dividend. The Group maintained comfortable capitalization levels with the BIS ratio standing at 18.1% as at June 2022, of which 16.8% in terms of Tier 1.

For the six months ending 31 December 2022, the Group registered a PAT of MUR 6,788 million, representing an increase of 33.8% compared to the corresponding period last year. This performance was largely driven by an improvement in core earnings and a drop in net impairment charges. Contribution from foreign-sourced income stood at above 65% of Group PAT.

GNPA declined from 3.7% at 30 June 2022 to reach 3.5% as at 31 December 2022. For the same period, the Group remains adequately capitalised with a CAR of 18.6%, of which 17.2% in the form of Tier I.

### Financial Performance updates for FY23

During FY23, the board of MCBG approved the conversion of 154 million preference shares into 5 million ordinary shares, which have been listed on the Official Market of the SEM.

For the nine months ending 31 March 2023, MCBG achieved net interest income of MUR 14,378 million (9MFY22: MUR 11,191 million) and PAT of MUR 10,923 million (9MFY22: MUR 7,393 million). Total loans & advances have grown from MUR 348,988 million at 30 June 2022 to MUR 354,766 million at 31 March 2023. The deposit book also increased from MUR 525,656 million at end of June 2022 to MUR 597,418 million at end of March 2023.

At 31 March 2023, the MCBG had a GNPA of 3.6% and it remained well capitalised with a CAR of 20%.

In August 2023, MCBG repaid MUR 1,109 million floating rate subordinated notes which reached maturity.

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**Consolidated audited financial performance for MCBG**

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
Total interest income	18,841	19,995	17,148	18,455
Total income	27,460	28,944	26,255	29,623
Total operating expenses	7,939	8,056	8,379	10,266
Interest expenses	5,885	5,586	2,483	3,264
PAT	9,545	7,994	8,239	9,961
Net cash accruals	7,862	7,262	7,741	7,719
Deposits	331,500	390,659	503,972	525,656
Loans & Advances	246,713	259,069	312,978	348,988
Investment securities	126,204	148,858	198,530	239,684
Equity capital	2,608	2,719	2,776	3,109
Net worth	58,558	64,860	74,804	76,373
Total debt and subordinated liabilities	64,471	59,969	86,523	104,032
Cash & cash equivalents	49,334	71,573	108,706	73,294
Total Tangible assets	469,955	530,436	681,044	725,640
<b>Growth Ratios (%)</b>				
Deposits	11.35	17.85	29.01	4.30
Advances	13.06	5.01	20.81	11.51
Total Assets	22.02	12.87	28.39	6.55
Total Income	22.32	5.40	(9.29)	12.83
PAT	31.81	(16.25)	3.07	20.90
<b>Solvency Ratios</b>				
Overall gearing ratio (including deposits)	6.88	7.11	8.01	8.20
Overall gearing ratio (excluding deposits)	1.12	0.95	1.17	1.33
Interest Coverage - before provisions (times)	3.16	3.54	6.69	5.75
Interest Coverage - after provisions (times)	2.89	2.63	4.77	4.69
Tier I Capital Adequacy (%)	15.70	17.20	16.10	16.80
Basel III Capital Adequacy (%)	17.30	18.60	17.40	18.10
<b>Operating Efficiency (%)</b>				
Fund Based Income/Average Total Assets (%)	4.41	4.00	2.83	2.62
Fee Income/Average Total Assets (%)	1.28	1.07	0.96	1.22
Interest income/Average Interest earning assets (%) (a)	4.79	4.32	3.04	2.82
Interest on Advances/Average Advances (%)	6.48	6.03	4.12	3.88
Total Income/Average Total Assets (%)	6.42	5.79	4.33	4.21
Operating expenses/Average Total Assets (%)	1.86	1.61	1.23	1.41
Operating expenses. /Total Income (%)	28.91	27.83	31.91	34.66
Interest Expenses. /Average Total Assets (%)	1.38	1.12	0.36	0.45
Interest cost/Total income (%)	21.43	19.30	9.46	11.02
Interest expenses/Average Int bearing liabilities (%) (b)	2.57	2.09	0.82	1.00
Net Interest Spread (a)-(b)	2.22	2.24	2.23	1.82
Interest on deposits/ Average Deposits (%)	2.24	1.77	0.57	0.59
Treasury Income/ PBT	12.76	17.04	13.96	17.70
Low-Cost Deposits to Total Deposits	84.84	86.53	88.21	92.01

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Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	<b>MUR million</b>			
<b>Profitability Ratios (%)</b>				
EBDITA Margin (%)	71.09	72.17	68.09	65.34
PAT margin (%)	34.76	27.62	31.38	33.63
Interest Spread (%)	2.22	2.24	2.23	1.88
ROTA (%)	2.23	1.60	1.36	1.41
Net Interest Margin (%)	3.03	2.88	2.15	2.15
RONW (%)	17.34	13.21	12.02	13.41
<b>Assets</b>				
Gross NPA (%)	4.1	4.2	3.6	3.7
Net NPA (%)	2.1	2.9	2.5	2.4

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## Annexure I

## Details of rated instruments

Instrument	Amount	Coupon Rate	Repayments
Bond Issue	MUR 2,000 million	5.35% per annum [Key Rate (4.50%) + 0.85%]	Bullet repayment in June 2028
Proposed Bond Issue	MUR 2,500 million	4.85% per annum [Key Rate (4.50%) + 0.35%]	MUR 1,250 million - August 2026
		5.00% per annum [Key Rate (4.50%) + 0.50%]	MUR 1,250 million - August 2028

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## CARE Ratings (Africa) Private Limited

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## Annexure II

### Rating Symbols

#### *Long /Medium-term Instruments*

<b>Symbols</b>	<b>Rating Definition</b>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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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**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.

**CARE Ratings (Africa) Private Limited**

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