

KASA INVESTMENTS LTD
25 September 2023
Ratings

Instrument	Amount (MUR Million)	Rating ¹	Rating Action
Bond Issue	600	CARE MAU A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]	Reaffirmed

Ratings Rationale

The rating assigned to the Bond issue of KASA Investments Ltd (KIL) is supported by the integrity of the legal structure and the structured payment mechanism designed to ensure timely payment of the rated Bonds, as per the terms of the transaction and is not a standalone rating of the company.

The rating continues to derive strength from the credit enhancement in the form of pledge of shares of MUA Ltd (MUA - rated CARE MAU AA-; Positive) and MCBG Group Ltd (MCBG – rated CARE MAU AAA; Stable) with 1.7x cover and the presence of a Debt Service Reserve Account (DSRA) – equivalent to 1 year coupon payment.

The rating also takes into consideration that majority of KIL's investment are in shares of MUA, MCBG and United Docks, the steady dividend payment track record of MUA and MCBG, lower volatility & higher trading volume of both the stocks vis-à-vis most other listed stocks in SEMDEX during the last 10 years, the experienced and resourceful promoter, and the satisfactory performance of KIL.

The rating is, however, constrained by the lack of any operational cash flows in KIL (being an investment holding company), the dependence of the company of dividend income from MUA & MCBG, envisaged high reliance on sale of MUA & MCBG shares or refinancing of the rated debt at the time of its maturity, the exposure to regulatory risk, the volatility in share price of MUA & MCBG – security for the transaction and decline in performance of cash generating subsidiaries.

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

- Investment value to debt improving to 2.5x or above
- Increase in dividend pay-out by MUA and MCBG compared to the projected pay out leading to improved PAT for KIL
- Ability to maintain an interest coverage ratio above 1.5x

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

- Additional debt over affecting KIL's ability to service debt.
- Decrease in Investment value to debt or decline in share price of MUA and MCBG by more than 20%
- Lower dividend pay-out by MUA and MCBG compared to the projected pay out which affect KIL ability to servicedebt/interest.
- Deterioration in credit profile of MCBG and MUA.

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

CARE Ratings (Africa) Private Limited

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BACKGROUND

KASA INVESTMENTS LTD ("KIL"), formerly known as Ducray Lenoir (Investments) Ltd was incorporated in July 2005, as an investment holding company. KIL is a 100% subsidiary of KASA Group Ltd which is fully owned by Société Asteros. Société Asteros is a company which is fully controlled and managed by Mr. Dominique Galea and his family. Along with the investment in its subsidiaries, KIL also holds investment in listed domestic companies (primarily in MUA, MCBG and United Dock). KIL is the holding company of Horus Ltee with 50% stake (which owns 18.3% in United Docks Ltd).

As of June 30, 2023, KIL has an investment portfolio of MUR 1,567 million (December 31, 2022 - MUR 1,516 million). Out of its investment portfolio, 99% represents investment in MUA (46% of the total investment portfolio), MCB Group Limited (38% of the total investment portfolio) and United Docks Ltd (15% of the total investment portfolio).

Management: KIL is governed by a 4-member Board of Directors comprising of 3 Non- Executive Director, all belonging to Galea family and the strategic affairs of the company are looked after by Mr. Dominique Galea - Chairman of the group.

Performance in FY22: The main source of income for KIL is dividend received from its investment in listed entities (mainly MUA and MCBG). MUA Ltd has declared an interim dividend of MUR 0.80 and same has been paid on June 2023 and with regards to MCB Group, the company has declared dividend of MUR 8.50 per share and payment has effected in July 2023. Additionally, during the year, KIL received other income of MUR 95 million consisting of proceeds from divestment in Ducray Lenoir L and Ducray Lenoir International. Total income was MUR 169 million in FY22 (MUR 192 million in FY21). EBITDA and PAT were MUR 168 million and MUR 142 million respectively. Gearing was 0.48 times and Interest coverage was 6.56 times as on December 31, 2022.

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 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 II**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".

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.

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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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