

**Rating Rationale  
SPICE Finance Ltd**

<b>Ratings</b>			
<b>Instrument*</b>	<b>Amount (MUR Million)</b>	<b>Rating**</b>	<b>Rating Action</b>
Bond	500 (Five Hundred Million)	<b>CARE MAU A-; Stable [Single A Minus; Outlook: Stable]</b>	<b>Reaffirmed</b>

*\*Details of facilities/instruments in Annexure I*

*\*\*Complete definition of the ratings assigned are provided in Annexure II*

**Rating Rationale**

The ratings assigned to the proposed bond issue of Mur 500 Million of SPICE Finance Ltd (“SFL”) has been reaffirmed at CARE MAU A-; Stable. The rating continues to derive strength from long & satisfactory track record of SFL and its experienced promoter - United Investments Ltd. (“UIL”) and AXYS Group, professional and highly qualified management team, dominant market share in leasing business in Mauritius, satisfactory disbursement and asset quality during last 3 years, steady IRRs, high collection efficiency (over 95% for last 3 years and 95% for H1FY21), satisfactory capital adequacy ratio (“CAR”) with moderate gearing, comfortable asset-liability maturity profile & liquidity profile and satisfactory financial position with stable Return on Total Assets (ROTA).

The rating is constrained by risk associated with increasing competition in the financial services business, entry of new players in leasing business, exposure to regulatory risks, risk associated with volatility in interest rates and uncertainty related to the collection efficiency of the company on its leasing exposure in view of the negative impact of lockdown on the economy and employment rate of Mauritius, leading to increase in provisioning and NPAs.

CRAF expects the projected contraction in GDP growth of Mauritius in CY21, due to prolonged impact of the lockdown in various businesses, may transmit into job losses, which may have an impact on the collection efficiency of SFL over next 6 months.

However, under the current scenario neither CRAF nor SFL are in position to evaluate the magnitude of the actual impact of the same on SFL’s collection efficiency over next six months. CRAF, based on its discussion with management of SFL, takes note that SFL’s avg. collection efficiency was around 95% in between July 2021 – December 2021. CRAF will continuously monitor the collection efficiency of SFL over next few months and any significant dip in collection efficiency may trigger a review of the rating.

Rating Sensitivities:

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

- Improvement in disbursement, profitability and asset quality on a sustained basis.

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

- Deterioration in asset quality of GNPA/Stage 3 Assets.
- Weakening of profitability, collection efficiency and capital adequacy levels.

**CARE Ratings (Africa) Private Limited**

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

- Moderation in liquidity profile.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

## **BACKGROUND**

SPICE Finance Ltd (“SFL”), incorporated in 1997, is a wholly owned subsidiary of AXYS Group Ltd (“AXYS”). AXYS group is owned by AXYS Limited (holds 80% stake in AXYS Group) and United Docks Ltd (holds 20% stake in AXYS Group). AXYS Limited is a wholly owned subsidiary of United Investments Ltd. (UIL). In August 2017, AXYS Leasing was rebranded as SPICE Finance 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). SFL is licensed by the Financial Services Commission for its leasing business and regulated by the Bank of Mauritius for its deposit taking business. SFL has nearly 7,000 active leases.

## **Activities of SFL**

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** is also known as capital lease. All the risks and rewards relating to asset ownership are transferred to the lessee. The lessee pays regular fixed repayments to the leasing company over a period of time. There is an option to transfer the asset to the lessee at the end of the lease period and thus the lessee has full right of the asset and can disclose same in its books.

**Operating Lease** is a lease facility whereby all the risks and rewards relating to asset ownership remain with the lessor. The lessee will return the asset to the lessor when the lease agreement expires.

**Sale and Leaseback** is where a client, owning an asset, can sell the asset to SFL against cash and the asset will be leased back to the client by SFL against a lease rental.

SFL also raises deposits from customers and offers fixed and floating interest rate term deposits over periods ranging from 1 to 72 months. The investor gets to invest capital at a pre-determined interest rate for a defined period and in return receives regular interest disbursements. The minimum deposit amount is MUR 25,000 for both fixed and floating term deposits.

Fixed interest rate deposits carry the same rate from the inception to the maturity of the deposit irrespective of changes in the monetary policy. Floating interest rate deposits are linked to Base Deposit Rate (BDR), which in turn is linked to BOM Repo Rate.

SPICE Finance Ltd is a professionally managed company and it is governed by 7-member Board of Directors who are collectively responsible for the company’s leadership, strategy, values, standards, control, management, and long-term success. The board is composed of 3 independent directors, 2 non-executive directors and 2 executive directors.

## **CARE Ratings (Africa) Private Limited**

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

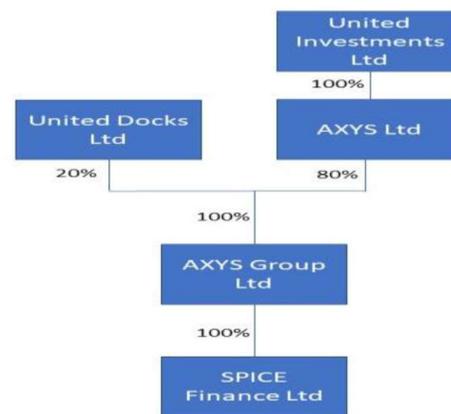
[www.careratingsafrica.com](http://www.careratingsafrica.com)

The strategic affairs of the company are looked after by Mr. Vikash Tulsidas (CEO and Executive Director of SFL) and assisted by a team of experienced professionals. He was appointed as a Director of SPICE in October 2013 and is the CEO since February 2017. He graduated from University of Warwick and first joined AXYS Group in 2004. He has significant expertise about stock markets and has been an active member of the executive committee of the Port-Louis Stockbroking Association, a director of the Central Depository & Settlement and later chairman. He was also a Director of the Stock Exchange of Mauritius for several years. Mr. Gilbert Poisson finished his mandate as the Chairman of the Board in December 2020, thus resigned. Mr. Sylvain Pascal an independent member of the Board, is now the Chairman of the company.

### CREDIT RISK ASSESSMENT

#### *Long & satisfactory track record of the company & experienced promoters*

SFL, a Non-Banking Deposit Taking Institution (NBDIT), commenced its leasing business in 2004. The company is engaged in providing leasing facilities (operating and finance lease) to individuals and corporates by raising deposits from public (individuals and corporates). It is a wholly owned subsidiary of AXYS Group Ltd (“AXYS”), which in turn is owned by AXYS Limited (80%) and United Docks Ltd (20%). The current shareholding structure as at December 31, 2020 is as depicted:



United Investments Ltd (“UIL”), incorporated in 1984, is an investment company involved in both financial and non-financial activities. AXYS Ltd. holds the finance cluster of the group and offers services such as Asset & Wealth Management, Corporate Services, Brokerage, Corporate Finance, Asset Financing and Deposit Taking. Other than financial services, the company is also engaged in technology, hospitality and agriculture sector. All the non-financial services are regrouped under the OXIA brand. Top 5 largest shareholders, holding 73% stake in UIL are - Terra Mauricia Ltd (29%), Firefox Ltd (20.6%), Portfolio and Investment Management Ltd (9.3%), Michel Guy Rivalland (8.7%) and Jason Limited (5.4%). The financials of UIL are as under:

For the year ended as on (MUR Million)	FY18	FY19	FY20
Total Income	21	20	22
EBIDTA	89	80	(684)*
Depreciation	1	1	0.13
Interest expense	30	9	0.20
PAT	57	70	(684)*
Tangible net worth	2,324	2,394	1,710
Total debt	426	1	0
Overall gearing ratio	0.18	0.0	-

#### CARE Ratings (Africa) Private Limited

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

For the year ended as on (MUR Million)	FY18	FY19	FY20
Total debt/EBIDTA	4.80	0.01	-
Interest coverage (times)	2.96	8.90	-

\*includes fair value movement on investment amounting to Mur (651) Million

United Docks started in 1874 as a leading operator in port and logistics services. Over the years, United Docks has transformed itself into a leading real estate developer in the Capital City of Port-Louis. United Docks is the biggest private land owner in Port-Louis.

Since 1991, United Docks is listed in the SEM with a NAV of MUR 2 billion and a market capitalization of MUR 1 billion. United Docks is now involved in different segments of real estate which include business parks, office buildings, warehousing and industrial buildings and mixed-use developments.

**AXYS Group Ltd (“AXYS”)**: AXYS is a financial services group with over 25 years of specialist experience. The company was founded in 1992 as an asset management company, the first fund management company in Mauritius, by Mr. Didier Merven. Over the years it has diversified into different service offerings such as corporate finance, asset financing, deposit taking, corporate services and brokerage. AXYS has over USD 10 Billion worth of clients’ assets and is one of the entity in Mauritius that offers multiple and complementary services. It is internationally present with subsidiaries in Switzerland, UAE, Kenya, South Africa, Hong Kong and Brazil.

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

SPICE Finance Ltd has a highly qualified and experienced pool of employee with significant experience and expertise in their related field. Each division is managed by a Head, who reports to the CEO.

***Dominant market share in leasing business in Mauritius***

SFL has around 7,000 active leases across the country. It is one of the major leasing company of Mauritius in terms of Total Asset under Management (AUM). Vehicles and equipment are leased to the customers for periods ranging from 6 to 84 months. SFL, over the years, has grown both organically as well as inorganically.

Assets	Average Ticket size (MUR Million)	LTV (%)	Average Tenure (months)
Motor Vehicle	0.72	70-75%	62
Equipment	1.28	75-80%	53
Boat	1.54	60-65%	62
Truck	0.70	70-75%	61
Motorcycle	0.10	70-75%	45

SFL has a well-diversified portfolio of receivables spread over different sectors of the economy. As at June 30, 2020, 57% of its total exposure was in personal segment followed by transport.

### ***Satisfactory disbursement and Asset under Management during last 3 years***

Total Assets under Management (AUM) has increased by 4.36% in FY20 amounting to Mur 3,158 Million. Total Assets under Management is as under.

Assets as on (MUR Million)	30.6.2018	% of total portfolio	30.6.2019	% of total portfolio	30.6.2020	% of total portfolio
Motor Vehicle	2,857	94.1%	2,866	94.7%	2,977	94.3%
Equipment	111	3.6%	95	3.1%	116	3.7%
Vessels	34	1.1%	35	1.2%	36	1.1%
Truck	14	0.5%	21	0.7%	17	0.5%
Boat	9	0.3%	6	0.2%	9	0.3%
Motorcycle	11	0.4%	2	0.1%	3	0.1%
Quad	1	0.1%	1	0.0%	0	0.0%
Furniture	1	0.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>3,037</b>		<b>3,026</b>		<b>3,158</b>	

SFL's disbursement dipped in FY20 over FY19 due to lockdown between March -June 2020 and cautious approach adopted by SFL post lockdown. The company made a disbursement of around MUR 110 million per month in FY20. Post June 20, the disbursement has picked up gradually and the company has made fresh disbursements of MUR 732 million in H1FY21. Subsequent to re-opening of the economy after lockdown, SFL adopted a cautious approach on disbursement given the closure of the international borders impacting the tourism & aviation sector directly and in-direct impact of the pandemic on various sectors of the economy which may translate into future job losses. During discussion, the management has informed, no fresh disbursement (post lockdown) has been done to individuals & Corporates operating or dependent on the tourism & aviation sector.

### ***Steady return***

IRR remained at the same level in FY19 & FY20, given that SFL's cost of raising deposits ranges from 2.75% -7.25% based on maturity of the deposits. Majority of the SFL's lending are in fixed rates (67%) and around 66% of the deposits raised are in fixed rate. The product-wise average IRR is as under:-

Assets	Average IRR (FY20)
Motor Vehicle	8.34%
Equipment	8.62%
Boat	8.23%
Truck	8.55%
Motorcycle	15.44%

### ***Satisfactory collection efficiency***

SFL recognized NPA above 90 days for Finance lease and writes off (specific provisions) 100% of loan overdue beyond 360 days. This apart SFL also makes portfolio provisioning (1% of the portfolio value) in line with the Guideline on Credit Impairment Measurement and Income Recognition of BoM.

Particulars (MUR Million)	30/06/2018	30/06/2019	30/06/2020	31/12/2020
Gross NPA	111	96	120	110
Gross Loan assets	3,037	3,026	3,158	3,176
GNPA (%)	3.65%	3.17%	3.80%	3.46%
Provisions	23	20	32	39
Net NPA	88	76	88	71

### **CARE Ratings (Africa) Private Limited**

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

Particulars (MUR Million)	30/06/2018	30/06/2019	30/06/2020	31/12/2020
Net Loan assets	2,985	2,981	3,158	3,176
NNPA (%)	2.95%	2.55%	2.79%	2.22%
Net NPA/Net worth (%)	26%	20%	23%	18%

The collection of SFL for the period from July 2020 to December 2020:

Collection for the period →	July 1, 2020 – December 31, 2020	
Portfolio →	Finance Lease	Operating Lease
Amount to be collected (Interest + Principal)	670	113
Amount collected	644	106
<b>Collection efficiency</b>	<b>96%</b>	<b>94%</b>

SFL's collection efficiency, for the period July 1, 2020 to December 31, 2020, in finance lease was 96% and in operating lease was 94%. **SFL's avg. collection efficiency was 95% in between July 1- December 31, 2020. SFL's avg. collection efficiency was around 95% in FY20.**

For the period May 2020 to December 2020, SFL was approached by around 760 leasing customers (whose total capital/rentals outstanding is Mur 432 Million to be repaid over next 5 years) to provide moratorium. Under the scheme, SFL's clients are provided up to 6 months capital moratorium with 2 different types of interest moratorium options:-

- A. Full Interest payable during the moratorium period;
- B. Moratorium of both interest and capital payment;

More than 95% of the clients, opted for option A. Thus, the company is having a regular flow of interest income even during the moratorium period leading to the stable liquidity position.

During discussion, the management has informed that with ending of 6 months of principal moratorium, the clients have started paying from January & February 2021.

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

SFL's CAR as on December 31, 2020 and June 30, 2020 was satisfactory at 13.91% and 14.14% respectively, which is well above the Regulatory norm of 10% (stipulated by Bank of Mauritius). Overall gearing ratio was at 7.83 times as on June 30, 2020 (7.79 times as on June 30, 2019).

#### ***Comfortable asset-liability maturity profile & liquidity profile***

Being a deposit taking NBFC, SFL has to maintain 10% of its deposits in liquid portfolio (Cash & Bank/Fixed Deposit with Banks/Treasury Bills issued by GoM). Thus, the company have sufficient cash balance and investment in treasury bills for the last 3 years and for the half year ended FY21:

For the year ended June 30 (MUR Million)	2018	2019	2020	H1FY21
Deposits from customers	3,209	2,997	3,013	2,912
Cash & Bank	130	452	406	333
Investment in treasury bills	225	25	-	-
<b>Liquid assets as % of deposit from customers</b>	<b>11%</b>	<b>16%</b>	<b>13%</b>	<b>11%</b>

**SFL's asset liability maturity profile as on December 31, 2020 is as under: -** *MUR Million*

Particulars ( <i>MUR Million</i> )	<1 months	2-3 months	3-6 months	6 - 12 months	1 - 3 years	Over 3 years	Non-Maturity Items	Total
<b>ASSETS</b>								
Cash and bank balances	333	-	-	-	-	-	-	333
Loans (Finance lease)	80	130	382	268	1,182	661	0	2,703
Goodwill and other intangible assets	-	-	-	-	-	-	3	3
Property plant and equipment	-	-	-	-	-	-	204	204
Operating Lease	13	24	64	28	140	41	0	309
Other assets	0	23	0	0	0	0	0	23
<b>Gross assets</b>	<b>426</b>	<b>177</b>	<b>446</b>	<b>296</b>	<b>1,322</b>	<b>702</b>	<b>207</b>	<b>3,575</b>
Less: Allowances for credit impairment							(57)	(57)
<b>Total Assets (A)</b>	<b>426</b>	<b>177</b>	<b>446</b>	<b>296</b>	<b>1,322</b>	<b>702</b>	<b>150</b>	<b>3,518</b>
<b>LIABILITIES</b>								
Deposits	32	124	374	321	1,302	760		2,912
Other Liabilities/Employee Benefits	-	-	-	20	40	104	-	164
Outstanding Lease obligations	-	-	0	0	1	-	-	1
Tax Liabilities	-	-	5	-	-	15	-	21
Share Capital							420	420
<b>Total Liabilities (B)</b>	<b>32</b>	<b>124</b>	<b>379</b>	<b>341</b>	<b>1,342</b>	<b>879</b>	<b>420</b>	<b>3,518</b>
<b>Net Liquidity Gap[A-B]</b>	<b>394</b>	<b>53</b>	<b>67</b>	<b>(45)</b>	<b>(21)</b>	<b>(177)</b>	<b>(270)</b>	<b>-</b>
<b>Cumulative GAP</b>	<b>394</b>	<b>446</b>	<b>513</b>	<b>468</b>	<b>447</b>	<b>270</b>	<b>-</b>	

SFL does not have any cumulative mismatch in asset liability maturity profile over next 3 years.

SFL has MUR 851 million of deposits maturing over next 1 year, against which they have cash & bank balance of MUR 333 million and unutilized overdraft facility of MUR 150 million as on Dec 31, 2020.

Average utilization of the overdraft facility during last 3 years was nil.

The company's deposit book increased from Mur 2,995 Million in FY19 to Mur 3,013 Million in FY20. During July 1-December 31, 2020, the company has successfully raised deposits worth Mur 420 million, against deposit repaid of Mur 520 million.

***Satisfactory financial position with stable Return on Total Assets (ROTA)*** *MUR Million*

Particulars	FY18	FY19	FY20
Income from lease operations	406	430	417
Other income	33	23	7
<b>Total Income</b>	<b>440</b>	<b>453</b>	<b>424</b>
Interest expense and depreciation on Operating Lease assets	298	292	267
<b>Net Income from leasing operations</b>	<b>108</b>	<b>138</b>	<b>151</b>

Income from leasing operations declined from MUR 430 Million in 2019 to Mur 417 Million in FY20 showing a fall of 3.5% in FY20 compare to an increase of 9.1% in FY19. However, net income from leasing operations has increased from Mur 138 million in FY19 to Mur 151 Million in FY20. Thus, Net income from leasing operations has increased by 9.4% in FY20 mainly due to decrease in interest expense. Other income majorly include profit on disposal of property, plant and equipment, interest on investment, penalty fees etc.

For investment in finance leases, the asset under lease are register under SFL until the lessee pays in full the contractual amount due. Should the lessee defaults in payment, the company has the right to repossess the asset under lease, which in substance acts as a collateral against defaults. SFL's source of

**CARE Ratings (Africa) Private Limited**

profit on sale of assets arises through sale of repossessed asset that was held as collateral under finance lease arrangement. The income is calculated as the net difference between the unsettled claim balance and the resale value. SFL's another source of profit on sale of assets arises as the difference between the sale value and terminal value of the sold asset which was earlier given on operating leases.

### ***Stable Profitability***

In FY20, SFL booked a total revenue of Mur 424 Million (Mur 440 million in FY19). PAT was Mur 51 Million for FY20 (Mur 61 Million in FY19) showing a dip of 16% over the last year due to lower operating income and higher expenses & provisioning. SFL has paid a dividend of MUR 50 million in December 2019, since the company has not paid any dividend during FY16-19 last 4 years (last dividend was paid in FY15).

Net investment in finance leases increased by 8% from Mur 2,428 Million in FY19 to Mur 2,619 Million in FY20. Deposit book has remained stable with an increase from Mur 2,996 Million in FY19 to Mur 3,013 million in FY20. Cost of capital in FY20 has increased from 4.07% to 5.60%, due to the distribution of dividend amounting to Mur 50 Million in FY20. Overall gearing and interest coverage were also satisfactory. NIM was hovering in the range of 8.0-9.0% during last 3 years due to higher IRRs. ROTA was at 1.41% on June 30, 2020. The collection efficiency in FY20 was around 95%.

### ***Reselling Risk***

Mauritius has an extensive and active second-car market. Refurbished and local-used cars contribute to almost 50% of the total automobile sales in a fiscal year in Mauritius. Refurbished cars from Japan are quite popular amongst the local buyers as well, mostly because of low mileage and price efficiency. Similar to the refurbished vehicles, there is an ever-existing demand for the repossessed vehicles for SFL. These repossessions also usually have low mileage and are available at prices much below the market value which attracts the buyers preferring refurbished vehicles. Therefore, as confirmed by the management, due to a good secondary market for repossessed vehicles in Mauritius, SFL also books profit on the sale of repossessed vehicles.

### ***Industry Risk: Leasing Companies***

Leasing facilities are provided by 9 entities in Mauritius. Banks and Non-Bank Deposit-Taking Institutions (NBDTIs) are licensed by the Bank of Mauritius. 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, NDTIs offer both finance and operating leases. Leasing and credit finance are often the primary source of finance available to Small & Medium Enterprises (SMEs). The latter are usually too large for traditional microfinance and too~ small for commercial bank lending. Leasing companies are subject to less stringent regulations than banks – & this allows them to leverage

more resources (higher debt/equity ratios), to be exempted from credit allocation requirements and to use of market rates of interest.

Nearly all the NBDTIs are the leasing companies. Moreover, there are many companies in the insurance & banking industry that are trying to give leasing facilities along with all other facilities which these companies already have. With promulgation on the Banking Act 2004, the NBDTIs are now subject to the same prudential regulations as banks & the NBDTIs must 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 & requirements act as a barrier to entry in the NBDT sector.

As at end-June 2020, total leasing facilities granted to the household and business sectors stood at Mur 20.8 billion compared to Mur 20.2 billion as at September 2019. The automobiles segment accounted for 87% of total outstanding leasing facilities (84.2% as at September 2019). As at end-June 2020, an amount of Mur 18.1 Billion (Mur 17.2 billion as at Sept 30, 2019) was extended towards the purchase of automobiles, while the number of leases summed to 36,555 (35,567 in FY19). As at end-June 2020, motor vehicle leases granted to the business sector and household sector amounted to Mur 9.9 billion and Mur 8.2 billion, respectively. Leasing facilities granted to "other" sector represented facilities offered for buildings, office equipment, machinery and other assets and stood at Mur 2.7 billion as at June 2020 (Mur 3 billion as at September 2019), representing 13.0 per cent of total leasing facilities.

### ***Prospects***

SFL's prospects largely depends on the fortunes of an automotive and equipment's, 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. The projected contraction in GDP growth of Mauritius in CY21, due to prolonged impact of the lockdown in various businesses, may transmit into job losses, which is expected to have an impact on the collection efficiency of SFL over next 6 months. CRAF will continuously monitor the collection efficiency of SFL over next few months and any significant dip in collection efficiency may trigger a rating downgrade.

Ability of SFL to maintain asset quality and profitability while increasing asset size, improving asset liability maturity profile and maintaining CAR in the range of 11.50% to 12.00% - well above Regulatory norm of 10% and continued support from promoters are the other key rating sensitivities.

### Financial Performance

For the year ended June 30 <sup>th</sup>	2018	2019	2020
Interest income	212	212	223
Other Operating Income	227	228	201
<b>Total Income</b>	<b>439</b>	<b>440</b>	<b>424</b>
Operating expenses (excl. provisions)	37	32	40
Provision for NPA	8	13	19
Depreciation & amortization	159	164	138
Interest	152	141	140
<b>PBT</b>	<b>39</b>	<b>71</b>	<b>62</b>
<b>PAT</b>	<b>33</b>	<b>61</b>	<b>51</b>
Gross cash accruals	192	225	189
Loan AUM	3,037	3,026	3,158
Total debt	9	3	1
Total Deposits from customers	3,209	2,996	3,013
Total deposit & debt	3,218	2,999	3,014
Equity share capital	200	200	200
Tangible net worth	333	385	385
<b>Ratios</b>			
PAT margin	7.59	13.37	11.93
NIM (%)	9.10	9.15	8.63
Interest Income/ Int. earning assets (%)	8.42	8.38	8.81
Interest expended/ Average Borrowed Funds	4.87	4.53	4.66
Interest spread (%)	3.55	3.85	4.16
Operating Expenses (before provn. & write-offs) / Average total assets (%)	1.86	1.76	1.83
RONW (%)	10.55	16.87	13.15
ROCE (%)	5.54	6.12	5.97
Cost of Capital (%)	4.42	4.07	5.60
Net Spread	1.12	2.06	0.37
Return on total assets (ROTA) (%)	0.92	1.66	1.41
Overall gearing	9.67	7.79	7.83
Interest Coverage (after prov.)	2.30	2.67	2.44
Interest coverage (before prov.)	2.35	2.58	2.57
Gross NPA (%)	3.65	3.17	3.80
Net NPA (%)	2.95	2.55	2.79
Net NPA / Net worth (%)	26.43	19.73	23.33

### Adjustments

1. Tangible net worth is calculated by netting off intangible assets from total equity.
2. 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 Net worth.
4. Total Assets and Total AUM is calculated after deducting Deferred Tax and Intangible Assets from Total Assets

### Rating History

Name of the Instrument/ Facilities	Current ratings		Rating History
	Amount (MUR Million)	Rating	2020-21
Proposed Bond Issue	500	CARE MAU A-; (Stable)	CARE MAU A-; (Stable) (Assigned in August 2020)

### CARE Ratings (Africa) Private Limited

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius  
 BRN: C14127054 FSC License No.: CR14000001  
 Telephone: +230 59553060/58626551 www.careratingsafrica.com

**Annexure - I  
Details of Rated Instruments**

**1. Details of proposed Bond Issue**

<b>Instrument</b>	<b>Amt. (MUR Million)</b>	<b>Repayment</b>	<b>Indicative Interest Rate</b>
Long term Bond	Tranche I – 250	3 years from disbursement (April 2024)	3.60%-4.00% p.a.
	Tranche II – 250	5 years from disbursement (April 2026)	

The repayment terms are as follows:

*(MUR Million)*

	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>
Principal	0.0	0.0	0.0	250.0	0.0	250.0

**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: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

## 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.

*Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category.*

### CARE Ratings (Africa) Private Limited

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

[www.careratingsafrica.com](http://www.careratingsafrica.com)