SPICE Finance Ltd

19 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Proposed Bond Issue	500	**CARE MAU A-; CWD [Single A Minus; Credit Watch with Developing Implications]**	**Continues to be under Credit Watch with Developing Implications**
Total	**500**		

CWD: The rating assigned to SPICE Finance Ltd ("SPL") is placed under Credit Watch with Developing Implications on account of the proposed Management Buyout of United Investments Ltd (ultimate shareholder of SPICE Finance Ltd) investments in AXYS Ltd.

Rating Rationale

The rating assigned to the proposed bond issue of SFL continues to derive strength from long & satisfactory track record of SFL in the provisioning of leasing facilities, highly professional and qualified management team, competitive position and strong market share in the Mauritian leasing segment allowing flexibility in pricing, consistent growth in yearly disbursements barring Covid-19 period, continued expansion of finance lease portfolio being funded mainly from lower cost deposits with terms ranging from three months to over five years, achievement of health net interest margins and return of total assets (ROTA), while also maintaining a comfortable capital adequacy ratio, low levels of non-performing assets on total lease book and satisfactory asset-liability maturity (ALM) & liquidity profile.

The rating is however constrained by risk associated with increasing competition in the financial services business especially with the entry of new players in the market, negative liquidity gaps between 3 to 12 months period, overall gearing being a relatively high levels despite a marginal decrease from prior year and the current inflationary environment and rising interest rates weighing heavily on households, which may ultimately affect their debt repayment abilities.

Rating Sensitivities:

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Continued increases in disbursements leading to further expansion of leasing portfolio.
- Improvement in asset liability maturity profile.
- Sharp decline in gearing ratio.
- Replacement of high-cost deposits by lower cost funding

Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Dip in the Capital Adequacy Ratio whereby nearing the regulatory requirement of 10%
- Breach of Bank of Mauritius Guidelines on liquidity requirement and Credit Concentration Risk

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

- Deterioration in asset quality leading to significant increase in Gross NPA

BACKGROUND

SPICE Finance Ltd ("SFL"), formerly known as AXYS Leasing, is a public limited liability company incorporated in 1997. It holds a deposit-taking license under the Mauritian Banking Act 2004 and it is also licensed by Financial Services Commission ("FSC") to conduct leasing operations.

SFL is a wholly owned by AXYS Group Ltd ("AXYS"), which in turn is an 80% subsidiary of AXYS Ltd, with United Docks Ltd holding the remaining 20% stake. The ultimate parent company of SPL is United Investments Ltd ("UIL") which controls 100% of AXYS Ltd.

SFL started its leasing operation in 2004, as a Non-Banking Deposit Taking Institution (NBDIT) with the main objective to provide leasing facilities (both operating and finance lease) to individuals and corporates by raising deposits from public (individuals and corporates).

The Company has grown to become among the top 3 largest leasing companies in Mauritius with more than 7,000 active leases at 30 June 2022.

SFL provides Finance Lease, Operating Lease and Sale & Leaseback services. SFL facilitates the purchase of movable assets and equipment for corporates, individuals and SMEs.

Finance Lease (also known as capital lease). Under finance leases, all the risks and rewards relating to asset ownership are transferred to the lessee. The lessee makes regular fixed repayments to the lessor (SFL) over a specified period of time. For investments in finance leases, the assets under lease are registered under named of SFL until the lessee pays the full contractual amount due, following which, the ownership of the asset is transferred to the name of the lessee. Under finance lease agreements, SFL retains the underlying asset as collateral and in case of non-repayment or default from the lessee, SFL has the right to repossess the underlying assets. The duration of finance lease agreements generally varies between 60 to 84 months.

Operating lease. Under operating lease agreements, the lessee obtains the right to use the underlying asset in exchange for fixed regular payments to SFL for a specified time period. Under this facility, the risks and rewards are not transferred to the lessee and the asset remains in the books of SFL which retains the ownership of the asset following the expiry of the lease agreement.

Sale and Leaseback. Under this facility, a client owning an asset has the option to sell the asset to SFL against cash and the asset is then leased back to the client by SFL against lease rental payments. At the end of the contract, the lessee can exercise his call option allowing him to recover the asset at its residual value (normally 1% of the value of the asset at purchase).

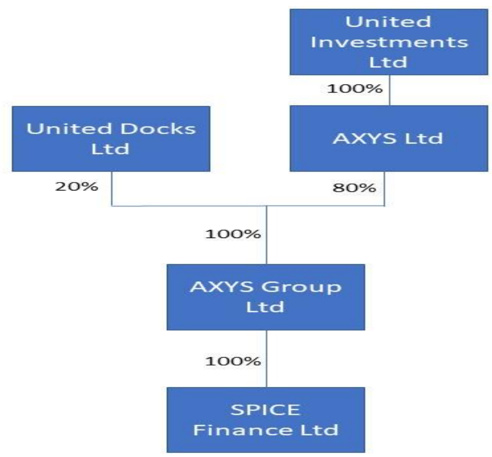
SFL finances its leasing portfolio by raising deposits from individuals and corporates for terms ranging from 1 to 72 months. The interest rates on these deposits are either at fixed or floating rates and vary between 0.50% to 5.85%.

SPICE Finance Ltd is a professionally managed company which is governed by 7-member Board of Directors. Mr. Sylvain Pascal, independent director, is the Chairperson of the board.

Mr. Vikash Tulsidas and Mrs. Vijeyalutchmee Monien Mootoosamy are the two executive directors at SPICE Finance Ltd. Mr. Tulsidas is the CEO of SFL and he is responsible for the effective running of the day-to-day operations of the Company and acts as the main point of contact between the Board and the senior management of SPL. Mr. Tulsidas was appointed as Director of SPL in October 2013 and became its CEO in February 2017.

CREDIT RISK ASSESSMENT
Long & satisfactory track record of the company & experienced promoters

SFL, which operates as a Non-Banking Deposit Taking Institution (NBDTI) since 2004, is fully owned by AXYS Group Ltd ("AXYS"). The activities of AXYS began in 1992 with the incorporation of Portfolio Investment Management ("PIM") as the first asset management company launched in Mauritius. In 1996, Actuarial and Capital Management Services ("ACMS") was launched, and the Company took over all of PIM's clients. As part of its expansion and diversification strategy, in 2004, ACMS decided to enter the stock market by acquiring 'Compagnie des Agents de Change' ("CAC"), a Mauritian brokerage firm. ACMS was later rebranded as AXYS Group in 2009. AXYS also holds international operations with Apex Africa, a stock market operator in Kenya which it acquired in 2015.



A majority stake of 80% in AXYS is held by AXYS Ltd while the remaining 20% is owned by United Docks Ltd.
The ultimate parent company of SFL is United Investments Ltd ("UIL") with an 80% effective holding in the Company UIL, incorporated in 1984, is an investment holding company which holds investments in entities operating across different business sectors including technology, hospitality, and agriculture. UIL is listed on the Development & Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM).
A brief summary of the financial performance of UIL is given below:

Year ended/ as on 30 June	FY19	FY20	FY21
	MUR million		
Total Income	131	22	17
EBIDTA	80	(38)	(31)
PAT	70	(684)	(289)
Gross Cash Accruals (GCA)	71	(684)	(289)
Tangible net worth	2,394	1,710	1,424
Total debt	1	-	-
EBIDTA margin	61%	-	-

In August 2021, UIL announced the proposed sale of its investments in AXYS Ltd to the management of different companies of the AXYS Group. On 21 July 2022 a Share Purchase Agreement (SPA) had been signed with Alternativ

Capital Investments ("ACIL"), a consortium led by Senior Management of AXYS Group. However, as at date, the transaction is not completed and as per management, awaiting regulatory approval.

Established presence in the Mauritian leasing sector

The core business operations of SFL are to raise deposits from institutions and individuals and provide lending facilities in the form of operating and finance leases. The Company leases vehicles and equipment to individuals and corporates for periods of up to 84 months, with an average lease term of 60 months.

SFL is a NBDTI and among the leading provider of leasing facilities in Mauritius with more than 7,000 active leases at 30 June 2022.

The leasing operations of SFL can be categorized into operating and finance leases. At 30 June 2022, SFL had 6,591 active finance lease contracts and 466 active operating lease agreements for aggregate outstanding amounts of MUR 3,201 million and MUR 426 million respectively. SFL seeks to achieve a reasonable mix of client type by lending to both retail and corporate clients. As at 30 June 2022, the Company's client type distribution for finance lease and operating lease was as follows:

As at 30 June 2022	**Finance Lease**		**Operating Lease**	
	MUR Million	**%**	**MUR Million**	**%**
Corporate	1,555	49	368	86
Retail	1,646	51	58	14
Total	**3,201**	**100**	**426**	**100**

The finance lease portfolio is almost equally balanced between the corporate and retail portfolios, in contrast to the operating lease which consists primarily of corporates.

Steady growth in disbursements and assets under management

The tables below illustrate the disbursement profile and evolution of assets under management for the finance lease segment of SFL over the past for years.

Disbursement profile

Year ended 30 June	**FY19**		**FY20**		**FY21**		**FY22**	
	MUR million	**%**	**MUR million**	**%**	**MUR million**	**%**	**MUR million**	**%**
Motor Vehicle	1,298	94.5	1,174	94.2	1,177	91.1	1,336	93.6
Equipment	68	5	62	5.0	113	8.7	87	6.1
Others	7	0.5	10	0.8	2	0.2	5	0.3
Total	**1,373**	**100**	**1,246**	**100**	**1,292**	**100**	**1,428**	**100**

Assets under management

As on 30 June	FY19		FY20		FY21		FY22	
	MUR million	%	MUR million	%	MUR million	%	MUR million	%
Motor Vehicle	2,866	94.7	2,977	94.3	2,989	93.3	3,313	92.7
Equipment	95	3.2	116	3.7	157	4.9	211	5.8
Vessels	35	1.2	36	1.1	37	1.2	38	1.1
Truck	21	0.7	17	0.5	12	0.4	4	0.2
Boat	6	0.2	9	0.3	9	0.3	9	0.1
Motorcycle	2	0.07	3	0.1	1	0.04	1	0.03
Quad	1	0.02	-	-	0.2	-	-	-
Total	**3,026**	**100**	**3,158**	**100**	**3,205**	**100**	**3,577**	**100**

SFL had most of its leasing portfolio invested in motor vehicle leases with vehicle lease disbursements ranging between 93% to 94% of total disbursements and net investments in vehicle leases also hovering around 94% of the total assets under management over the past four years. Such trend is expected to continue given that it is becoming entrenched in the Mauritian population's lifestyle to possess at least one motor vehicle per family. Moreover, the vast and consistently growing network of businesses (small, medium and large) in Mauritius which need vehicles for transportation and distribution means that the vehicles market will remain buoyant.

The lease facilities provided by SFL carry either fixed or floating rates and range from 4.75% to 16%. The interest rates charged by the Company are linked to the prime lending rate (PLR) with a spread being added and which is arrived at considering factors such as the ticket size of the lease, duration of the lease, loan-to-value ratio and credit worthiness of the borrower.

Credit Exposure and Concentration by Sector – The lease portfolio of SFL is distributed across more than 10 business sectors of the economy, indicating the sector diversification of the Company whereby mitigating the exposure to sector-specific shocks.

The distribution of the finance lease portfolio over the past four years is given below:

At 30 June	FY19		FY20		FY21		FY22	
	MUR million	%	MUR million	%	MUR million	%	MUR million	%
Personal	1433	58	1531	57	1631	58	1887	58
Transport	276	11	320	12	263	9	348	11
Traders	203	8	209	8	260	9	271	8
Professional	116	5	135	5	159	6	182	6
Manufacturing	138	6	147	5	147	5	165	5
Construction	115	5	133	5	146	5	163	5
Agriculture & fishing	78	3	80	3	81	3	79	2
Tourism	57	2	71	3	70	3	76	2
Financial Institutions	15	1	12	-	9	-	11	1
IT & Telecommunications	31	1	26	1	27	1	31	1
Education	12	-	10	-	10	1	15	1

At 30 June	FY19		FY20		FY21		FY22	
	MUR million	%	MUR million	%	MUR million	%	MUR million	%
Total	**2,473**	**100**	**2,673**	**100**	**2,804**	**100**	**3,230**	**100**

Historically, the personal (individual) segment has been making up 58% of the total finance lease book of SFL, and these consist primarily of vehicles. The corporate finance lease book was 42% of the total portfolio at 30 June 2022, and same was further spread across 10 sectors of the economy. The Transport, Traders, Professional, Manufacturing and Construction collectively made up of 35% of the book. With the closure of borders and lower level of activities in the tourism sector, the Transport segment which consists mainly of Car Rental companies, witnessed at dip by end of FY21. With the full resumption of activities as from October 2021, car rental businesses have thrived again during FY22 which has fuelled demand for finance leases for SFL. Other segments such as Traders, Professional, Manufacturing and Construction have witnessed marginal but consistent increases (in absolute terms) over the past four years on the back of strong consumer demand, resilient services sector of the economy, and inflow of government and private investments sustaining the construction industry.

Comfortable Solvency Position – As a NBDTI, the level of capital of SFL is a key determinant of the ability of the Company to absorb losses arising out of its business activities and provides cushion against unexpected shocks to the business. In Mauritius, leasing companies are required to risk weight the credit risks which form part of their balance sheet assets and maintain a capital adequacy ratio (CAR) at least equal to 10%, which is required by the BOM.
For the last four years, the CAR of SFL was as follows:

At 30 June	FY19	FY20	FY21	FY22
	MUR million			
Tier I capital	325	322	389	403
Tier II capital	31	32	34	37
Total capital	**356**	**353**	**422**	**440**
Risk Weighted assets	2,469	2,540	2,681	2,927
Tier I CAR (%)	**13.15%**	**12.66%**	**14.51%**	**13.78%**
Tier II CAR (%)	**1.25%**	**1.25%**	**1.25%**	**1.25%**
Overall CAR (%)	**14.40%**	**13.91%**	**15.76%**	**15.03%**

SFL always maintained a capital buffer which is comfortably above the regulatory requirement, even in periods of crisis as shown above in FY20. Moreover, above 90% of its total capital base constitutes elements of core capital (Tier 1). This indicates that the Company has strong capacity to absorb losses and protect its depositors in case of unexpected shocks. Additionally, the comfortable capital buffer provides SFL with adequate space to grow its book and undertake more business.

The overall gearing of SFL witnessed a marginal 37 basis points increase from 6.47 times at end of FY21 to reach 6.84 times at 30 June 2022.

Asset Profile and Quality

As a leasing company, SFL utilises depositor's' funds to operate its lending business and hence, the main risk to the assets of the company is the credit risk associated with the finance lease provided to borrowers. The quality of the finance lease assets of the Company has been analysed as per below:

At 30 June	FY19	FY20	FY21	FY22
	MUR million			
Gross NPA	96	120	85	79
Gross Loan assets	3,026	3,158	3,205	3,577
GNPA	3.17%	3.80%	2.65%	2.20%
Provisions	20	32	32	28
Net NPA	76	88	53	51
Net Loan assets	2,981	3,105	3,139	3,513
NNPA	2.55%	2.83%	1.68%	1.44%
Net NPA/Net worth	20%	23%	12%	11%

Given its limited exposure to vulnerable sectors, the gross NPA ratio of SFL remained at very low levels, coming down to 2.65% at 30 June 2021 before further retreating to 2.20% at 30 June 2022.To mitigate the credit risk impact, the Company made provisioning for potential losses which brought the net NPA level to below 2% over the past two years.

Collection Efficiency

Table below shows the collection of SFL for the period July 2021 to June 2022:

Collection for the period	July 2021 – June 2022	
Portfolio	**Finance Lease**	**Operating Lease**
Amount to be collected (Interest + Principal)	1,335	172
Amount collected	1,307	168
Collection efficiency	**98%**	

SFL has developed a robust recovery system which ensures the close monitoring of receivables and payments from lessors. The average collection efficiency for FY22 was 98%, which has improved from 96% in FY21 and 95% for FY20.

Liquidity

As per the BOM guidelines, NBDTIs shall, at all times, maintain liquid assets equivalent to not less than 10 per cent of their deposit liabilities. The table below shows that SFL has complied with the requirement by having sufficient liquid assets in terms of cash and FDs:

At 30 June	FY19	FY20	FY21	FY22
	MUR million			
Deposits from customers	2,996	3,013	2,942	3,229
Cash in hand and FDs	452	406	344	404
Investment in securities	25	-	-	-
Liquid assets as % of deposit	**16%**	**13%**	**12%**	**13%**

MUR million

Particulars	On demand	Less than 3 months	3-12 months	1 - 5 years	Over 5 years	Total
ASSETS						
Cash and bank balances	404	-	-	-	-	404
Net investments in finance leases	-	318	871	2,416	216	3,820
Operating Leases	-	32	65	145	1	243
Other assets	-	-	13	-	-	13
Total Assets	**404**	**350**	**948**	**2,561**	**217**	**4,480**
LIABILITIES						
Deposits	-	583	750	1,983	153	3,469
Other Liabilities	-	-	307	-	-	307
Interest bearing loans	-	-	-	-	-	-
Total Liabilities	**-**	**583**	**1,058**	**1,983**	**153**	**3,776**
Net Liquidity Gap [A-B]	**404**	**(233)**	**(110)**	**578**	**64**	**703**
Cumulative GAP	**404**	**171**	**62**	**640**	**703**	**-**

SFL faces negative liquidity gaps during periods ranging from 3 to 12 months arising primarily from the maturing of some short-term deposits. These negative gaps can comfortable be funded from the available cash and bank balances held by the Company.

SFL also has a history of maintaining around 13% of its deposits in liquid assets, against 10% regulatory requirement, which mitigates liquidity risk under normal and stress conditions.

Resource Profile – Customer deposits

As a NBDTI providing leasing facilities, deposits from customers remain the main source of funding for SFL with same having historically made up around 80% of the company's total capital, as shown in the below distribution of resource profile:

As on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Networth	385	385	455	472
Deposit from customers (short term & long term)	2,996	3,013	2,942	3,229
Term Loans from Financial Institutions	3	1	1	-
Other current liabilities	193	221	237	322
TOTAL	**3,577**	**3,620**	**3,634**	**4,023**

	FY19		FY20		FY21		FY22	
	MUR million	**%**	**MUR million**	**%**	**MUR million**	**%**	**MUR million**	**%**
Retail	1,504	50	1,618	54	1,838	62	2,011	62
Corporate	1,492	50	1,395	46	1,104	38	1,219	38
TOTAL	**2,996**	**100**	**3,013**	**100**	**2,942**	**100**	**3,229**	**100**

Prior to the Covid-19 pandemic, SFL used to have a deposit book which was evenly balanced between Retail and Corporate deposits. The strain on corporates' cash flow brought by the pandemic has forced them not to renew their deposits to meet their obligations which explains the two consecutive years of contraction in the corporate deposit book. After economic activities reached normal trend, businesses became cashflow generative again which resulted in a 10.41% growth in the corporate deposit book of SFL to reach MUR 1,219 million by end of FY22.

Maturity of Deposits

	FY19		FY20		FY21		FY22	
	MUR million	%	MUR million	%	MUR million	%	MUR million	%
< 1 year	663	22	1,093	36	864	29	1,252	38
>1 year but < 5 years	2,275	76	1,695	57	1,967	67	1,831	57
> 5 years	58	2	224	7	111	4	147	5
TOTAL	**2,996**	**100**	**3,013**	**100**	**2,942**	**100**	**3,229**	**100**

SFL effectively manages its deposits to ensure that, on average, it maintains around 60% of its book in the 1–5-year bucket at all times. This matches the duration of the finance leases provided by the Company, which generally averages 60 months.

The Company closely monitors the deposit book to ensure the effective management of interest rate risk and maintain attractive margins. At 30 June 2022, approximately 85% of the deposits were fixed rate and the rest were floating. In the current inflationary environment, where the BOM has hiked rates by a cumulative 2.65% since the beginning of 2022, SFL will not incur significant suppression in its margins given that the higher deposit rates can be easily passed on to clients given that 40% of the finance lease portfolio carry floating rates.

Consistently high return

The average IRR by asset category for FY22 was as under: -

Asset class	IRR for FY22
Motor Vehicle	8.08%
Equipment	8.15%
Boat	9.03%
Truck	8.40%
Motorcycle	8.73%
Vessels	8.75%

SFL finances its finance lease assets by raising deposits from customers. The average deposit rates range from 0.50% to 5.85% and the Company charges from 4.75% to 16% on its finance leases. The lending rates are linked to the PLR which is in turn linked to the Key Rate of the BOM. Given the competitive advantage of SFL in the finance leading market, the Company has scope to adjust its lending rates to maintain satisfactory returns on all its asset classes.

Compliance with Bank of Mauritius (BOM) Guidelines

Concentration of Risk - In accordance with the BOM *Guideline on Credit Concentration Risk,* the Company is subject to credit exposure limits as follows:

(i) Credit exposure to any single customer shall not exceed 25% of Tier 1 Capital

(ii) Credit exposure to any group of closely related customers shall not exceed 40% of Tier 1 Capital

(iii) Aggregate large credit exposures to all customers to all customers and groups of closely related customers shall not exceed 800% of the Company's Tier 1 Capital

At 30 June 2022, the most significant exposures were as follows:

	Category	Net Exposures (MUR million)	% of Tier 1 capital	Regulatory Limit
CLIENT 1	Group	94.20	23.40%	40%
CLIENT 2	Group	88.50	21.90%	40%
CLIENT 3	Single entity	33.80	8.40%	25%
CLIENT 4	Group	29.00	7.20%	40%
CLIENT 5	Group	27.20	6.70%	40%
CLIENT 6	Single entity	25.40	6.30%	25%

In view of the individual ticket size being relatively small, client-wise and group exposure was well within the prudential limit of owned funds of 25% and 40% respectively, as prescribed by Bank of Mauritius.

The management has confirmed that the average ticket size of the portfolio is approximately MUR 800,000 and 60% of the portfolio size is below MUR 1 million.

Related Party Transactions - In accordance with the BOM *Guideline on Related Parties,* the Company is subject to credit exposure limits as follows:

(i) Credit exposure of all related parties in Category 1 shall not exceed 60% of Tier 1 Capital

(ii) Credit exposure of all related parties in Category 1 and Category 2 shall not exceed 150% of the Company's Tier 1 Capital

At 30 June 2022, the most significant exposures to related parties were as follows:

	Category	Net Exposures (MUR million)	% of Tier 1 capital
Related Party 1	Single Entity	68.90	17.10%
Related Party 2	Single Entity	17.10	4.20%
Related Party 3	Single Entity	12.30	3.00%
Related Party 4	Single Entity	4.40	1.10%
Related Party 5	Single Entity	4.00	1.00%
Related Party 6	Single Entity	2.70	0.70%

At 30 June 2022, SFL has not exceeded any regulatory limits on its credit exposures.

Industry Risk

In Mauritius, the main activity of Non-Bank Deposit-Taking Institutions (NBDTIs') relates to the raising of deposits and the provision of leasing and loan facilities to individuals and corporates. At 30 June 2022, there were six NBDTIs in operation of which three were exclusively involved in leasing activities, two only carried out lending business and one was involved in both leasing and lending operations. As at end of June 2022, all NBDTIs were holding the minimum required capital of MUR 200 million and maintained a minimum CAR of 10 per cent, as required under the Guideline on Capital Adequacy Ratio for NBDTIs.

PAT of NBDTIs increased by 0.3% to MUR 1,619 million during financial year 2021-2023.

NBDTIs are required to maintain liquid assets representing a minimum of 10% of their deposit liabilities. As at end of June 2022, liquid assets held by NBDTIs represented 21.2% of deposits, compared to 23% in the previous year.

Deposits remained the main source of funding for NBDTIs, standing at MUR 41.6 billion as at end of June 2022. Outstanding credit facilities by NBDTIs increased by 4.7% during the year, while gross non-performing advances dropped by 33.20%. The advances-to-deposits ratio increased to 130.60%, while leases-to-deposits ratio fell to 85% during the period under review.

Leasing Companies

At 3o June 2022, leasing facilities were being provided by nine companies out of which five are licensed by the Bank of Mauritius (BOM) as banks and Non-Bank Deposit-Taking Institutions (NBDTIs)while the remaining four are Non-Deposit Taking Institutions (NDTIs), which are licensed by the Financial Services Commission (FSC).

As at end of December 2022, 41,563 leasing facilities had been provided to both households and corporates for an amount totalling to MUR 21,662 million, compared to 38,230 leasing facilities for an amount of MUR 20,594 million at end of December 2021.

The motor vehicle segment accounted for 95% of total leasing facilities while equipment and other assets made up the remaining 5%.

Improved Financial Performance for SPICE Finance Ltd

Barring FY21 where the finance lease portfolio did not experience a major growth, SFL has recorded consistent increase in interest income. Despite the low interest rates which prevailed, a 15.19% expansion in finance lease assets has contributed to a 9.95% increase in interest income. This was however, offset by an 11.91% decrease in other operating income as a result of the strategy of the Company to shed its operating lease business and focus on finance leases. Overall, the total income was down but marginally.

On a brighter side, the low interest rate environment has helped in maintaining interest expenses on deposits at lower levels during FY21 and FY22, compared to FY20 and previous years, despite a 9.76% growth in the deposit book at end of FY22.

The improved economic conditions as from the beginning of 2022 has eased the strain on both corporates and individuals and hence, provided confidence that their credit worthiness would improve. As a result, a lower level of provisioning was made for the year. The above factors combined have led to a 24.29% increase in PAT for FY22.

The finance lease portfolio of SFL grew by 15.59% during FY22, on the back of the buoyant motor vehicles market which has fueled demand for finance leases from SFL.

While growing its book, the Company has managed to maintain the quality of its assets as shown by the GNPA which came down from 2.65% at end of FY21 to 2.20% at end of FY22. To mitigate the effect of a counterparty not meeting its contractual obligations, SFL made strict provisioning on its non-performing assets which led to a NNPA ratio below 2% over the past four years.

SFL finances its leasing activities by raising deposits from individuals and corporates. At 30 June 2022, the Company had a deposit book of MUR 3,229 million (FY21: MUR 2,942 million) with around 57% of the book having a term of up to 5 years. The deposits are managed to reflect the duration of the finance leases.

Overall gearing at 30 June 2022 was 6.84 times, almost at par with prior year level of 6.47 times.

For the half year ended 31 December 2022, SFL earned a total income of MUR 205 million and achieved a PAT of MUR 40 million. The Company's deposit book grew by 5.13% from June 2022 level to reach MUR 3,395 million at 31 December 2022. These new deposits were redeployed into finance leases which increased from MUR 3,165 million at June 2022 to MUR 3,405 million at 31 December 2022.

At 31 December 2022, SFL had a CAR of 14.48%, still comfortably above the regulatory requirement of 10%.

Summary of Financial Performance for SPICE Finance Ltd

Year ended/ As on 30 June	**FY19**	**FY20**	**FY21**	**FY22**
	MUR million			
Interest income	212	223	221	243
Other Operating Income	228	201	193	170
Total Income	440	424	414	413
Operating expenses	32	40	45	55
Depreciation & amortization	164	138	127	106
Interest	141	140	112	110
PBT	71	62	84	105
PAT	61	51	70	87
Gross cash accruals	225	189	197	194
Loan AUM	3,026	3,158	3,205	3,577
Total assets on the balance sheet	3,577	3,620	3,634	4,023
Total capital employed	3,384	3,399	2,534	2,450
Total debt	3	1	1	-
Total Deposits from customers	2,996	3,013	2,942	3,229
Equity share capital	200	200	200	200
Tangible networth	385	385	455	472
Cash & Bank Balances	452	406	344	404

Year ended/ As on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Ratios				
PAT margin	13.77	11.93	16.98	21.07
NIM (%)	2.35	2.70	3.42	3.93
Interest Income/ Interest earning assets (%)	8.38	8.81	8.24	8.24
Interest expended/ Average Borrowed Funds (%)	4.53	4.66	3.76	3.56
Interest spread (%)	3.85	4.16	4.48	4.68
Operating Expenses/ Average capital employed (%)	1.39	1.58	2.12	2.91
Operating Expenses/ Average total assets (%)	1.32	1.49	1.73	1.89
RONW (%)	16.87	13.15	16.74	18.79
ROCE (%)	6.12	5.97	6.61	8.62
Cost of Capital (%)	4.07	5.60	3.78	7.21
Net Spread (%)	2.06	0.37	2.83	1.41
Return on total assets (ROTA) (%)	1.66	1.41	1.94	2.27
Overall gearing (times)	7.79	7.83	6.47	6.84
Interest Coverage (%)	2.67	2.44	2.88	2.93
Gross NPA (%)	3.17	3.80	2.65	2.20
Net NPA (%)	2.55	2.83	1.68	1.44
Net NPA / Net worth (%)	20	23	12	11
Capital Adequacy ratio (%)	14.40	13.91	15.76	15.03

Annexure I

Proposed Bond Issue

Instrument	Amount (MUR Million)	Indicative Interest Rate	Tenure
Proposed Bond Issue	100	4.75%	1 Year
	125	Key Rate + 1.25%	3 Years
	150	Key Rate + 1.25%	3 Years
	125	Key Rate + 1.75%	5 Years
Total	**500**		

Annexure II

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.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.
A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.
A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.
A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

Contact us

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

Analytical contact
Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@careratingsafrica.com

About CARE Ratings (Africa) Private Limited:
CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.
CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.
CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.
CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.