CareEdge RATINGS AFRICA
A subsidiary of CARE Ratings Limited, India

CIM Financial Services Ltd.

21 November 2022

Ratings

Instruments/ Facilities	Amount (MUR Million)	Rating	Remarks
Green Bond Issue	**500**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Bond Issue (March 2019)	**3,500**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Bond Issue (October 2019)	**1,900**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Bond Issue (July 2020)	**2,089**	**CARE MAU AA; Stable [Double A; Outlook: Stable]**	Reaffirmed
Bank Facility - Long Term/Short Term	**6,433 (enhanced from 5,733)**	**CARE MAU AA; Stable/ CARE MAU A1+ [Double A; Outlook: Stable/ A One Plus]**	Reaffirmed

Rating Rationale

The ratings assigned to the bond issues and bank facilities of CIM Financial Services Ltd ("CFSL continue to derive strength from the experienced & resourceful promoters, professional & highly qualified management team and large & distributed network across the island. The ratings also consider CFSL's long and satisfactory track record, dominant market share in Credit Facility Agreement ("CFA"; previously termed as Hire Purchase), well diversified asset portfolio, satisfactory collection efficiency, strong capital adequacy ratio ("CAR") & overall gearing ratio, adequate liquidity, satisfactory financial position, stringent NPA recognition norms and no cumulative mismatch in asset-liability maturity profile.

The long-term rating is however constrained by risks associated with increasing competition in the financial services business, entry of new players in CFA segment, risk associated with volatility in interest rates, and additional bank facility taken following the acquisition of another leasing company.

Rating Sensitivities:

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

- Improvement in disbursement & profitability on a sustained basis
- Significant improvement in asset quality.

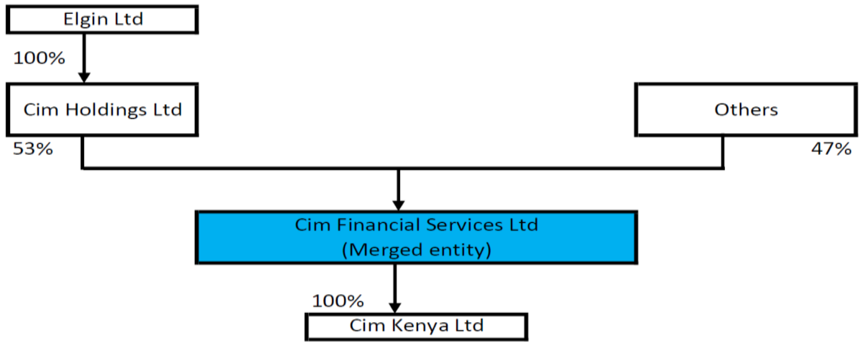
Negative Factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Deterioration in asset quality or rise in GNPA
- Weakening of profitability, collection efficiency and capital adequacy levels.
- Moderation in liquidity profile and increase in the share of high yield products.
- Negative cumulative mismatch in asset-liability maturity profile between 3 months to 5 years.

BACKGROUND

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

The Company, which is listed on the Stock Exchange of Mauritius (SEM) is 53% owned by the Taylor family, as illustrated in the below group structure:



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 is a professionally managed company governed by a 10-member Board of Directors comprising of four members from Taylor family, five seasoned finance professionals as Independent Directors and an Executive Director. Mrs. Aisha Timol is the Chairperson of the Board since July 2020 while the strategic affairs of the company are looked after by Mr. Mark van Beuningen who is the CEO of the Company.

In December 2021, CFSL announced its intention to acquire Tsusho Capital (Mauritius) Limited (Tsusho Capital), which is a private company incorporated on February 09, 2009. The principal activity of the Company is to engage in the business of finance and operating leases for motor vehicles supplied by Toyota (Mauritius) Ltd and CFAO Motors (Mauritius) Ltd amongst others. The Company is also engaged in insurance activities and acts as insurance agent for insurance companies. The financial performance of Tsusho Capital for the last two years was as follows:

MUR Million

For the year ended/ as at 31 March	FY21	FY22
Interest income	87	79
Total Income	108	96
Interest Expense	43	35
PAT	(22)	8
Total Finance lease Assets	1,033	1,001
Total debt	963	900
Tangible Networth	95	103
Gross NPA	12.46%	5.91%
Net NPA	5.67%	1.35%

Following the acquisition of Tsusho Capital, CFSL is proposing to raise additional bank facilities of MUR 700 million and utilize the proceeds to repay existing debt in the newly acquired company.

Prospects

The prospects of CFSL largely depend on the fortunes of retail industry (electronic goods and household goods, amongst others), automotive and construction sectors, the demand drivers of the major products financed by the company. The growth of both the aforesaid sectors has close linkages with the economic growth of the country. The growth of the asset book by maintaining satisfactory GNPA levels as well as adequate liquidity are also key factors which determine the resilience and growth of the Company.

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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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.