

C-Care (Mauritius) Ltd
15 November 2021

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Term Loan	390 (Reduced from 450)	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	Assigned
Overdraft	50	CARE MAU A1+ [A One Plus]	Assigned
Total	440		

Rating Rationale

The ratings assigned to the bank facilities of C-Care (Mauritius) Ltd ("**C-Care**"; erstwhile The Medical & Surgical Centre Limited) has been upgraded after considering consistently improving financial performance and stable operational performance during last few years. The ratings continue to derive strength from its experienced promoters & management team, leadership position of C-Care in the private healthcare sector of Mauritius, both Clinique Darné ("**CD**") and Wellkin Hospital ("**WH**") being multi-specialty hospitals with state of the art technology, association with eminent doctors, focus on complex medical operations, gradual increase in average revenue per bed despite of a slight dip in occupancy level CD (due to 2 months lockdown in FY20 & FY21), envisaged growth in health insurance which is expected to propel growth in the healthcare sector and significant improvement in debt coverage indicators during last 2 years. The ratings also derive strength from C-Care being part of the CIEL group (CIEL Limited - rated CARE MAU A+; Stable/ CARE MAU A1).

The ratings are, however, constrained by risk associated with its predominantly debt-funded expansion projects, and susceptibility of the healthcare sector to risks arising from mishandling of a case or negligence on part of any doctor and/or staff.

Rating Sensitivities:

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Ability to maintain & improve occupancy in WH and CD
- Sustainability of profit in WH and CD
- Successful execution of expansion projects within the envisaged cost and timelines and generating envisaged returns therefrom
- Ability to attract and retain quality doctors in a competitive healthcare sector

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Decline in occupancy leading to the decline in profitability in WH and CD
- Delay in the execution of expansion projects within the envisaged cost and timelines, thus effecting the projected performance of C-Care

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

BACKGROUND

C-Care (Mauritius) Ltd ("**C-Care**"; erstwhile The Medical & Surgical Centre Limited (**MSCL**)) was incorporated in July 1972 by a group of leading sugar manufacturers, to take over Clinique Darné. Clinique Darné ("**CD**"), with capacity at that time of 12 rooms, 1 operating theatre, 1 laboratory and 1 radiology service, was founded by Dr. François Darné, a highly respected surgeon in Mauritius, in 1953. It is one of the oldest private hospitals of Mauritius. In January 2017, C-Care acquired the assets of Wellkin Hospital (erstwhile loss-making Apollo Bramwell Hospital) in Moka, Mauritius.

Clinique Darné, strategically located in Floréal with day care beds, operation theatres, a Critical Care Unit and an Isolation Intensive Care Unit, comprehensive diagnostic and laboratory services, pharmacy and 24/7 emergency department and ambulance services.

Wellkin Hospital ("**Wellkin**") is a 163-bed capacity multi-specialty hospital, situated in Moka. Together the two hospitals have 277 operational beds, including operating theatres, and medical and paramedical services across over 40 specialties. Both the hospitals are equipped with state-of-the-art technology and well qualified & experienced doctors and specialists.

Mrs. Helene Echevin (Executive Chairperson) looks after the day-to-day operations of the company with the help of 3 COOs of each business units. Mrs. Helene Echevin played a key role developing the healthcare cluster of CIEL Group and is also the CEO of CIEL Healthcare Limited.

In June 2019, MSCL was rebranded as C-Care (Mauritius) Ltd ("C-Care") and in July 2019 Fortis Healthcare Limited sold its entire 28.89% stake in C-Care to CIEL Healthcare Limited (acquired additional 8.81% stake) and CIEL Limited (acquired 20.08% stake). As on June 30, 2021, CIEL Healthcare Ltd and CIEL Limited (rated CARE MAU A+; Stable /CARE MAU A1) held 67.41% and 20.08% of C-Care respectively. The balance 12.51% is held with the public.

C-Care also operates a café in each of the hospital catering for the needs of patients, staff and visitors. Clinique Darné and Wellkin Hospital are the only 2 private international standard hospitals in Mauritius offering comprehensive medical facilities.

C-Care is a professionally managed company. It is governed by 9-member Board of Directors having combined expertise in Healthcare, Financial Services, Legal, Food Sciences and Technology.

C-Care invests around MUR 100-150 million annually on equipment and maintenance of medical facilities (regular maintenance capex) for the smooth operation of the hospitals. In addition to the regular capex, C-Care plans for setting up of a Cancer center in Darne, replace its existing MRI and CT scan machines with new ones and acquire radio-therapy equipment (totalling approximately MUR 500 million) over the period FY22-FY24. All these projects are expected to be executed over next 2-3 years. Accordingly, the company has plans to borrow Mur 500 million in a phased manner by FY24, to finance these projects.

In FY21, C-Care's revenue has improved by 27% to MUR 2,516 million over MUR 1,978 million in FY20, despite of a slight dip in occupancy in both the hospitals due to following factors –

- Increased revenue from PCR tests.
- Closure of borders – In FY21 & Q1FY22, more complex cases were treated locally which usually, pre COVID, were treated abroad. This has led to the increase in outpatients' revenue by 19% and inpatients revenue by 29% as compared to the revenue in FY20.

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Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
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- Increased activities specially from additional rooms at Welkin and laboratory services relating to the current COVID pandemic.

Majority of C-Care's revenue (75% in FY21) is derived from inpatients of the hospitals. Higher revenue and lower operational cost have led to significant increase EBITDA to MUR 463 million in FY21 from MUR 228 million in FY20. PBT also increased to MUR 282 million in FY21. GCA was comfortable at MUR 404 million vis-à-vis debt repayment of MUR 60 million in FY21.

Overall gearing ratio has improved from 0.82x on June 30, 2020, to 0.65x on June 30, 2021, on account of loan repayment effected in FY21 no utilization of working capital borrowings. Current ratio was 0.80x as on June 30, 2021 (0.96x as on June 30, 2020). In FY21 the company paid/declared a dividend of MUR 268 million.

In Q1FY22, C-Care has achieved an EBITDA of MUR 174 million (Q1FY21: MUR 143 million) and a PAT of MUR 104 million (Q1FY21: MUR 94 million) on a turnover of Mur 657 million (Mur 595 million in Q1FY21).

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.

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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.

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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.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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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 5273 1406
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.

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