CIEL Finance Limited
28 January 2025

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**MUR 850 million**	**CARE MAU A+; Stable**	Revised from CARE MAU A; Stable
Bond Issue	**MUR 350 million (Reduced from MUR 500 million)**	**CARE MAU A+; Stable**	Revised from CARE MAU A; Stable

Rating Rationale
The revision in the ratings assigned to the bond issues of CIEL Finance Limited ('CFL') derive strength from the sustained flow and significant increase in dividend income from group companies which have translated into healthy growth in profitability for CFL, strengthening of the capital base resulting in a marked improvement in overall gearing and other leverage metrics, the satisfactory operational performance of the banking segment which registered strong growth in profitability, comfortable liquidity position and capital buffer maintained in the banking segment, and the gross non-performing assets level being maintained within acceptable limits.

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 has a proven track record of supporting its group companies.

The rating is however constrained by the high dependence of CFL 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 the contraction in the loans & advances book of the banking segment, especially at BNI Madagascar.

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

- Sustained higher profitability at BNI Madagascar and Bank One leading to a 30% growth in dividend income for CFL
- Consistent improvement in the overall gearing of CFL to below 0.20x
- Capital adequacy of BNI Madagascar further strengthening to beyond 13%

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

- Significant decline in profitability at BNI Madagascar & Bank One leading to lower dividend income for CFL
- Additional debt taken increasing the overall gearing of CFL (Standalone) beyond 0.50x
- Weakening of the CAR of BNI Madagascar to below 10% and for Bank One below 14%

BACKGROUND
Incorporated in 2013, CFL is the investment holding company for the banking and financial services cluster of CIEL Limited ('CIEL' – rated CARE MAU AA; Stable/CARE MAU A1+). CFL is involved in three sub-sectors of the financial services industry, namely, banking & financial services, fiduciary services, and private equity investment.

The Company has a strong presence in the Mauritian Global Business Sector through its 63.60% stake in MITCO Group Ltd ('MITCO'), one of the largest players in the sector. The MITCO Group is licensed by the FSC since 1993 to operate as a Trust & Corporate Services Group, structuring and overseeing investments in more than 100 countries.

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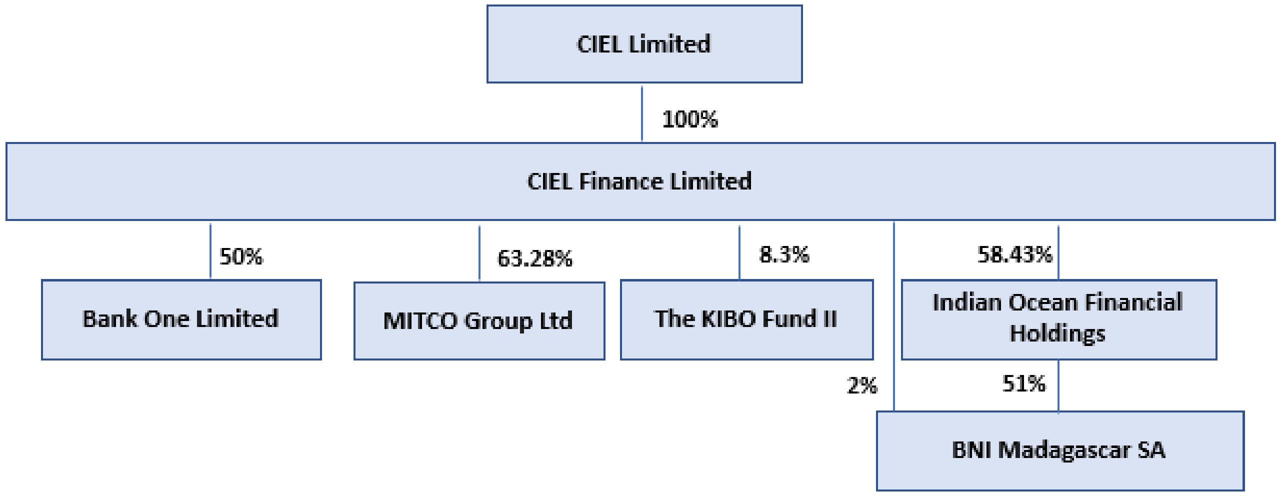
[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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. The Bank is a mid-sized bank, providing retail, corporate, and private banking products and services in Mauritius and internationally (primarily in Africa). As on 30 September 2024, Bank One Limited (rated CARE MAU A+; Stable) had total deposits and advances of MUR 47,722 million and MUR 24,402 million respectively.

In 2014, CFL acquired a controlling stake of 31.80% in BNI Madagascar, the oldest and largest commercial bank in Madagascar, with a deposit base and loan book of MUR 30,556 million and MUR 22,296 million respectively as on 31 December 2023.

In June 2014, CFL launched the private equity fund Kibo II to make equity and equity-related investments in companies located in the Sub-Saharan Africa and Indian Ocean region. Kibo II holds investments in nine private companies across five countries and as on 30 June 2024, the fund was valued at MUR 2,439 million (USD 52 million) against a total acquisition costs of MUR 1,598 million (USD 45,767 million).

The group structure of CFL as on 30 June 2024 was as follows:



Financial performance of CIEL Finance Limited

Powered by its two banks namely, BNI Madagascar and Bank One Limited which contribute to over 85% of the dividend income earned by CFL, the Company registered a substantial 27.40% growth in dividend income which translated into a 26.66% increase in PAT. CFL continues to maintain healthy margins as shown by the EBITDA and PAT margins which were at 69.50% and 60.64% respectively in FY24. ROCE and RONW increased to 9.56% and 12.91% respectively in FY24 from 7.72% and 9.32% respectively earlier. The strong profitability generated in FY24 has strengthened the equity of CFL which contributed to an improvement in the overall gearing of the Company from 0.64x as at June 30, 2023 to 0.47x as at June 30, 2024. Debt/EBITDA and Debt/GCA witnessed considerable improvement from 4.75x and 5.36x respectively at end of FY23 to 3.66x and 4.17x as on 30 June 2024.

In September 2024, the first tranche of MUR 150 million from the MUR 500 million bond issued in 2019 became due for repayment. Same has been duly repaid and as on date only MUR 350 million is outstanding under the bond issue.

On a consolidated basis, the Group continued to deliver consistent revenue growth, achieving a 10.24% increase to MUR 5,654 million for FY24 from MUR 5,129 million in FY23. This performance was primarily driven by improved net banking income at BNI Madagascar, supported by a higher asset base and improved interest rate margins. The increase in revenue and better cost management led to a 30% increase in EBITDA to MUR 2,026 million in FY24. The Group PAT increased to

MUR 1,581 million from MUR 1,085 million, mainly due to lower provisioning at BNI Madagascar and an improved share of results from Bank One.

For Q1FY25, total income grew by 9.72% to reach MUR 1,513 million while the Group PAT increased by 17.39% to MUR 472 million, again on the back of lower provisioning following improvements in the credit quality of the loans portfolio at BNI Madagascar.

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.