CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

CIEL Limited

25 January 2018

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**1,000.05**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Long/Short term Bank Facilities	**180.00**	**CARE MAU AA; Stable/ CARE MAU A1+ [Double A; Outlook: Stable/ A One plus]**	Reaffirmed
Short term Bond issue	**1,230 (reduced from 1,500)**	**CARE MAU A1+ (A One Plus)**	Reaffirmed
Proposed Commercial Paper – (earmarked against working capital limit)#	**270.00**	**CARE MAU A1+ (A One Plus)**	Assigned
Proposed Bond Issue	**1,300**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Assigned

 # CIEL Ltd has overdraft facility of MUR 180 million and money market line of MUR 100 million. CIEL has stated that the Commercial Paper of MUR 270 million will be used within the overall facility of MUR 280 million.

Rating Rationale

The rating derives strength from established track record of CIEL group, experienced promoters, professional and highly qualified management team, presence across diverse business verticals, strong performance with consistent flow of dividend from textile, agro & property and finance verticals, huge land bank which can be monetized to reduce debt at group level and comfortable financial profile with low overall gearing, satisfactory debt coverage indicators along with comfortable investment to debt ratio. The rating also favourably factors the increase in CIEL Ltd's stake in its textile subsidiary in August 2017 which is expected to enhance its dividend inflow; albeit there is some moderation in the profitability of CIEL Textile Ltd during FY17 (refers to the period July 1 to June 30) and Q1FY18.

The long-term rating is, however, tempered by the major investment and high debt availed in its hotel vertical to finance acquisitions & ongoing renovation of the hotels, market & political risks associated with operations in Africa, regulatory risk in agro sector and currency risk associated with textile vertical.

Ability of CIEL Ltd to turnaround the performance of its hotel vertical, improvement in profitability of textile vertical, reduction of debt at group level and consistent dividend pay-out by textile, agro & property and finance verticals will be the key rating sensitivities.

BACKGROUND

CIEL Limited (CIEL), an investment & holding company of CIEL group, is controlled and managed by the siblings of Mr. Adrien Dalais (holding more than 30% stake).CIEL is one of the largest industrial and investment groups based in Mauritius with operations in African and Asian countries. The major companies of the group are CIEL

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

Textile Limited, Alteo Limited, Sun Limited, CIEL Finance Limited, Bank One and CIEL Healthcare Limited. In 2014, the group merged Consolidated Investment and Enterprises Ltd. into Deep River Investment Ltd. and renamed it CIEL Limited.

The operations of CIEL group are deeply etched in the Mauritian soil, with presence in African and Asian continents. The other geographical footprints of the CIEL group clusters are present in Maldives through the hotel industry, Tanzania through the agricultural industry, Kenya, Seychelles, Madagascar, Botswana, South Africa through the finance industry and Madagascar, India and Bangladesh through the textile industry.

CIEL is a professionally managed company. It is governed by a 15 member Board of Directors and a number of eminent industrialists and professionals. The strategic affairs are looked after by Mr. Arnaud Dalais (60 years), - Chairman of the group and his brother Mr. Jean-Pierre Dalais (52 years), appointed as Group Chief Executive from Jan 2017. Mr Arnaud Dalais' son is also actively involved in the family business. They are assisted by Mr. Jerome de Chasteauneuf (Executive Director; appointed as the Group Finance Director from Jan 2017) associated with CIEL group for more than 20 years. They are also assisted by a team of experienced and qualified professionals.

In FY17 (July 1 – June 30), CIEL on a standalone level posted a PAT of MUR 311 million on a turnover of MUR 408 million. Interest coverage was 5.58x during FY17. Overall gearing was 0.07x as on June 30, 2017. Average fund based utilization during last 12 months (Nov 2016- Oct 2017) was low at 10%.

At a consolidated level, CIEL posted a PAT of MUR 1.1 billion on a turnover of MUR 19.8 billion in FY17. Interest coverage was 4.43x during FY17. Overall gearing was 0.96x as on June 30, 2017. In Q1FY18, CIEL at the consolidated level achieved EBIDTA of Mur 402 million (Mur 483 million in Q1FY17) on a turnover of Mur 5,475 million (Mur 4,886 million in Q1FY17).

Purpose of the New long-term Bond Issue

In August 2017, CIEL Limited increased its stake in CIEL Textile Limited from 56.31% to 88.48% and participated in the rights issue of Sun Limited at a total outflow of Mur 1,270 million. Higher equity stake in CIEL Textile will enable CIEL to get higher dividends from Textile, the major dividend paying company of the group, which in turn will boost the future cashflow of CIEL. In August 2017, CIEL raised short term debt of MUR 1,230 million for 6 months (rated CARE MAU A1+) to finance these transactions. The short-term Bond was subscribed by various banks.

CIEL now proposes to raise a long-term Bond of MUR 1,300 million for a tenure ranging from 3-10 years, repayable in various tranches to repay the short-term debt of MUR 1,230 million (falling due in January 2018).

Annexure I

Rating Symbols

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

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

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.

Short term Instruments

Symbols	**Rating Definition**
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

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.

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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.