Emtel Limited

06 June 2024

Ratings

Instrument/Facility	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue I	1,000	CARE MAU AA-; Stable	Reaffirmed
Bond Issue II	900	CARE MAU AA-; Stable	Reaffirmed
Proposed Term Loan	2,300	CARE MAU AA-; Stable	Assigned

Ratings Rationale

The ratings assigned to the bond issues and proposed term loan of Emtel Limited continue to derive strength from the experience of Currimjee group and India based Bharti Airtel group operating in the telecom industry, Emtel Limited's ("Emtel") strong brand presence with its position as the second largest player in the Mauritian telecommunication market, the integrated telecommunications operations, the established & reasonably large subscriber base, robust spectrum profile, strong distribution network allowing consistent growth in subscriber base and growth in usage of data and comfortable financial position along with moderate debt coverage & liquidity indicators.

The ratings are, however, constrained by increasing competition among existing service providers, increasing debt at company level, capital intensive nature of the industry leading to significant capital expenditure, leveraged capital structure, high dividend pay-out leading to depletion in networth and the exposure to regulatory and technology/obsolescence risks.

Rating Sensitivities

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

- Improvement in operational & financial performance of company
- Successful execution of the IPO
- Steady increase in subscriber base for both Emtel and MC Vision.
- Ability to increase market share for Emtel in terms of postpaid and prepaid subscribers.

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

- Higher quantum of Capex required for enhanced services than envisaged
- Higher dividend payment or higher debt resulting in overall gearing above than envisaged
- Deterioration in profitability & total debt/EBITDA

BACKGROUND

Emtel Limited ("Emtel") was incorporated in July 1987 by the Currimjee group (currently owning 75% stake in Emtel). In May 1989, Emtel became the first operator to commercially launch mobile telephony in the whole southern Hemisphere as an international joint venture of the two groups, the Currimjee Jeewanjee Group of Mauritius, and a Swedish company, Comvik which later went on to become Millicom International Cellular (MIC) S.A, a global telecommunications group based in Luxembourg.

In 2014, the Currimjee group procured the entire stake of Millicom in Emtel. In 2015, Emtel partnered with Bharti Airtel

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

Limited, India's leading telecom service provider with operations in 20 countries across Asia and Africa. As such, Indian Continent Investment Limited, (ICIL) acquired 25% stake in Emtel. Emtel signed a Technical Services Agreement with Bharti Airtel Limited to benefit from the technical and commercial know-how and business support of Airtel in various areas.

The popularization of the mobile phone in Mauritius had a direct increase in demand for Emtel's services, it being the only mobile phone operator of the Island until 1996 (when Cellplus Mobile Communications Ltd belonging to Mauritius Telecom – a GoM owned company, entered the market). Emtel has been in the forefront in technology and innovation. Some of the recent developments are as follows:

- In May 2022, Emtel launched a new mobile payment application, BLINK, which works with the Instant Payment System of the Bank of Mauritius.
- In July 2022, Emtel launched 5G technology in Mauritius providing coverage to 78% of the population.
- In August 2023, the hosting of satellite farm business started its operations.
- On May 15, 2024, Emtel announces its intention to undertake an initial public offering (**IPO)** of 113,850,000 existing ordinary shares representing 25% of the company. The offer will be affected by way of an offer for sale by the company's existing shareholders.

Mauritius has 3 telecom service providers (MyT, Emtel and MTML) and Emtel is the second largest telecom service provider after MyT in the country. Emtel has 18 showrooms across the Republic of Mauritius (including 1 in Rodrigues) and provides mobile telecom services (voice, SMS, mobile data), home broadband, fixed line, enterprise business solutions. Emtel generates most of its revenue from its voice and data services. It also owns 2G/3G/4G and 5G spectrum and tower network.

Management: Emtel is a professionally managed company. It is governed by a 7-member Board of Directors comprising of eminent industrialists and professionals. Mr. Bashirali A Currimjee is the Managing Director and Chairman. He has served as Honorary Consul General for the Republic of Turkey in Mauritius, President of Mauritius Chamber of Commerce, and Industry (MCCI) and Business Mauritius, Director of SBM and Director at the Bank of Mauritius. Mr. Krishnaduth Goomany was appointed as the CEO of Emtel in 2021. He has over 32 years of experience in the telecommunication industry and a great understanding of the local market having previously worked for Mauritius Telecom, Cellplus Mobile Communications Ltd and Comviva Technologies Ltd. He is assisted by a team of professionals looking after various functions of the company.

Stable financial performance with moderate gearing

In FY23, total income witnessed a 6% increase from MUR 3,254 million to MUR 3,442 million attributed by higher earnings from all the revenue streams except for voice revenue and sale of products. Accordingly, EBITDA improved to MUR 1,523 million against MUR 1,453 in FY22. However, PAT was slightly lower at MUR 465 million (FY22: MUR 478 million) following an increase in depreciation and finance cost. During FY23, GCA was comfortable at MUR 1,264 million and Emtel declared a dividend of MUR 546 million. Total debt/EBIDTA and Total debt/GCA were higher at 2.11x (FY22: 1.85x) and 2.55x in FY23 (FY22: 2.51x) excluding the impact of finance lease. As on December 31, 2023, overall gearing stood at 2.61x (increase from 2.23x) due to the bridging loan availed in FY23 to finance CAPEX and same is expected to improve as from FY25 due to part repayment of the bond and loan. Interest coverage was 7.68x in FY23 (8.70x in FY22). The average fund based working capital utilization was at 28% during the last 12 months ended March 2024. In FY23, the company's CAPEX totaled to MUR 1,824 million which was invested mainly in deployment of 5G technology equipment, modernization of old equipment and extension of the inland fiber.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated facilities 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 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.

(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

Annexure II

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.

CARE Ratings (Africa) Private Limited

(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.