CIM Financial Services Ltd

2 October 2024

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Green Bond Issue	**1,500**	**CARE MAU AA; Positive**	Reaffirmed
Long-Term Bond I	**1,070**	**CARE MAU AA; Positive**	Reaffirmed
Long-Term Bond II	**1,339**	**CARE MAU AA; Positive**	Reaffirmed
Long-Term Bond III	**2,590**	**CARE MAU AA; Positive**	Reaffirmed
Long-Term Bond IV	**2,500**	**CARE MAU AA; Positive**	Reaffirmed
Proposed Green Bond Issue	**2,000**	**CARE MAU AA; Positive**	Assigned
Bank Facilities- LT	**414 (USD 9)***	**CARE MAU AA; Positive**	Reaffirmed
Bank Facilities –LT/ST	**9,562 (enhanced from 9,265)**	**CARE MAU AA; Positive/ CARE MAU A1+**	Reaffirmed

**Exchange rate: USD 1 = MUR 46.00*

Rating Rationale

The ratings assigned to the bond issues and bank facilities of CIM Financial Services Ltd ("CFSL") continue to derive strength from the long track record and dominant market position of CFSL in the consumer financing sector with a large & distributed network, sustained year-on-year growth in disbursements and loan asset book, stable returns generated from lending operations, robust collection efficiency mechanism which ensures timely and regular cash inflows, strong Capital Adequacy Ratio (CAR) providing cushion to absorb any shock in the credit risk, healthy liquidity position and comfortable gearing position. The rating also factors in the improving Gross Non-Performing Asset (GNPA) levels and improved profitability for the 9FY24 (01 October 2022 to 30 June 2024) and the experience and established track record of the promoters.

The ratings are however constrained by high gross NPA level despite the improvement and net NPA being reduced on account of provisioning, entry of new players in CFA segment, risk associated with volatility in interest rates and the impact of elevated inflation weighing on borrowers.

Rating Sensitivities:

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

- Sustained improvement in Gross NPA to below 9%
- Growth in disbursement & profitability on a sustained basis

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

- Deterioration in asset quality leading to the GNPA reaching close to 15% range
- Decline in the CAR to below 20%

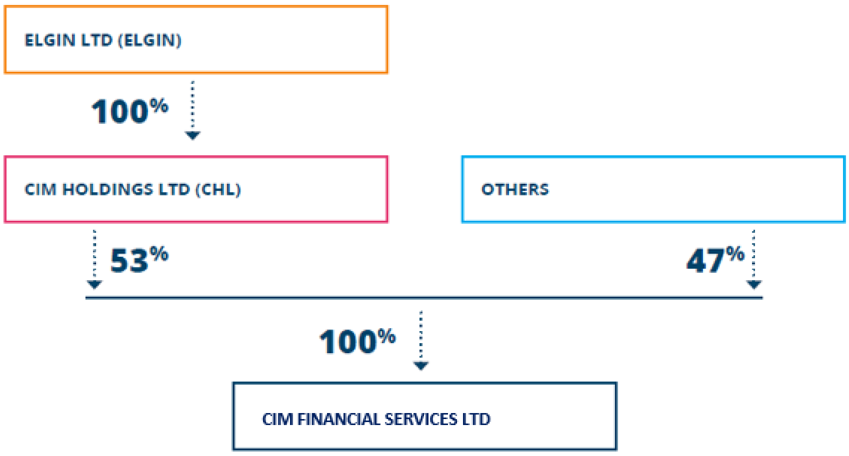
[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

BACKGROUND

Since 1987, CFSL (operating within the Rogers Group) has been engaged in providing Credit Facility Agreements (CFA)/Hire Purchase in Mauritius and expanded its activities to leasing, unsecured loans, credit cards and factoring over the years.

In July 2005, CFSL was incorporated to regroup and manage the finance (including CIM Finance Ltd), global business, and insurance clusters of the Rogers Group.

In 2012, the controlling shareholders of Rogers Group namely the ENL Group, and Elgin Ltd (each controlling 26.5% of the Group at the time) agreed to restructure the Group. Post-restructuring, Elgin Ltd (Taylor Family) obtained control of the credit finance, global business and real estate clusters of the Rogers Group with a 53% stake while the remaining 47% is distributed among other financial institutions, corporates and the general public. CFSL is listed on the Official Market of the Stock Exchange of Mauritius (SEM) with a market capitalization of approximately MUR 7,245 million at 31 January 2024. The shareholding structure of CFSL at 30 September 2023 was as follows:



In March 2017, CFSL disposed its global business cluster and in January 2019, the property activities were spun off so that CFSL could focus on and expand its core activities, i.e., the credit financing and leasing businesses.

On 01 October 2020, five group companies namely, CIM Finance Ltd, Mauritian Eagle Leasing Company Ltd, CIM Agencies Ltd, CIM Management Services Ltd and CIM Shared Services Ltd, all got merged into a single entity, CIM Financial Services Ltd.

In March 2022, CFSL completed the acquisition of Tsusho Capital (Mauritius) Limited ("Tsusho Capital"), a private company incorporated in February 2009, licensed by the Financial Services Commission ("FSC") to engage in the offering of finance and operating leases for motor vehicles supplied by Toyota (Mauritius) Ltd and CFAO Motors (Mauritius) Ltd. Post the acquisition, the operations of Tsusho Capital have been fully integrated into those of CFSL.

Acquisition of Loinette Capital Limited: In July 2023, CFSL finalised the acquisition of a controlling 75% stake in Loinette Capital Limited ("Loinette Capital"- CARE MAU A; Stable), a Company holding a Global Business License and regulated by the Financial Services Commission (FSC) of Mauritius. Operating in the East, Central and West Sub-Saharan Africa since 1998, Loinette Capital engages with SMEs and equipment dealers to provide asset-backed financing.

For the detailed rating rationale of Loinette Capital Limited, please visit CRAF's website:
Rating Rationale - Loinette Capital Limited

Summary of financial performance for CIM Financial Services Ltd

Supported by a 16.20% expansion in its loan assets coupled with the elevated interest rate environment, CFSL registered an 18.11% increase in interest income in FY23, while non-interest income increased by 8.52% over the year. A more positive economic environment providing prospect for growth in business and employment led to a significant decrease in impairment by 41.47% in FY23. All these factors combined contributed to CFSL in posting a PAT of MUR 961 million for the year, 59.82% higher compared to the prior year. In terms of asset quality, GNPA witnessed a second consecutive year of improvement from 15.75% at end of FY21 to 14.93% at end of FY22 and further down to 12.06% as on 30 September 2023. Stringent provisioning measures adopted by the Company led to a reduction in net NPA to 2.72% from 5.28% at end of FY22. Net NPA to networth was sharply down from 17.42% to 10.24% which is indicative of the comfortable position of the Company against credit risk.

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.