

SBI (Mauritius) Ltd
21 October 2024

Rating

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Proposed Bond Issue	MUR 1,000 million	CARE MAU AAA; Stable	Assigned

Rating Rationale

The rating assigned to the proposed bond issue of SBI (Mauritius) Ltd ('SBIML', 'Subsidiary Bank', 'Bank') derives strength from the strong parentage from the State Bank of India ('SBI' - rated CARE AAA; Stable)¹, the strategic importance of the Bank to SBI coupled with high operational linkages and the parent's demonstrated track record of providing technical and financial support to the Subsidiary Bank. Additionally, SBI's oversight over the operations, credit underwriting policies, controls, performance and compliance aspects of the Subsidiary Bank can be seen by the way of representation of the parent on the board of SBIML (four out of seven board members) and nine out of eleven members of the senior management team being on deputation from SBI.

The rating is also supported by the consistent growth observed in the deposit base and the loans portfolio over the past four years, the strong capitalisation of the Bank which has historically been maintained significantly above the regulatory requirement level and the industry peers, adequately diversified loans & advances book across different client segments and economic sectors, the healthy quality of the loans portfolio as demonstrated by the very low levels of non-performing assets prevailing over the past years and which is illustrative of the stringent credit underwriting policies of the Bank, and the robust investment portfolio, as well as the comfortable liquidity position. The rating derives further strength from the highly qualified senior management with extensive experience in the foreign and domestic banking & financial services sector.

The rating strengths are partially offset by smaller size of the SBIML's operations in Mauritius and intense competition from the local banks having a very long track record.

Rating Sensitivities:

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

Not applicable as the rating is the highest under the Banks rating criteria

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

- Significant deterioration in GNPA to above 4%
- Deterioration in the CAR to below 18%
- Dilution in the shareholding of SBI to less than 51%

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

BACKGROUND

SBI (Mauritius) Ltd was incorporated in Mauritius in October 1989 and it is a 96.60% subsidiary of the State Bank of India ('SBI' which is rated AAA on the Indian domestic scale and BBB- on the international scale). Representing a legacy of over 200 years, SBI is an Indian Multinational, Public Sector Banking & Financial services conglomerate headquartered in Mumbai, India. With more than 500 million customers through its vast network of around 22,500 branches, 63,580 ATMs and 82,900 BC outlets, SBI is the largest banking & financial services conglomerate in India, with a deposit base and a loan book of MUR 27,037,830 million and MUR 20,601,580 million respectively as on 31 March 2024. SBI also has an entrenched overseas presence through 241 foreign offices spread across 29 countries.

In 1989, SBI set up its operations in Mauritius through SBI (International) Mauritius Ltd, with a focus on Global Banking Business. SBI then expanded its footprint in the Mauritian economy in 2005 by acquiring stake in the Indian Ocean International Bank (IOIB) Ltd, which had an important retail presence in the country since 1979. Later in October 2008, SBI (International) Mauritius Ltd amalgamated with the Indian Ocean International Bank (IOIB) Ltd, and was renamed as SBI (Mauritius) Ltd. Since then, SBIML has emerged as a steadily growing mid-sized bank having 14 fully integrated - 13 Retail Branches covering major areas of Mauritius, including Rodrigues Island, and 1 Global Business Branch at Ebene in Mauritius. As on 31 March 2024, the Bank had a deposit base and a loan book of MUR 37,968 million and MUR 36,489 million respectively.

SBIML operates across business segments, namely (i) Personal Banking (ii) Corporate Banking and (iii) Global Business.

Financial Performance of SBI (Mauritius) Ltd

SBIML has registered three consecutive years of considerable increases in interest income on the back of consistent expansion of its loans & advances book and the elevated interest rate environment. Total interest income surged from MUR 889 million in FY22 to MUR 3,011 million in FY24, representing a more than two-fold increase. Non-interest income which includes fees & commission, gains on remittances and dealings in foreign exchanges, have increased by an average of 14% over the past three years to reach MUR 294 million in FY24. The Bank's total income has grown significantly over the past three years from MUR 1,122 million in FY22 to reach MUR 3,305 million in FY24. The improvement in the quality of the loans & advances portfolio resulted in three consecutive years of reversals in provisioning. Overall, the PAT of SBIML soared by 142%, 99% and 15% in FY22, FY23 and FY24 respectively to reach MUR 1,240 million.

Both interest spread and net interest margin increased slightly from 1.41% and 2.07% respectively in FY23 to 1.48% and 2.78% in FY24. The Bank has been more efficient in conducting its operations during the year as shown by the operational expenses to average total assets which fell from 0.89% in FY23 to 0.76% in FY24 while operational expenses to total income was down to 12.26% in FY24 compared to 21.93% previously. The core spread, which is the difference between the cost of capital and return on capital employed, was up from 1.70% in FY23 to 1.90% in FY24.

The Bank remains adequately capitalized with Tier I and total CAR which stood at 21.78% and 22.97% respectively against a regulatory requirement of 10% and 12.50%.

Annexure I

Rating Symbols

Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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.

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