CIM Financial Services Ltd

December 3, 2020

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond I (October 2019)	2,000	CARE MAU AA; Negative [Double A; Outlook: Negative]	**Reaffirmed**
Bond II (July 2020)	2,089 (to be reduced from 3,000)	CARE MAU AA; Negative [Double A; Outlook: Negative]	**Reaffirmed**
Bank Facilities	700	CARE MAU AA; Negative/ CARE MAU A1+ [Double A; Outlook: Negative/ A One Plus]	**Reaffirmed**
Short Term Bond	911	CARE MAU A1+	**Assigned**
Bond (March 2019)	3,500	CARE MAU AA; Negative [Double A; Outlook: Negative]	**Assigned***
Bank Facilities – Long Term/Short Term	4,033	CARE MAU AA; Negative/ CARE MAU A1+	**Assigned***
Short Term loan (without earmarking working capital limit)	1,000	CARE MAU A1+	**Assigned***
Total	**14,233**		

**CRAF has assigned ratings to these instruments and facilities in CIM Finance Ltd. Post amalgamation of CIM Finance Ltd. into CIM Financial Services Ltd. and transfer of these facilities from CIM Finance Ltd.to CIM Financial Services Ltd., CRAF has withdrawn the rating assigned to these facilities in CIM Finance Ltd. and has reassigned the same rating to these facilities under CIM Financial Services Ltd.*

Rating Rationale

CRAF takes note of that fact that CIM Finance Ltd. ["CFL" – wholly owned subsidiary of CIM Financial Services Ltd. (CFSL)] has got amalgamated with and into CIM Financial Services Ltd., effective October 01, 2020. CRAF also takes note of the fact that post amalgamation of CFL into CFSL, all the facilities and instruments in CFL, have now been transferred to CFSL. Accordingly, CRAF has withdrawn the rating assigned to these facilities/instruments [Bond of MUR 3,500 Million, Bank Facilities of MUR 4,033 Million and Short Term Loan of MUR 1,000 Million] in CFL and has reassigned the same rating to these facilities/instruments [Bond of MUR 3,500 Million, Bank Facilities of MUR 4,033 Million and Short Term Loan of MUR 1,000 Million] in CFSL.

The ratings assigned to the facilities/instruments [Bond issue of MUR 2,000 Million & Mur 3,000 Million and the Bank Facilities of Mur 700] in CFSL has been reaffirmed.

In May 2020, CRAF changed the outlook for the ratings of the Bond issue of CIM Financial Services Ltd. (CFSL) from **Stable to Negative** due to uncertainty in collection of receivables over next few months, in view of the negative impact of the lockdown on the economy and employment rate of Mauritius, leading to increase in provisioning and NPAs. CRAF expects the projected contraction (projected at around 7% by IMF) in GDP growth of Mauritius in CY20, due to prolonged impact of the lockdown in various businesses, may transmit into job losses, which will have an impact on the collection efficiency of CFSL over next 6 months. However, under the current scenario neither CRAF nor CFSL are in position to evaluate the magnitude of the actual impact of the same on CFSL's collection efficiency over next six months. ***CRAF, based on its discussion with management of CFSL, takes note that CFSL's average collection efficiency between April - September 2020, was around 85% in the Hire purchase segment and around 80% in the***

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

leasing segment. CRAF will continuously monitor the collection efficiency of CFSL over next few months and any significant dip in collection efficiency may trigger a rating downgrade.

The rating continues to derive strength from experienced & resourceful promoters, professional and highly qualified management team and strong financial position of CFSL as a consolidated entity. The rating also takes into account CFSL's long and satisfactory track record, dominant market share in Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), well diversified asset portfolio, consistent growth in disbursements, moderate asset quality, satisfactory financial position, satisfactory asset-liability maturity profile, capital adequacy ratio ("CAR") & liquidity profile and stringent NPA recognition norms (due above 90 days).

The rating is constrained by risk associated with increasing competition in the financial services business, entry of new players in CFA segment, exposure to regulatory risks, risk associated with volatility in interest rates, increase in exposure to relatively riskier segments such as unsecured lending and uncertainty related to the collection efficiency of the company over next few months.

Ability of CFSL to maintain asset quality and profitability while increasing asset size, improving asset liability maturity profile, maintain CAR well above the Regulatory norm of 10% and continued support from promoters are the key rating sensitivities.

Update since last review:-

Merger: Effective October 1, 2020, Cim Finance Ltd (CFL), Mauritian Eagle Leasing Company Ltd. (MELCO), Cim Agencies Ltd, Cim Management Services Ltd and Cim Shared Services Ltd. amalgamated with and into CIM Financial Services Ltd.

BACKGROUND

Since 1987, CFL (operating within the Rogers Group) has been engaged in providing hire purchase/credit facility agreements (CFA) in Mauritius and expanded its activities to leasing, deposit taking, unsecured loans, credit cards and factoring over the years.

CIM Financial Services Ltd. - CFSL is the leading provider of Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), leasing, unsecured loans, credit cards, factoring in Mauritius and operates around 100 counters and a network of more than 700 merchants in Mauritius and Rodrigues. It is the largest Non-Banking Institution in Mauritius in terms of Asset under Management.

CFSL holds 80% market share in CFA market. CFSL is focusing on extending loans & advances to meet its existing customers' financing needs beyond their immediate retail financing requirements. This is a high yielding portfolio and are extended to existing customers with good past track record. AUM in this portfolio has increased by 48% in FY19 over FY18 (34% in FY18 over FY17). Low yielding finance lease portfolio, where the company faces steep competition from major banks, increased at 12% in FY19 over FY18 (1% in FY18 over FY17).

CFSL achieved a total revenue Mur 1,863 Million and posted a PAT of Mur 138 Million for 9MFY20 (vis-à-vis revenue Mur 1,603 Million and posted a PAT of Mur 282 Million for 9MFY19). Lower PAT was due to higher provisioning (Mur 434 million) in anticipation of higher NPA due to lockdown. Average working capital utilisation for the company is around 56%.

Prospects

CFSL's prospects largely depends on the collection efficiency and performance of retail industry (electronic goods/ furniture's & fixtures), automotive and construction sectors, 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.

CFSL's prospects also depends on ability of CFSL (merged entity) to maintain asset quality, collection efficiency, profitability and CAR in the range of 11.50% to 12.00%.

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.

(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

Chief Executive Officer

Name : Mr. Saurav Chatterjee

Phone : + 230 5862 6551

E-mail : saurav.chatterjee@careratingsafrica.com

Analytical Contact:
Chief Rating Officer

Name : Mr. Vidhyasagar Lingesan

Phone : +230 5273 1406

E-mail : Vidhya.sagar@careratingsafrica.com

Group Head

Name : Ms. Pooja Appadoo

Phone : +230 5955 3060

E-mail : pooja.appadoo@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.