## Rating Rationale
## CIM Financial Services Ltd.

**Ratings**

| Instrument | Amount (MUR Million) | Rating | Rating Action |
|---|---|---|---|
| Bond Issue | 2,000 (enhanced from Mur 1,200 million) | **CARE MAU AA; Stable [Double A; Outlook: Stable]** | **Assigned** |

### Rating Rationale

The rating assigned to the proposed bond issue of CIM Financial Services Ltd. ("CFSL") takes into account the proposed amalgamation of its wholly owned subsidiaries - CIM Finance Ltd. (CARE MAU AA Stable/CARE MAU A1+), Mauritian Eagle Leasing Company Limited (MELCO), CIM Agencies Ltd, CIM Management Services Ltd. and CIM Shared Services Ltd. into CFSL. The rating derives strength from experienced & resourceful promoters, professional and highly qualified management team and strong financial position of CFSL as a consolidated entity. The rating also takes into account CIM Finance Ltd.'s ("CFL") long and satisfactory track record, dominant market share (90%) in Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), well diversified asset portfolio, consistent growth in disbursements, moderate asset quality, satisfactory financial position, satisfactory asset-liability maturity profile, capital adequacy ratio ("CAR") & liquidity profile and stringent NPA recognition norms (due above 90 days).

The rating is constrained by risk associated with increasing competition in the financial services business, entry of new players in CFA segment, exposure to regulatory risks, risk associated with volatility in interest rates and increase in exposure to relatively riskier segments such as unsecured lending.

Successful completion of the proposed amalgamation of CFL, MELCO and other group companies into CFSL within envisaged timelines, ability of CFSL (merged entity) to maintain asset quality and profitability while increasing asset size, improving asset liability maturity profile, maintain CAR in the range of 11.50% to 12.00% and continued support from promoters are the key rating sensitivities.

### BACKGROUND

Since 1987, CFL (operating within the Rogers Group) has been engaged in providing hire purchase/credit facility agreements (CFA) in Mauritius and expanded its activities to leasing, deposit taking, unsecured loans, credit cards and factoring over the years.

In July 2005, CIM Financial Services Ltd (CFSL) was incorporated to regroup and manage the finance business (including CFL), global business, and insurance business of Rogers group.

In 2012, the controlling shareholders of Rogers namely the Espitalier Noel family and the Taylor family (each controlling 26.5% of the Rogers Group) restructured the Rogers which led to the Taylor Family exiting Rogers and taking control of CFSL with a holding of 53%. The balance 47% was held by corporate bodies, Insurance

Companies, pension funds and individuals. At the same time CFSL was listed in the Stock Exchange of Mauritius and was composed of the finance business (i.e CFL), the global business and some real estate assets. In March 2017, CFSL disposed of its global business activities and in January 2019, the property activities were spun off via a dividend in specie to the shareholders of CFSL, resulting in CFSL becoming focused on financial services as its main business activity.

In August 14, 2019, Board of CFSL has communicated to the public that both CFL and MELCO have successfully refunded all the deposits, availed from the deposit holders, and has lodged an application for the surrender of the deposit taking licence with the Bank of Mauritius. Furthermore, with the objective of streamlining the structure of the group and improving efficiency, the Board of CFSL had approved the 'in principle' amalgamation of CFL, MELCO, CIM Agencies Ltd, CIM Management Services Ltd and CIM Shared Services Ltd. with and into CFSL (subject to Regulatory Approval). Post-amalgamation of these companies into CFSL, CFSL will focus on its strategy to strengthen its core consumer finance lending business within an improved governance framework and through securing more opportunities as a lender on both the local and the regional markets. As on September 30, 2018, the activities and the major financial parameters of CFSL and other 5 companies to be merged with CFSL are as under: ***(MUR Million)***

| Particulars | CFSL (Group) | CFSL (Company) | CFL | MELCO | CIM Agencies | CIM Management Services | CIM Shared Services |
|---|---|---|---|---|---|---|---|
| **Business** | | **Holding company** | **CFA, leasing, Cards, factoring** | **Leasing** | **Collection of Insurance Premium** | **Providing Management services** | |
| **Stake of CFSL (%)** | | | **100** | **100** | **100** | **100** | **100** |
| Income | **1,939** | 140 | 1,538 | 132 | 192 | 48 | 32 |
| PAT | **352** | 5 | 250 | (19) | - | - | - |
| Dividend payment | | 456 | | | | | |
| Networth **(A)** | **6,366** | 4,681 | 1,491 | 208 | 82 | (44) | 1 |
| **Assets under Management** | | | | | | | |
| Hire purchase/CFA | **4,902** | - | 4,902 | - | - | - | - |
| Finance Lease | **3,155** | - | 2,462 | 693 | - | - | - |
| Loan & Advances, credit cards/factoring, Corporate credit card | **3,022** | - | 3,022 | - | - | - | - |
| Deposits from customers **(B)** | **3,288** | - | 2,529 | 786 | - | - | - |
| Borrowings **(C)** | **5,950** | 1,397** | 4,625* | - | - | - | - |
| Cash & bank | **526** | 108 | 190 | 56 | - | - | - |
| Fixed Deposits | **1,026** | 524 | 450 | 52 | - | - | - |
| Investment in Financial Assets | **1,599** | 1,599 | | | - | - | - |
| GNPA | **562** | | 483 | 79 | - | - | - |
| Gearing **(B+C)/A** | **1.45** | 0.30 | 5.59 | 3.92 | - | - | - |

*** CFSL (company) has extended loan of MUR. 1,286 million to CFL which got netted of at CFSL (group level) as Intercompany loan*
**Intercompany Loan from CFSL has been netted off*

CIM Finance Ltd. - CFL is the leading provider of Credit Facility Agreement (“CFA”; previously termed as Hire Purchase), leasing, unsecured loans, credit cards, factoring in Mauritius and operates 95 counters and a network of more than 700 merchants in Mauritius and Rodrigues. It is the largest Non-Banking Institution in Mauritius in terms of Asset under Management.

Hire Purchase/Credit facility Arrangements (CFA) - CFL started its CFA operations in 1987 and today serves most of the independent dealers in Mauritius. It has become a household name in the field of consumer finance, with a local customer base exceeding 300,000 individuals and 550,000 agreements. CFL offers insurance (covering death, loss of job and loss of product) on CFA products from an insurance company through Cim Agencies Ltd. This cover is optional and as on date more than 70% of its CFA portfolio is insured.

Leasing activities - CFL also provides financial solutions (finance lease and operating lease) to businesses of varying sizes, from small entrepreneurs to large conglomerates. MELCO is engaged in providing finance and operating leases.

Credit card - The credit card activities of CFL started in 2001 with the launch of the first local credit card. The latter evolved into issuing MasterCard, Visa and China UnionPay International (UPI) cards. CFL became the first and only non-bank financial institution in the sub Saharan Africa region to issue a credit card with the MasterCard accreditation. CFL offers Classic, Gold and Business MasterCard.

Factoring: Since 2004, CFL provides factoring solutions. It purchases invoices from clients and also avails credit insurance for such Invoices from COFACE, global leaders in the field.

Loans & advances**:** In FY13, CFL started offering unsecured loans to meet its existing customers’ financing needs beyond their immediate retail financing requirements. All types of family expenses such as those relating to education, weddings, funerals and property refurbishments are financed. Given the repayment performance of this product in last 5 years, the company is focusing to boost disbursement in this product category. It is mandatory to take insurance (covering death and loss of job) on unsecured loans from an insurance company through Cim Agencies Ltd.

CFSL is a professionally managed company. It is governed by 9-member Board of Directors comprising of 4 members from Taylor family, 4 eminent industrialists as Independent Director and 1 Executive Director. Mr. Colin Taylor is the Chairman of CFSL and Taylor Smith Investment. The strategic affairs of the company are looked after by Mr. Mark Van Beuningen (E.D. & Group CEO) who joined CFL as M.D. in May 2016 and was promoted to Group CEO in Oct. 2017. He is assisted by a team of professionals looking after various functions of the company.

## CREDIT RISK ASSESSMENT

**Long & satisfactory track record of CIM group & experienced promoters**

CFSL, through various group companies (CFL & MELCO) is engaged in CFA, leasing of cars & equipment and extending loans & advances. It was also engaged in global business (exited in FY17 at a net profit of MUR. 2,464 million) and property business (sold off to an associate company in January 2019). It is owned and managed by the Taylor family of Mauritius, having its presence in Mauritius for more than 100 years. The Taylor family has set up Taylor- Smith Investment Company which has interest in the port, logistics and distribution, distribution of retail products, financial services and manufacturing industries.

**Professional and highly qualified management team**

CFSL has a highly qualified and experienced employee pool having large experience in their related field. CFSL's improvement in operational efficiency over the years can be attributed to its sound management team. Each division is managed by a Head, who reports to M.D., and team of professionals. The attrition level is quite low with key professionals having long association with the group. CIM group has 700 employees working across its Mauritius counters and sub offices.

**Presence across the island and dominant market share in CFA Portfolio**

CFSL (CFL & MELCO) is currently the largest Non-Banking Institution (NBI) in Mauritius and operates 95 counters and a network of more than 700 merchants in Mauritius and Rodrigues.

| Assets | Range of products | Average Ticket size (MUR) | Market Share (%) | LTV (%) | Tenure (months) |
|---|---|---|---|---|---|
| CFA (Hire purchase & other credit agreements) | Electronic goods/Jewellery /Furniture & fittings | 13,000-15,000 | 90 | 85-95 | 24-30 |
| Finance Lease | Car (New & Reconditioned) | 525,000 | 25 | 80-90 | 60 |
| | Equipment | 2,025,235 | 20 | 70-75 | 48 |
| Loan & Advances | Personal loans | 60,000 | 15-20 | 100 | 48 |
| Credit card | Credit card | 15,000 | 25-30 | - | 2 |
| Factoring | Bill discounting | 90 % of the bill | 15-20 | 90 | 24 |
| Corporate credit facilities | SME lending (loan) | 1,300,000 | 20 | 100 | 60-84 |

**Consistent growth in disbursement & Asset under Management**

Disbursement in CFSL (CFL & MELCO) witnessed a moderate growth during last 2 years, with a y-o-y growth of 8% in FY18. The total Assets under Management (AUM) has shown an increasing trend over the years (18% growth in FY18).

| Assets as on (MUR Million) | 30.9.2017 | % of total portfolio | 30.9.2018 | % of total portfolio |
|---|---|---|---|---|
| **CFL** | | | | |
| CFA | 4,455 | 47% | 4,902 | 44% |
| Finance Lease | 2,442 | 26% | 2,462 | 22% |
| Loan & Advances | 1,548 | 16% | 2,077 | 19% |
| Credit card | 454 | 5% | 426 | 4% |
| Factoring debtors | 222 | 3% | 240 | 2% |
| Corporate credit facilities | 267 | 3% | 269 | 3% |
| **MELCO -** Finance Lease | | | 693 | 6% |
| **Total** | **9,388** | | **11,069** | |

CFL holds 90% market share in CFA market. CFL is focusing on extending loans & advances to meet its existing customers' financing needs beyond their immediate retail financing requirements. This is a high yielding portfolio (8.5-9.0%) and are extended to existing customers with good past track record. AUM in this portfolio has increased by 34% in FY18 over FY17 (50% in FY17 over FY16). Low yielding finance lease portfolio, where the company faces steep competition from major banks, increased at lower rate.

AUM has increased by 18% to around Mur 13 billion in June 2019 over Sept 2018, primarily due to higher disbursements in CFA and loans & advances, in line with higher demand.

**Stable return from the various products portfolio**

IRR hovered around similar level during FY17-19. Majority of CFSL and CFL's lending are in fixed rates (85%) and around 40% of borrowings are in fixed rate. The product-wise average IRR of assets financed: -

| Asset Type | FY17 | FY18 |
|---|---|---|
| CFA | 6.00-6.50 | 6.50-7.00 |
| Finance Lease | 2.50-3.00 | 2.75-3.25 |
| Loan & Advances | 7.50-8.50 | 8.00-9.00 |
| Credit card | 19 | 19.5 |
| Factoring | 4 | 4 |
| Corporate credit facilities | 1.5 | 1.5 |

**Moderate asset quality and high collection efficiency**

Till September 30, 2018, CFSL group companies (CFL and MELCO) recognized NPA above 90 days for Finance lease & factoring portfolio and above 360 days for Hire Purchase, loans & advances & credit cards portfolio and writes off (specific provisions) 100% of loan overdue beyond 360 days. This apart the company also makes portfolio provisioning (1.00% of the portfolio value) in line with the Guideline on Credit Impairment Measurement and Income Recognition of BoM. **(*MUR Million)***

| Particulars | 30/09/2017 | 30/09/2018 |
|---|---|---|
| Gross NPA | 368.3 | 561.5 |
| Gross Loan assets | 9,388 | 11,069 |
| GNPA (%) | 3.92 | 5.07 |
| Net NPA | 174.0 | 347.2 |
| Net Loan assets | 9,160 | 10,811 |
| NNPA (%) | 1.90 | 3.21 |
| Net NPA/Net worth (%) | 2.67 | 5.45 |

However, since October 1, 2018, CFSL group companies (CFL and MELCO) have changed NPA recognition policy and has started recognizing NPA above 90 days for all types of advances - Finance lease, factoring portfolio CFA, loans & advances and credit cards portfolio and writes off (specific provisions) 100% of loan overdue beyond 90 days.

(*MUR Million)*

| Particulars | 30/09/2018 |
|---|---|
| Gross NPA | 994 |
| Gross Loan assets | 11,069 |
| GNPA (%) | 8.98 |
| Net NPA | 447 |
| Gross Loan assets | 11,069 |
| NNPA (%) | 4.03 |
| Net NPA/Net worth (%) | 7.02% |

In 9MFY19, GNPA has remained at similar level (around Mur 1.0 billion), despite increase in asset book by almost MUR 2.0 billion and GNPA was around 8.40%. In 9MFY19, the collection efficiency of CFSL group companies (CFL and MELCO) has remained stable at 96%.

**Satisfactory Capital Adequacy Ratio (CAR) and overall gearing ratio**

CFL's CAR as on September 30, 2018 was satisfactory at 14.31% and well above the Regulatory norm of 10% (stipulated by Bank of Mauritius). CAR as on June 30, 2019 was 12.47%. CAR of MELCO as on June 30, 2019 was 25.00%. As indicated by the management, CAR is expected to be above 12.00% during the projected period.

Overall gearing of CFSL group (including CFL and MELCO) as on September 30, 2018 was 1.45x. The same is expected to hover in the range of 2.30-3.50x during the projected period.

**Satisfactory Asset-Liability maturity profile & liquidity profile**

CFSL's deposits from customers, borrowings and deposits in liquid portfolio (Fixed Deposit with Banks/Investment in financial assets) is as under. **(*MUR Million)***

| As on | 30.9.2017 | 30.9.2018 | 30.6.2019 |
|---|---|---|---|
| Deposits from customers | 3,134 | 3,427 | - |
| Borrowings | 4,184 | 5,949 | 8,880 |
| Fixed Deposit with Bank | 2,739 | 1,026 | 509 |
| Cash | 505 | 526 | 347 |
| Investment in financial assets | 22 | 1,599 | 10 |

CFSL's group companies' (CFL & MELCO) asset liability maturity profile as on June 30, 2019 as under:

**(*MUR Million)***

| Particulars | Months | | | | | |
|---|---|---|---|---|---|---|
| | 0-3 months | 3-6 months | 6-12 months | 1-5 years | >5 years | Total |
| **ASSETS** | | | | | | |
| Net receivables from finance lease and CFA | 1,416 | 919 | 1,532 | 4,351 | 519 | 8,737 |
| Loans & Advances | 1,025 | 238 | 458 | 1,650 | 34 | 3,405 |
| Other assets | | | | | | - |
| Cash and Bank Balances | 347 | | | | | 347 |
| Deposit with banks | 48 | | 300 | 171 | | 519 |
| Fixed Assets for own use | | | | | 875 | 875 |
| **[A]** | **2,836** | **1,157** | **2,290** | **6,172** | **1,428** | **13,883** |

| Particulars | Months | | | | | |
|---|---|---|---|---|---|---|
| | **0-3 months** | **3-6 months** | **6-12 months** | **1-5 years** | **>5 years** | **Total** |
| **LIABILITIES** | | | | | | |
| Deposit from customers | | | | | | - |
| Term loans | 340 | | | 770 | | 1,110 |
| Bond | | | | 3,500 | | 3,500 |
| Cash Credit, WCDL & OD (including CP) | 2,975 | 130 | 376 | | | 3,481 |
| Short term loans from Holding companies | 119 | 33 | 1,854 | 282 | 59 | 2,347 |
| Other liabilities | | | 48 | | | 48 |
| **Total** | | | | | | - |
| Shareholder's Funds | | | | | 3,397 | 3,397 |
| **[B]** | **3,434** | **163** | **2,278** | **4,552** | **3,456** | **13,883** |
| **GAP [A-B]** | **(598)** | **994** | **13** | **1,620** | **(2,028)** | **0** |
| **Cumulative GAP** | **(598)** | **396** | **409** | **2,028** | **0** | |

CFSL (CFL and MELCO) has cumulative negative mismatch in 0-3-months' time bucket, primarily considering repayment of cash credit and short-term loans from banks. The overdraft/short term loans and Money market lines from banks are generally rolled over during maturity. This apart as on June 30, 2019, CFL and MELCO has Mur 866 million of cash/fixed deposits and CFL has unutilized working capital line, which can be utilized for meeting the mismatch.

Average utilisation of fund based working capital limits & short-term loans in CFL, during 12 months ended August 2019, was about 75%. Average utilisation of fund based working capital limits & short-term loans in CFSL, during 12 months ended August 2019, was about 80%. MELCO is a debt free company with borrowings from CFSL.

In February 2019, CFL has availed long-term bond of Mur. 3,500 million (Mur 2,000 million payable after 2 years and Mur 1,500 million payable after 4 years).

**Diversified Income profile** **(*MUR Million)***

| Particulars | FY17 | FY18 | 9MFY19 |
|---|---|---|---|
| Interest Income | 1,042 | 1,189 | 1,075 |
| Fees & Commission Income | 570 | 542 | 401 |
| Operating lease income | 37 | 36 | 126 |
| Other operating Income | 237 | 167 | |
| Bad debt recovered | 8 | 5 | |
| **Total Income** | **1,894** | **1,939** | **1,602** |

Total income increased by only 2% in FY18, despite 12% growth in CFA income, mainly due to lower fees & commission income. Fees and commission income were lower due to more competitive commission rate being offered to CFA dealers and lower fees from credit card. CFL has been focusing on growing its CFA, Loans and Advances and Leasing portfolios, while facing stiff competition from banks in the credit card business.

**Stable profitability**

In FY18, CFSLs total revenue has increased by 2% due to higher interest income triggered by higher disbursements in FY18. The collection efficiency (CFL and MELCO) in 9MFY19 was around 96%. Overall gearing and interest coverage were also satisfactory. CAR at 12.47% was well above the Regulatory requirement of 10%. NIM was hovering in the range of 11-13% during last 2 years. ROTA, though declined due to higher provision for NPA/bad debts written off in FY18 (MUR 219 million) was comfortable at 3.44% in FY18 (3.57% in FY17). The performance in 9MFY19 was in line with 9MFY18, barring the impact of the demerger of the property business.

## Industry Risk

In Mauritius, Non-Bank Deposit-Taking Institutions' (NBDTIs') main activity relates to the mobilisation of deposits and the granting of leasing and loan facilities to individuals and corporates. There are 8 NBDTIs in operation as at end-December 2018, of which 4 were exclusively involved in leasing activities, 2 carried out lending business only and the remaining 2 were involved with both leasing and lending operations. 4 of the NBDTIs were subsidiaries/related companies of banking institutions or insurance companies. As at end-June 2018, all NBDTIs were holding the minimum required capital of Mur. 200 million, and their total assets represented around 4.4% of the total assets of the financial sector. Theses NBDITs mostly provide leasing and factoring services. The AUM of other NBDITs are MCB Finlease Company Limited (MUR 4.1 billion), Axys leasing (MUR 3.0 billion), La Prudence Leasing (MUR 1.3 billion), SICOM (MUR 460 million) and Mutual Aid (MUR 400 million). In CFA, CFL has 90% market share followed by Rogers Capital and Kalachand group-company (finances only the products sold by 3 retail showrooms of Kalachand in Mauritius).

During the period July 1, 2017 to June 30, 2018, total outstanding credit facilities extended by NBDTIs fell by 3.6% or Mur. 2,229 million, while total amount of gross non-performing advances declined by 11.0% or Mur. 391 million. As a result, gross non-performing advances ratio improved from 5.8% as at end-June 2017 to 5.4% as at end-June 2018.

Total assets of NBDTIs increased by 1.5% to reach Mur. 78 billion as at end-June 2018. The share of loans to total assets declined from 56.7% as at end-June 2017 to 55.0% at the end of June 2018, while investment in finance leases to total assets stayed constant at 14.0% over the same period.

The advances-to-deposits ratio decreased from 123.6% at end-June 2017 to 121.3% at end-June 2018. Leases-to-deposits ratio (based on deposits held by leasing companies only) went down from 76.3% at end-June 2017 to 78.3% at end-June 2018.

As at end-June 2018, liquid assets held by NBDTIs amounted to Mur. 11 billion or 24.9% of their deposits compared to Mur 9.8 billion or 22.4 % of deposits recorded as at end-June 2017. The liquidity ratios were above the statutory minimum of 10% over the year ended June 30, 2018, NBDTIs remained relatively liquid. The consolidated profitability figures for NBDTIs are based on the audited results for the financial years ended June, September and December. For the FY2017-18, NBDTIs' aggregate profit after tax fell by 82.0% from Mur 2,228 million to Mur 400 million. This decline was driven mainly by a reassessment of the amount of tax to be paid for one NBDTI for the years 2007 to 2017. Further, another NBDTI incurred losses in the period under review.

**Leasing Companies**

Leasing facilities are provided by 15 entities in Mauritius. 12 of them are banks and Non-Bank Deposit-Taking Institutions (NBDTIs), which are licensed by the Bank of Mauritius. The remaining three are Non-Deposit Taking Institutions (NDTIs), which are licensed by the Financial Services Commission (FSC).

Banks, NBDTIs, and NDTIs offer leasing facilities to both households and corporates. Banks provide only finance leases, while NBDTIs and NDTIs offer both finance and operating leases. Nearly all the NBDTIs are the leasing companies and it is not difficult to get a leasing license. Moreover, there are many companies in the insurance industry and banking industry that are trying to give leasing facilities along with all other facilities which these companies already have. As these businesses are already well-known, they can get NBDT license very easily. But with promulgation on the Banking Act 2004, the NBDTIs are now subject to the same prudential regulations as banks and the NBDTIs have to maintain a minimum capital of Mur 200 million alongside complying with the guidelines on 'Guidelines on Capital Adequacy Ratio' and 'Credit Concentration Risk' and on 'Related Party Transactions'. All these guidelines and requirements act as a barrier to entry in the NBDT sector.

As at end-September 2018, total leasing facilities granted to the household and business sectors stood at Mur 18.8 billion compared to Mur. 19.0 billion as at September 2017. The automobiles segment accounted for 83% of total leasing facilities, up from 78% in FY17. As at end-September 2018, an amount of Mur 15.6 billion (Mur.14.8 billion as at Sept 30, 2017) was extended towards the purchase of automobiles, while the number of leases summed to 32,714 (31,534 in FY17). Leasing facilities granted to "other" sector represented facilities offered for buildings, office equipment, machinery and other assets and stood at Mur. 3.2 billion as at September 2018 (Mur. 4.2 billion as at September 2017).

Banks are important substitutes of NBDTIs as they are leaders in the financial markets. Banks have a quite strong brand presence and a good credit appraisal method also. The main fund suppliers to the NBDTIs Sector are the depositors and the depositors have lots of alternatives to invest apart from NBDTIs. If the depositors will consider the level of risk, they can deposit in banks or invest in bonds as it will require them to have low risks along with low interest otherwise they can invest in stocks which include high risk and high interest.

Therefore, the NBDTIs will have to attract the depositors either by providing them with a higher interest or providing them with better additional service.

**Prospects**

CFSL's (CFL and MELCO) prospects largely depends on the performance of fortunes of retail industry (electronic goods/ furniture's & fixtures) automotive and construction sectors, the demand drivers of major products financed by the company. The growth of both the aforesaid sectors has close linkages with the economic growth of the country.

CFSL's prospects also depends on successful completion of the proposed amalgamation of CFL, MELCO and other group companies into CFSL within envisaged timelines, ability of CFSL (merged entity) to maintain asset quality, profitability and CAR in the range of 11.50% to 12.00%.

**Financial Performance (CFSL - Consolidated)** (***MUR Million)***

| **For the year ended/As on** | **30/09/2016** | **30/09/2017** | **30/09/2018** |
|---|---|---|---|
| | | **(Audited)** | |
| Interest income | 833.2 | 1,042.4 | 1,189.2 |
| Fees & Commission Income | 1,342.6 | 569.5 | 542.2 |
| Operating lease income | 37.6 | 36.9 | 35.9 |
| Other operating Income | 170.4 | 236.8 | 167.4 |
| Bad debt recovered | 4.2 | 8.0 | 4.7 |
| **Total Income** | **2,388.0** | **1,893.6** | **1,939.4** |
| Operating expenses (excl. provisions) | 1,130.5 | 806.8 | 864.4 |
| Provision for NPA | 154.7 | 194.3 | 219.0 |
| Interest | 305.9 | 352.1 | 382.0 |
| **PBT** | **776.3** | **411.5** | **441.4** |
| **PAT** | **916.2** | **2,949.6*** | **352.1** |
| Gross cash accruals | 768.1 | 324.2 | 390.2 |
| Stock-on-hire (net of provision) | 7,337.5 | 8,977.3 | 10,503.3 |
| Loan AUM | 7,680.9 | 9,384.5 | 11,078.8 |
| Total Assets under Management (AUM) | 10,976.3 | 15,133.6 | 17,233.4 |
| Total capital employed | 9,393.1 | 13,832.2 | 15,720.5 |
| Total Deposits | 2,707.7 | 3,020.2 | 3,288.1 |
| Total debt | 3,441.6 | 4,184.2 | 5,949.8 |
| Tangible networth | 3,149.2 | 6,524.8 | 6,366.6 |
| Cash & Bank Balances | 1,062.7 | 3,244.3 | 3,151 |
| **Ratios** | | | |
| PAT margin | 27.77 | 16.06 | 18.16 |
| NIM (%) | 12.53 | 12.78 | 11.81 |
| Interest Income/ Int. earning assets (%) | 13.29 | 12.78 | 12.21 |
| Interest expended/ Average Borrowed Funds | 5.26 | 5.27 | 4.65 |
| Interest spread (%) | 8.04 | 7.51 | 7.56 |
| RONW (%) | 31.44 | 6.29 | 5.46 |
| ROCE (%) | 11.29 | 7.10 | 5.33 |
| Cost of Capital (%) | 6.08 | 3.79 | 5.67 |
| Net Spread | 5.21 | 3.30 | (0.34) |
| Return on total assets (ROTA) (%) | 10.07 | 3.57 | 3.44 |
| Overall gearing | 1.95 | 1.10 | 1.45 |

| For the year ended/As on | 30/09/2016 | 30/09/2017 | 30/09/2018 |
|---|---|---|---|
| | (Audited) | | |
| Interest Coverage (after prov.) | 3.61 | 2.53 | 2.24 |
| Interest coverage (before prov.) | 4.11 | 3.09 | 2.81 |

**Including Profit from discontinued operations (sale of business) of MUR 2,645 million*

**Adjustments**

1. Tangible networth is calculated by netting off intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long and short-term debt)/Tangible Networth.
4. Total Assets and Total AUM is calculated after deducting Deferred Tax and Intangible Assets from Total Assets

**Financial Performance of CFSL (Consolidated) for 9MFY19** **(MUR Million)**

| Particulars | 9MFY19* | 9MFY18 | Audited FY18 |
|---|---|---|---|
| Interest income | 1,075 | 858 | 1,189 |
| Net interest income | 783 | 578 | 807 |
| Total Income | 1,602 | 1,427 | 1,939 |
| PAT | 282 | 334 | 352 |
| Total debt | 8,880 | 5,889 | 5,950 |
| Deposit from customers | 0 | 2,778 | 3,288 |
| Tangible networth | 3,864 | 6,242 | 6,366 |
| PAT/ Total income | 18% | 23% | 18% |
| Overall gearing | 2.30 | 1.39 | 1.45 |
| Interest Coverage (after provision) | 2.13 | 1.92 | 2.37 |
| Stock-on-hire (net of provision) | 8,737 | | 7,638 |
| Loan and advances | 3,405 | | 2,866 |
| GNPA | 1,066 | | 994 |
| GNPA | 8.26% | | 8.98% |
| CAR of CFL | 12.47 % | | 14.31% |
| CAR of MELCO | 25.00% | | |

## Details of Instrument

**Purpose of the Bond issue**

CFSL has raised long-term bond of MUR 2,000 million and will utilize the same to refinance part of its debt and advance the balance amount to CFL and MELCO, so that they can repay outstanding short-term debt facilities. This will help CFSL to align the borrowing and lending schedule at group level, because H.P. portfolio is for 24-30 months and lease portfolio is 4-5 years. Till date a significant portion of the funding in CFSL (CFL/MELCO) was done through short term loans. This Bond will reduce the dependency on short term borrowings and also allow the Group to tap into a new and well diversified source of funding. However, the working capital lines of CFSL and CFL from different banks will be also available.

### Details of proposed Bond Issue

| Instrument | Amt. (MUR Million) | Repayment (MUR Million) |
|---|---|---|
| Long term Bond | 2,000 | • Upto 3 years from disbursement – Mur 1,000 Million<br>• 5 years from disbursement – Mur 1,000 Million |