

**MUA Ltd
Brief Rationale**

CRAF reaffirms CARE MAU AA- (Stable) ratings to the Bond of MUA Ltd

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond	500	CARE MAU AA- Stable [Double A Minus; Outlook: Stable]	Reaffirmed

Rating Rationale

The rating assigned to the bond of MUR 500 million of MUA Ltd (“MUA” or “the Group”) has been reaffirmed at CARE MAU AA- Stable. The rating continues to derive strength from a successful track record of insurance activities which extend over the past 70 years and a highly qualified, professional and experienced management team. The group is well established with a diversified revenue and product profile across different geographies and is one of the leading players in General Insurance (25% market share) & Life Insurance business (10% market share) in Mauritius. The Group maintains a sound investment portfolio, robust systems and processes and a strong solvency position vis-à-vis regulatory requirements. Improvement in profitability of the Kenyan operation was also noted and the group maintains a satisfactory track record of meeting claims. In addition, investment in group companies is well within the concentration limits.

The rating is however constrained by a high level of competition and growth stagnation in the Mauritian insurance market and lower profitability in East African operations (particularly Kenya).

The rating is sensitive to successful integration of the newly acquired Saham Assurance Kenya Limited with the existing Kenyan operations and achieving higher profitability in the Kenyan operation, maintaining a capitalisation and solvency ratio well above the Regulatory norm, sound investment portfolio, consistent operational & financial performance of dividend paying subsidiaries - Mauritius Union Assurance Cy Ltd (“MUACL”; engaged in providing general insurance) and MUA Life Ltd (“MUA Life”; a wholly owned subsidiary of MUACL which provides life insurance).

BACKGROUND

MUACL was founded on 26 July 1948 with the objective of providing affordable insurance to the Mauritian population by introducing both general and life insurance. Since inception, MUACL has offered life insurance and pension products as well as general insurance such as motor, household and fire policies amongst others to Mauritians. It was the first company to provide loans to middle class Mauritians at affordable rates. Over the last 70 years, the Group has grown both organically and through acquisitions, expanding into other regions beyond Mauritius. In 2014, the Group expanded into East Africa (Kenya, Tanzania, Rwanda and Uganda) through the acquisition of a 100% stake in Phoenix Transafrica Holdings Limited (“PTHL”), a group of companies engaged in providing general insurance in the four aforementioned East African countries.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

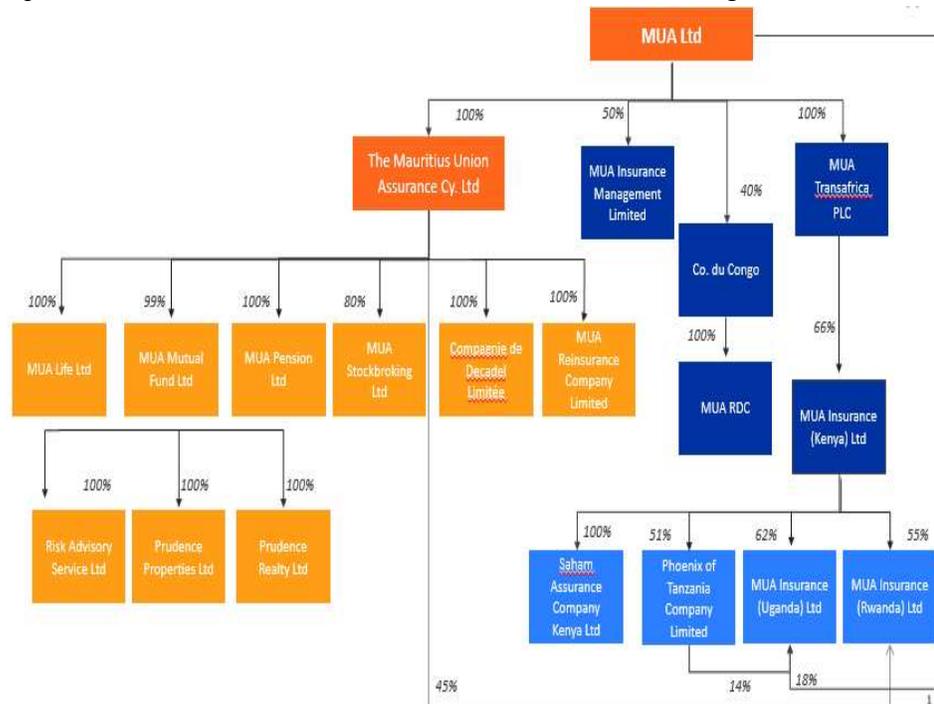
FSC License No.: CR14000001

www.careratingsafrica.com

Until December 2018, MUACL was the holding company of the Group, with the major income generating subsidiaries being MUA Life and MUA Transafrica Holdings.

In January 2019, MUA Ltd was incorporated as a new legal entity to act as the ultimate holding company of the Group and was listed on the Official Market of the Stock Exchange of Mauritius (“SEM”).

The Group also underwent a restructuring of the subsidiaries and associates of MUACL, relating to East Africa, with these subsidiaries now held under MUA Ltd instead of MUACL. The new Group structure is as depicted:



MUA has major presence in 6 countries namely Mauritius, Seychelles, Kenya, Uganda, Tanzania and Rwanda. Financial and operational highlights as at Dec 31, 2019 and Dec 31, 2018 are as follows:

Particulars		Market Share in terms of GPW*		Position in the Industry*		Amount	% of GPE	Amount	% of GPE
		2019	2018	2019	2018	2019	2018	2019	2018
Gross Premium Earned (GPE)								4,480	4,256
General Insurance Mauritius (Mauritius Union Assurance CY)	Overall	22.8%	23.9%	No. 2	No. 2	2291	51%	2227	52%
	Motor	21.6%	22.6%	No.1	No.1				
	Accident & Health	20%	21.8%	No. 2	No. 2				
	Property	23.4%	22.8%	No. 2	No.3				
Life Insurance Mauritius (MUA Life)		11%	10%	No. 3	No. 5	1,100	25%	1,035	23%
General Insurance East Africa (MUA Kenya)						1094	24%	991	23%
PAT						444		354	
Gross Sum Insured (Life Insurance)				Before Reinsurance		69,525		57,000	
				After Reinsurance		30,784		20,958	
Solvency ratio (Group)						220%		192%	
Total assets						16,770		15,000	
Life Insurance Fund						7,800		7,200	
Return on Equity						14.8%		12.6%	

*Latest available FSC Statistics

On July 03, 2020 MUA through its subsidiary, MUA Insurance (Kenya) Ltd. acquired 100% of Saham Assurance Kenya Limited (“Saham Kenya”) for a total consideration of USD 12.325 million. MUA has acquired the general insurance business of Saham Kenya. This acquisition will enable MUA to consolidate its position in the Kenyan short-term insurance market with complementary strengths and economies of scale between MUA Kenya and Saham Kenya. In FY18 (Jan-Dec), Saham Assurance posted a revenue of USD 25 million.

MUA has a satisfactory solvency position. As at December 31, 2019, at the MUACL level the ratio of Excess Capital Available over Capital required margin stood at 220% [192% in FY18] against the statutory limit of 150% as per Insurance (General Insurance Business Solvency) Rules 2007. Mauritius is the primary market for MUA (25% market share for general insurance and 11% market share for life insurance). ***MUA has a market capitalization of MUR 4 billion as at 30 September 2020 (MUR 3.8 billion as at December 31, 2019).*** MUA is a professionally managed insurance company, governed by an 11-member Board of Directors comprising of 2 Executive Directors, 4 Non-Executive Directors and 5 Independent Directors from a diverse set of industries, under the chairmanship of Mr. Dominique Galea.

Mr. Bertrand Casteres was appointed as CEO in January 2015. He holds a Master’s degree in applied mathematics, actuarial science and finance and an executive MBA from HEC (Paris). Mr Casteres has worked for major insurance companies in Europe and is assisted by a team of experienced and qualified professionals.

MUA Ltd issued a Bond of MUR 500 million in September 2019. Out of the total Bond Issue proceeds, MUA Ltd has extended MUR 200 million, through an internal notes subscription between MUACL and MUA Ltd, for repayment of the existing Bond of MUR 200 million held at MUACL level. This back to back agreement was done on the same terms as the aforementioned Bond Issue. Accordingly, MUACL pays semi-annual interest with the principal amount payable in September 2029 to MUA.

The balance proceeds (MUR 300 million) of the bond issue was used in part for financing of the acquisition of Saham Assurance Kenya Limited in July 2020.

In FY19, MUA’s consolidated profit after tax profits increased by 25% to reach MUR 444 million and Gross Premium Earned by 5% to MUR 4,480 million. Total assets of the group have increased by 12% with the total value of 16 Billion.

MUA Life reported net profit of MUR 186 million on NPE of MUR 963 million in FY19 (PAT of MUR 175 million on NPE of MUR 922 million in FY18). The PAT has booked a growth of 6% in FY19 compared to the growth of 29% in FY18.

On a consolidated level, MUA Kenya’s increase in Gross Written Premium by 12% in FY19 over FY18 together with cost control mechanism adopted by the company leading to reduction in combined ratio from 106% in FY18 to 97% in FY19 led to the overall increase in PAT from MUR 68 million in FY18

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

to MUR 114 million in FY19. MUA Kenya (Group) reported a PAT of MUR 114 million on NPE of MUR 637 million in FY19 as against to MUR 68 million on NPE of MUR 590 million in FY18. The PAT margin in FY19 has been 68% (FY18: 9%).

In September 2020, MUA has announced the listing of up to 5,010,000 new ordinary shares of MUA Ltd on the Official Market of the SEM by way of a Rights Issue at a price of MUR 83 per ordinary share in the proportion of one (1) new ordinary share for every nine (9) ordinary shares held. The Right issue Price is at a 14% discount to the share price of MUR 96.25 in August 2020. Total amount expected to be raised by this right issue is MUR 416 million. As discussed with the management, the purpose of this right issue is to part finance the acquisition of Saham Assurance Company Kenya Limited and maintain liquidity for any possible acquisitions in general insurance/life insurance sector in Mauritius or East African market.

Disclaimer

CARE Ratings (Africa) Private Limited (“CRAF”)’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF’s ratings do not convey suitability or price for the investor. CRAF’s ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF’s rating.

CRAF’s ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

Annexure I

Rating Symbols

Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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.

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.