Emtel Limited ("Emtel")
12 June 2020

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,000.00	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Reaffirmed
Long-Term Bond Issue – Tranche 1	700.00	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Reaffirmed
Proposed Bond Issue	450.00	CARE MAU AA-; Stable [Double A Minus; Outlook: Stable]	Reaffirmed
Total	**2,150**		

Rating Rationale

The rating continues to derive strength from the strong parentage of Currimjee group and Bharti group, extensive experience of both groups in the telecom sector, Emtel Limited's ("Emtel") strong brand presence with its position as the second largest player in the Mauritian telecommunication market, integrated telecommunications operations, additional income in the form of dividend from EMVision Ltd, economies of scale in procurement with the Bharti and Currimjee groups, established & reasonably large subscriber base, robust spectrum profile, strong distribution network allowing consistent growth in subscriber base and growth in usage of data and strong financial position along with adequate debt coverage & strong liquidity indicators. CRAF has also taken into account the very strong articulation by Emtel's management to restrict dividend pay-out in future years.

The rating is constrained by increasing competition among existing service providers, capital intensive nature of the industry leading to significant capital expenditure, high exceptional dividend pay-out ratio leading to depletion in net worth for last 2 years and its exposure to regulatory and obsolescence risks.

In March 2020, Emtel acquired 90% stake in EMVISION Ltd., which holds 52.94% stake in MC Vision Ltd which is a debt free and cash generating company with a consistent dividend paying track record for last 5 years. The total cost of the acquisition of MUR 1,150 million, was partly funded by raising a Bond of MUR 700 million in April 2020 and the remaining amount of MUR 450 million will be raised in February 2021. This fully debt funded acquisition coupled with high dividend pay-out ratio will negatively impact the projected debt coverage ratios over next few years.

The rating is sensitive to the company's ability to sustain profitability, maintain & increase market share in the Mauritian telecom market, improve its capital structure & net worth and timely execution of the projects within stipulated cost.

BACKGROUND

Emtel Limited ("Emtel") was incorporated in July 1987 by the Currimjee group (currently owning 75% stake in Emtel). In May 1989, Emtel became the first operator to commercially launch mobile telephony in the whole southern Hemisphere as an international joint venture of the two groups, the Currimjee Jeewanjee Group of Mauritius and a Swedish company, Comvik which later went on to become Millicom International Cellular (MIC) S.A, a global telecommunications group based in Luxembourg. In 2014, the Currimjee group procured the entire stake of Millicom in Emtel. In 2015, Emtel partnered

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

with Bharti Airtel Limited, India's leading provider with operations in 20 countries across Asia and Africa. As such, Indian Continent Investment Limited, (ICIL) a promoter entity owned by the Bharti group of India acquired 25% stake in Emtel. Emtel was also one of the founding partners of Bharti Cellular in India which is now branded as Airtel the third largest mobile operator in the world.

Emtel signed a Technical Services Agreement with Bharti Airtel Limited to benefit from the technical and commercial knowhow and business support of Airtel in various areas.

The popularization of the mobile phone in Mauritius had a direct increase in demand for Emtel's services, it being the only mobile phone operator of the Island until 1996 (when Cellplus Mobile Communications Ltd belonging to Mauritius Telecom - GoM owned company, entered the market). Emtel has been in the forefront in technology and innovation.

Mauritius has 3 telecom service providers (MyT, Emtel and MTML) and Emtel is the second largest telecom service provider after MyT in the country. As at 31st March 2020, Emtel had a mobile subscriber market share of approximately 42% of the mobile telecom sector in Mauritius (total mobile subscribers in Mauritius are 1.57 million).

Emtel has 22 showrooms across the Republic of Mauritius (including 1 in Rodrigues) and provides mobile telecom services (voice, SMS, mobile data to prepaid & post-paid subscribers), home broadband, fixed line, enterprise business solutions. Emtel is a professionally managed company. It is governed by a 7-member Board of Directors comprising of eminent industrialists and professionals.

Emtel has completed the acquisition of 90% stake in EMVision Ltd ("EMVISION") from its promoter Currimjee Jeewanjee & Co in March 2020. The balance 10% stake in EMVISION Ltd will remain with the existing shareholder, La Sentinelle Ltd. EMVision Ltd is an investment holding company which holds 52.94% stake in MC Vision Ltd ("**MC Vision**"), a cashflow generating company. EMVision does not hold any other investment and does not have any other business activity. It is a debt free company and only source of income is in the form of dividends from MC Vision. To finance the acquisition, bonds worth MUR 700 million has been issued and the balance MUR 450 million will be raised in February 2021.

Emtel reported a satisfactory performance for the financial year 2019. Emtel's turnover increased by 8% to Mur 3,239 million in FY19 (2018: MUR 3,005 million) due increase in revenue from Data services, Emtel business (portfolio of products and services to meet customer needs in various segments viz: - mobile, enterprise solutions and high-speed internet to the home) and higher sale of handsets. EBIDTA was around MUR 1,400 million and PAT around MUR 477 million. The overall gearing has been calculated at 1.75x times. During FY19, GCA was comfortable at Mur 1,160 million vis-a-vis annual debt repayment obligation of MUR 350 million. Total debt/EBIDTA and Total debt/GCA was also comfortable at 1.0-2.0x times. The average fund based working capital utilization was at 25-30% during the last 12 months ended May 2020.

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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.

Annexure I

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. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

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.

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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 5955 3060
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.