MUA Ltd
5 July 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	**500**	**CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]**	**Reaffirmed**
Bond Issue	**100**	**CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]**	**Reaffirmed**
Bank Facility	**200**	**CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]**	**Reaffirmed**
Proposed Bond Issue	**200**	**CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]**	**Assigned**

Ratings Rationale

The rating assigned to the bond issues and bank facility of MUA Ltd continue to derive strength from the long-standing and successful track record of operations in both life and general insurance, strong promoters and highly qualified management team, diversified revenue and product profile across subsidiaries, diversified geographical presence, adherence to robust internal systems & processes, investments in healthy portfolio of financial assets as well as maintenance of a strong solvency position against regulatory requirements. The rating also factors in the fresh equity infusion from Proparco, a leading Development Finance Institute bringing in more promoter strength and improved capitalisation.

The rating is however constrained by higher levels of claims in general insurance due to increasing inflation impacting profitability, increase in debt exposing company to interest rate risk and competition from other industry players.

Rating Sensitivities:

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

- Improved performance in East African subsidiaries
- Lower levels of claims and effective cost reduction leading to higher profitability
- Gain in market share in both life and non-life segments leading to significant growth in Gross Premium Written
- Maintaining a healthy investment portfolio and robust solvency position

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

- Dip in regulatory ratios from current levels
- Acquisition impacting the operational and financial performance of MUA Group
- Weakening of profitability, capitalization, investment portfolio and solvency levels.

Outlook: Positive

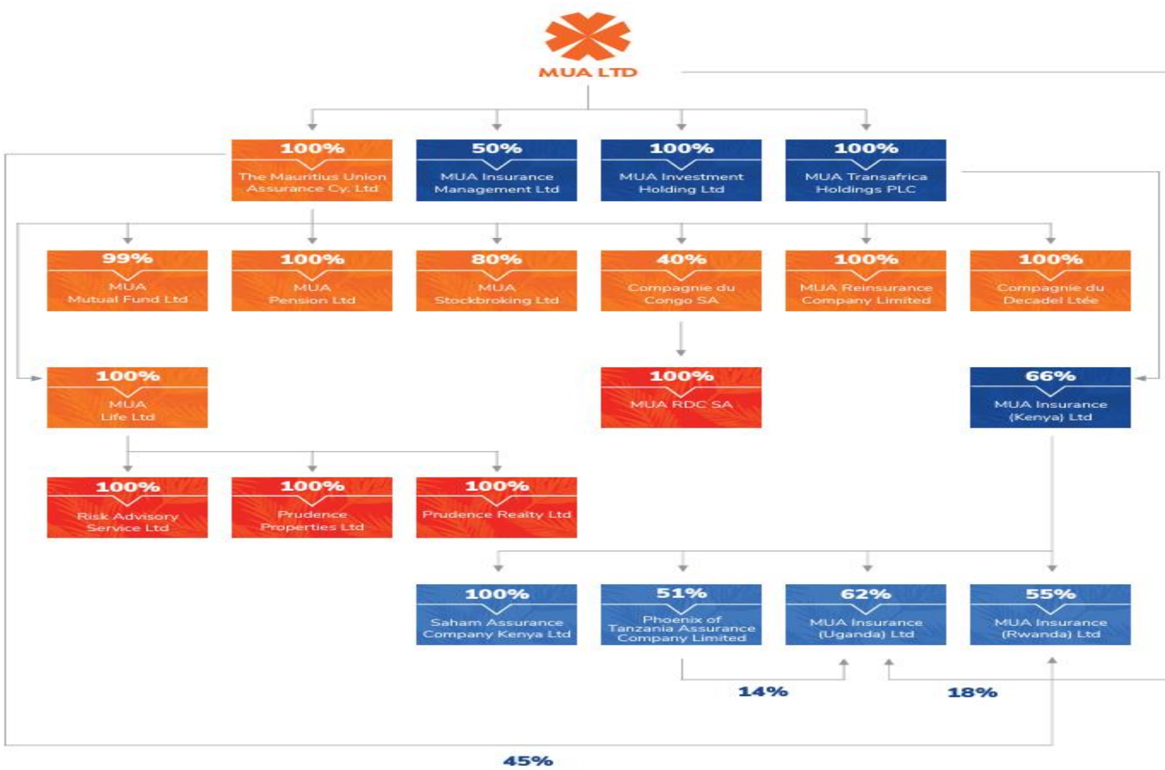
The outlook of the rating assigned to the bond issues and bank facility is positive on the expected turnaround in the African business with Kenya turning profitable during last quarter ending March 31, 2023. CRAF shall closely monitor the developments and the outlook may be revised to 'Stable' if there is delay in turnaround of Kenyan operations.

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

BACKGROUND

MUA Ltd ("MUA") was founded by Noel Coignet in 1948. It is listed on the Stock Exchange of Mauritius (SEM). Since inception, MUA offered life, pension, motor, household, fire policies amongst others to Mauritians and was also the first to provide loans at affordable rates. Over the last 70 years, it has grown its operations in Mauritius and expanded in East Africa (Kenya, Tanzania, Rwanda and Uganda).

MUA Ltd is the holding company of the MUA Group and it holds 100% stake in The Mauritius Union Assurance Cy. Ltd (MUACL; engaged in providing general insurance business) and MUA Transafrica Holdings PLC. MUACL owns 100% of MUA Life Ltd, the entity which is engaged in life insurance business while MUA Transafrica Holdings PLC holds 66% stake in MUA Insurance (Kenya) Ltd which provides General Insurance in East African countries.The Group structure is as depicted:



MUA Group has an ownership base of approximately 2,200 shareholders, with only 4 shareholders holding more than 5% of the ordinary shares as at March 31,2023. These are Kasa Investments Ltd (rated CARE MAU A (SO); Stable) – investment company of Mr. Dominique Galea – (13.27%), Succession Mr. Pierre Joseph Emile Latour-Adrien (9.76%), Societe De Promotion et De Participation Pour la Cooperation Economique S.A ("Proparco") (7.52%) and Devlin Investments Ltd (6.36%) which collectively, hold 36.91% stake in MUA.

MUA has a major presence in 6 countries namely Mauritius, Seychelles, Kenya, Uganda, Tanzania and Rwanda. As at December 31, 2022, the company's financial & operational highlights were as follows:

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MUR Million, except otherwise stated

Particulars		**Market Share in terms of GPE***		**Position in the Industry***		**Amoun t**	**% of GPE**	**Amount**	**% of GPE**
		2020	**2021**	**2020**	**2021**	**2021**		**2022**	
Gross Premium Earned (GPE)						**6,680**		**7,565**	
General Insurance Mauritius (Mauritius Union Assurance CY)	*Overall*	***23%***	***22%***	***No. 2***	***No. 2***	2,586	3,174	3,174	*38%*
	Motor	*22%*	*22%*	No.1	No.1				
	Accident & Health	*20%*	*20%*	No. 2	No. 2				
	Property	*23%*	*21%*	No. 2	No. 2				
Life Insurance Mauritius (MUA Life)		*12%*	*13%*	No. 3	No. 4	1,555	1,818	1,818	*23%*
General Insurance East Africa (MUA Kenya)			*2.3%*		No.17	1,302	1,351	1,351	*19%*
PAT						415		338	
Gross Sum Insured (Life Ins.)						*57,000*		*57,000*	
Solvency ratio (Group)						*218%*		*212%*	
Total assets						*22,023*		*23,174*	
Life Insurance Fund						*8,902*		*9,058*	
Return on Equity						*11.00%*		*7.89%*	
Gearing						*0.15*		*0.17*	

**Latest available FSC Statistics*

<u>Equity Investment from Proparco</u>

On 20 September 2022, MUA Ltd announced that it had successfully completed the private placement of 4,175,482 new ordinary shares of MUA to Société De Promotion Et De Participation Pour La Coopération Économique S.A. ("Proparco") at MUR 107 per share. Proparco is a Development Finance Institution and the private sector financing arm of Agence Française de Développement Group. The investment by Proparco was made by a cash consideration of USD 10 million (MUR 446.8 million) and same has been invested in USD denominated fixed deposits until the Company identifies new investment opportunities to deploy the funds.

Following the new equity infusion, the stated capital of MUA is now made up of 55,515,226 ordinary shares with Proparco being the third largest shareholder in MUA with a 7.52% stake.

Financial Performance

For the financial year ended 2022, MUA's gross premium earned has increased by 13% to MUR 7,565 million (MUR 6,680 million in the year 2021). The main subsidiaries of MUA including MUACL, MUA Life and East African subsidiaries have all showed a growth in GPE. The subsidiaries in Mauritius contributed to around 66% of the GPE and 37% for East Africa. The group's PAT was impacted by a drop of 19% to MUR 338 million on account of the market wide drastic and unexpected increase in inflation which meant that the cost of claims increased faster than premiums could be adjusted for.

MUACL posted a PAT of MUR 277 million representing a significant rise of 87%. The growth in premium combined with other income mainly streamed from investment income has led to an improved profit albeit an increase in claim ratio and operating expenses. In regard to MUA Life, a slight fall of 7% has been witnessed in the PAT, which is related to an increase in the operating expenses and a negative net commission arising from commission on reinsurance ceded. Its income from investment has also decreased due to fair value loss on sale of investment of MUR 428 million. Across the East Africa subsidiaries, Kenya has remarkably picked up from a loss of MUR 4 million. At December 31, 2022, the Group had a total investment portfolio of MUR 15 billion which back the policyholders' funds. On the solvency front, all major companies of the MUA Group are comfortably positioned with excess capital being well above the minimum requirement. For 9MFY22, despite a 15% growth in GPW compared to 9MFY21, the profitability of MUA td was down by 41% compared to the prior period mainly due to rising levels of claims which weighed heavily on the Group's performance over the period. The rising interest environment and high volatility in equity markets significantly impacted the investment return of MUA Ltd.

Details of Instruments

Instruments/ Facility	Amount (MUR Million)	Repayment
Bond Issue	500	Year 10 – MUR 500 million (September 2029)
Bond Issue	100	Year 10 – MUR 100 million (June 2031)
Bank Facility	200	The facility shall be available for one or more drawdowns with minimum drawdown amount of MUR 25 million. The tenor of each drawdown shall be up to 12 years.
Proposed Bond Issue	200	Year 7 – MUR 200 million (2030)

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.

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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.