

CIEL Limited
01 December 2019

Rating

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bond Issue	Nil* (reduced from 700.05)	-	Withdrawn
Bank Facilities – Long Term/Short term	180	CARE MAU AA; Negative/ CARE MAU A1+ [Double A; Outlook: Negative / A One Plus]]	Reaffirmed with change in outlook from Stable to Negative
Long term Bond I	1,270	CARE MAU AA; Negative [Double A; Outlook: Negative]	Reaffirmed with change in outlook from Stable to Negative
Long term Bond II	1,530	CARE MAU AA; Negative [Double A; Outlook: Negative]	Reaffirmed with change in outlook from Stable to Negative

Rating Rationale

The ratings derive strength from established track record of CIEL group, experienced promoters, professional and highly qualified management team, presence across diverse business clusters (Textile, Finance, Healthcare, Hotel & Resorts, and Agro & Property), satisfactory performance of major dividend paying clusters (Textile & Finance), consistent flow of dividend from Textile, Agro & Property and Finance clusters, increase in stake in Textile subsidiary & C-Care (Mauritius) Limited in July 2019 - which is expected to enhance dividend inflow from Textile & Healthcare clusters, huge land bank which can be monetized to reduce debt at group level and satisfactory financial profile with moderate overall gearing & debt coverage indicators along with comfortable investment to debt ratio.

The long-term rating is, however, tempered by CIEL being an investment company and its only source of revenue being dividend from group companies - contingent upon performance of various subsidiaries/associate companies, high debt level and lower than expected profitability in the Hotel cluster which in turn has impacted Debt to EBIDTA and gearing ratio at Consolidated (CIEL group) level, subdued outlook for the sugar sector in Mauritius, market & political risks associated with operations in Africa and currency risk associated with Textile and Hotel clusters.

The ratings are sensitive to the ability of CIEL Limited to reduce debt at Consolidated level by monetizing its non-core assets, improvement in the operational & financial performance of Hotel & Agro clusters and any new debt funded acquisition or renovation.

The outlook on the rating has been revised from 'Stable' to 'Negative' due to higher than envisaged debt at both standalone and consolidated levels on account of various acquisitions, expectation of lower profitability & dividend from Hotel cluster primarily due to the subdued performance of its hotel property in Maldives and expected dip in profitability from the Mauritius sugar cluster which is likely to impact the dividend flow from its Agro vertical.

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

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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. Apart from Mauritius, the CIEL group clusters are present in Maldives through the hotel industry, Tanzania and Kenya through the agricultural industry, Uganda and Nigeria through the healthcare sector, Kenya, Seychelles, Madagascar & Botswana through the finance industry and Madagascar, India and Bangladesh through the textile industry.

CIEL derives its revenue as dividend from the various group companies engaged in 5 diversified sectors - Textile, Finance, Hotel & Resorts, Healthcare and Agro & Property. The major companies of the group are CIEL Textile Limited, Aquarelle International Limited (textile; CARE MAU A; Stable), Aquarelle India Pvt. Ltd (textile; CARE BBB; Stable), CIEL Finance Limited [finance; CARE MAU A+; Stable], Bank One [bank; CARE MAU A+ (IS); Stable], C-Care (Mauritius) Ltd. (renamed from The Medical and Surgical Limited) (hospital; CARE MAU A; Stable/ CARE MAU A1), Alteo Limited (sugar; CARE MAU A; Stable), Sun Limited and City and Beach Hotels (Mauritius) Limited (hotel; CARE MAU A; Stable). CIEL Textile is the major cash generating cluster of CIEL group. The group earned total revenue of around MUR 25 billion in FY19 (MUR 23 billion in FY18).

CIEL is a professionally managed company. It is governed by a 15-member Board of Directors comprising of 4 members from the Dalais family and a number of eminent industrialists and professionals. The strategic affairs of the company are looked after by Mr. Arnaud Dalais (63 years), - Chairman of the group and his brother Mr. Jean-Pierre Dalais (53 years) Group Chief Executive. Mr Arnaud Dalais' son is also actively involved in the family business. They are assisted by Mr. Jerome de Chasteauneuf (Executive Director; Group Finance Director) associated with CIEL group for more than 20 years and a team of experienced and qualified professionals.

In FY19 (July 1 – June 30), CIEL on a standalone level posted a PAT of Mur 156 million (MUR 273 million in FY18) on a turnover of MUR 344 million (MUR 446 million in FY18). Interest coverage was 2.29x during FY18. Overall gearing was 0.23x and Debt/EBIDTA was 10.83x as on June 30, 2019. In FY19, CIEL Textile, Hotels & Resorts and CIEL Finance were the major contributors to revenue.

CIEL has raised new bond of MUR 1,000 million (June 2019) and MUR 530 million (July-Sept 2019) to partly refinance its existing debt and to finance the acquisition of higher stake in CIEL Textile (increasing the total stake to 100%) and buying out Fortis stake of 28.8% in C- Care, making CIEL's shareholding 20.08% and increasing the stake of CIEL Healthcare Limited from 58.60% to 67.41%.

CIEL Limited had repayment of Mur 423 million in FY19-20 including interest of Mur 23 million (accrued in June 2019 but was payable and paid in July 2019). CIEL has refinanced Mur 400 million with a new Bond issued to the same investor for 10 years.

At a consolidated level, in FY19 CIEL posted a Normalised PAT of MUR 1.3 billion (MUR 1.1 billion in FY18) on a turnover of Mur 24.6 billion (MUR 22.6 billion in FY18). Interest coverage was 4.24x during FY19. Overall gearing was 0.99x as on June 30, 2019.

In Q1FY20, CIEL at the consolidated level achieved EBIDTA of Mur 728 million (Mur 616 million in Q1FY19) on a turnover of Mur 6,273 million (Mur 6,085 million in Q1FY19).

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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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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.

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