Finance Limited
12 January 2024

Ratings

Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**500**	**CARE MAU A; Stable [Single A; Outlook: Stable]**	Reaffirmed
Bond Issue	**850**	**CARE MAU A; Stable [Single A; Outlook: Stable]**	Reaffirmed
Total	**1,350**		

Ratings Rationale

The rating assigned to the bond issues of CIEL Finance Limited ("CFL") continues to derive strength from the sustained flow of dividend income from group companies, the strong profitability from the banking segment, strengthening of the capital base of BNI Madagascar, improvement in the asset quality and maintenance of healthy liquidity buffers at both BNI Madagascar and Bank One Limited, and satisfactory history of profitability at MITCO. The rating also factors in the robust parentage from CIEL Limited (rated CARE MAU AA; Stable/ CARE MAU A1+), one of the largest business groups in Mauritius, which provides adequate comfort in terms of shareholder support especially in times of crisis.

The rating is however constrained by the sharp increase in the overall gearing level at CIEL Finance Limited (Standalone), high dependence on dividend income from subsidiaries to meet debt obligations, which in turn is contingent to various factors including market risks, macroeconomic risks and political risks, and subdued growth in the loan book of the banking segment.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained growth in profitability of the banking segment leading to consistently higher dividend income for CFL (Standalone)
- Improvement in the overall gearing of CFL to below 0.25x
- Consistent strengthening of CAR of BNI Madagascar against the regulatory requirement

Negative Factors – Factors that could lead to negative rating action/downgrade:

- Significant decrease in the profitability of the banking segment leading to lower dividend income for CFL
- Additional debt taken increasing the overall gearing of CFL (Standalone) beyond 0.4x
- Weakening of the CAR of BNI Madagascar below 10.50%

BACKGROUND

CFL is the investment holding company for the banking and financial services cluster of CIEL Limited (CARE MAU AA; Stable/CARE MAU A1+). CFL is involved in four sub-sectors of the financial services industry namely, banking & financial services, fiduciary services, asset management and private equity investment.

CFL was incorporated in 2013 as a wholly owned subsidiary of CIEL Limited, which is one of the largest business groups and conglomerates in Mauritius. CIEL Limited operates across six strategic business sectors and is present in more than 10 emerging markets across Africa and Asia.

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

In 1992, CIEL Group ventured into the financial sector by setting up Investment Professionals Limited ("IPRO") which is licensed by the Financial Services Commission ("FSC") to act as an Investment Adviser and to engage in the distribution of financial products focusing on listed entities in Sub-Saharan Africa, India and Mauritius. Till 30 June 2022, CFL held a 95.5% stake in IPRO while the remaining 4.5% was owned by Mr. Stephane Henry (CEO of the Company). During FY23, CFL disposed of its stake in IPRO, and the latter company is no longer part of the CIEL Group.

CFL has a strong presence in the Mauritian Global Business Sector through the 63.28% stake which it holds in Mauritius International Trust Company Limited ("MITCO"), one of the largest players in its sector. The Company is licensed by the FSC since 1993 to operate as a Trust & Corporate Services Group, structuring and overseeing investments in more than 100 countries.

In February 2008, through a joint venture between CFL and I&M Group (Kenya), the CIEL Group made its entry in the banking industry by acquiring First City Bank Ltd which was later renamed as Bank One Limited. Bank One is a mid-sized bank, providing retail, corporate, and private banking products and services in Mauritius and internationally (primarily in Africa). As on 30 June 2023, Bank One Limited (CARE MAU A+; Stable) had total deposits and advances of MUR 41,091 million and MUR 24,997 million respectively.

In 2014, CFL acquired controlling stake of 31.80% in BNI Madagascar, the oldest and the second largest commercial bank in Madagascar, with a deposit base and loan book of MUR 33,164 million and MUR 23,381 million respectively, as on 30 June 2023.

In June 2014, CFL launched the private equity fund Kibo II to make equity and equity-related investments in companies located in Sub Saharan Africa and islands of the Indian Ocean. Kibo II holds investments in nine private companies across five countries and as on 30 June 2023, the fund was valued at MUR 2,742 million (USD 60 million) and cash recovered as at that date was MUR 318 million (USD 6.98 million).

Till November 2022, CFL was a 75.1% subsidiary of CIEL Limited, and the remaining 24.9% stake was being held by Amethis Africa Finance Limited, a private equity fund focused on Africa and Europe. The fund reached the end of its lifespan in December 2022 and subsequently the shares held by the fund were bought back by CFL. Subsequent to this transaction, CFL is now a 100% subsidiary of CIEL Limited.

CFL (Standalone) continues to benefit from the sustained strong performance in its banking segment leading to a 29% increase in dividend income in FY23 compared to FY22, with Bank One contributing to 58% of the total dividend earned by the holding company. The increase in total income was partly offset by the higher interest expense resulting from the additional bond of MUR 850 million issued during the year to buy back the 24.9% stake of Amethis into CFL. Nevertheless, the Company registered a satisfactory 34% growth in PAT from MUR 196 million in FY22 to MUR 262 million in FY23.

The overall gearing at end of FY23 jumped to 0.39x from 0.13x a year earlier which is due to the additional bond issue and simultaneously, the reduction in tangible networth as a result of the buy-back of the Amethis stake.

On a consolidated basis, CFL registered a 13% increase in total income, supported by the banking segment where the elevated interest rate environment led to a 15% higher interest income for the Group, and the continued growth in the non-fund-based operations translating into increased fee & commission income as well. EBITDA grew by 8% in FY23 from FY22 while a more than proportionate growth of 54% is observed in the PAT on the back of lower impairment losses and higher share of results of the joint venture. As on 30 June 2023, CFL (consolidated) had total debt of MUR 3,572 million, out of which MUR 1,616 million relate to overnight facilities contracted by BNI Madagascar from other commercial banks. The remaining MUR 1,917 million include the bond issues at the holding entity and a MUR 493 million EUR denominated loan at

BNI Madagascar obtained from Proparco. A lower liquidity shortfall at BNI Madagascar led to a decrease in the overnight borrowings at 30 June 2023 from a year earlier and subsequently the total debt of the Group fell by 21%. Overall gearing at end of FY23 was down to 0.83x from 0.98x while debt-to-GCA fell to 2.72x from 4.74x at 30 June 2022.

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.

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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.