Loinette Capital Limited
21 May 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facilities	**396**	**CARE MAU AA+ (SO); Stable***	Revised from CARE MAU AA (SO); Positive

*** *The Structured Obligation (SO) rating of Loinette Capital Limited is based on the unconditional and irrevocable Corporate Guarantee and letter of Undertaking provided by the parent company, CIM Financial Services Ltd (rated CARE MAU AA+; Stable/ CARE MAU A1+), which undertakes to lenders to meet any cashflow shortfall from Loinette Capital Limited.*

Rating Rationale of Loinette Capital

The rating assigned to the bank facilities of Loinette Capital Limited ("Loinette Capital") has been revised on account of the revision in the rating of CIM Financial Services Ltd ("CFSL") to CARE MAU AA+; Stable/ CARE MAU A1+. The rating factors in the unconditional and irrevocable corporate guarantee and undertaking provided by the parent Company, CFSL, which undertakes to meet any cashflow shortfall by Loinette Capital.

Rating Rationale and Key rating drivers of CFSL[2]

The revision in the rating of the bond issues and bank facilities of CFSL are primarily driven by strong growth in disbursements and loan asset book, healthy profitability and consistently improving asset quality over the past three-year period.

The ratings continue to derive strength from the resourceful promoter with long and established track record, dominant market position of CFSL in the consumer financing sector with a large & distributed network, robust collection efficiency mechanism which ensures timely and regular cash inflows, strong Capital Adequacy Ratio (CAR) providing cushion to absorb any shock caused by credit risk, healthy liquidity position and comfortable gearing level.

The ratings are however constrained by the weaker asset quality with high gross NPA level despite the improvement, concentration of portfolio in hire purchase and unsecured loans segments, risk associated with volatility in interest rates, regulatory risk and the risk associated with geopolitical tensions and the ongoing trade war which may have dampening effect on the overall economy in turn affecting demand for consumer finance.

Rating Sensitivities of CFSL:

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

- Sustained improvement in the quality of the loan assets leading to a GNPA below 5% and NNPA below 1%.
- Consistent growth in disbursement and assets under management
- Further diversification of the income profile and expansion into less risky segments of financing

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

- Significant deterioration in asset quality resulting to a GNPA above 10%.
- Decline in CAR below 20%
- Weakening of profitability and collection efficiency

[2] *The rating rationale for CIM Financial Services Ltd is available at: www.careratingsafrica.com*

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

Rating Sensitivities of Loinette Capital:

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

- Strengthening in the credit profile of CFSL

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

- Deterioration in the credit profile of CFSL

BACKGROUND

Loinette Capital, a 75% subsidiary of CFSL (rated CARE MAU AA+; Stable/ CARE MAU A1+), was incorporated in the British Virgin Islands in October 1997 and thereafter re-domiciled in Mauritius in October 2019. The Company holds a Global Business License and is regulated by the Financial Services Commission (FSC) in Mauritius. It also holds a Credit Finance License under Section 14 of the Mauritian Financial Services Act 2007. 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.

Loinette Capital provides financing to African SMEs for the purchase of equipment to be used for undertaking extractive industries, infrastructure, agricultural and materials handling projects. The financed equipment is used by clients who have obtained contracts for 1-to-5-year periods to undertake extractive industries, infrastructure, agricultural and materials handling works, and the equipment is held as collateral by Loinette Capital over the duration of the loan. The asset-backed loans are provided for periods ranging between 16 and 24 months and the interest rate charged by Loinette Capital for the year ending 31 December 2023 averaged 13% per annum.

Some of the types of equipment financed by the Company include articulated dump trucks, excavators, drill rigs, tractor loader, hoppers, crushers, bulldozers, amongst others. Additionally, Loinette Capital also finances dealers which supply the equipment to operators.

Generally, the Company finances up to 85% of the equipment value. Over the recent years, Loinette Capital has supported the development of infrastructure across Africa by providing around USD 350 million in lending to sector operators.

Loinette Capital is owned and controlled by CFSL which acquired a 75% stake in the Company in July 2023. CFSL is the leading provider of consumer credit facility in Mauritius with an 80% market share, and it also controls significant market share in the provision of leasing and unsecured loans facilities. The minority 25% stake in Loinette Capital is held by IA Bell & Company (Pty) Ltd, the majority shareholder in Bell Equipment Limited, a renowned manufacturer of mining and construction equipment across the African continent.

Financial performance of Loinette Capital Limited

During FY23, proposed bank facilities of MUR 396 million were rated for Loinette Capital Limited. However, the Company did not avail of the bank facilities till end of FY23 which explains an almost stagnant loan book as on 31 December 2023 compared to end of FY22. Interest income was slightly down by 8.92% in FY23 mainly due to a 7.42% contraction in the asset-backed loans portfolio which is the main asset class for Loinette Capital. The Company achieved a normalised PAT of MUR 26 million for FY23, more than double the prior year’s PAT. The higher profitability for FY23 resulted from MUR 35 million in gains on disposal of investments in money market funds.

Despite a slight decrease, Loinette Capital continues to generate healthy returns from its lending operations as shown by the NIM and net interest spread which were at 13.32% and 13.55% respectively for FY23. Net spread earned on capital employed increased from 3.41% in FY22 to 4.73% in FY23.

During the nine months ending 30 September 2024, Loinette Capital has been expanding its loan book which went from MUR 771 million as on 31 December 2023 to MUR 1,130 million as on 30 September 2024. The growth was primarily financed from disbursement of the bank facilities which stood at MUR 369 million as on 30 September 2024. On the back of the larger loan asset book, Loinette Capital registered MUR 92 million in interest income for the period, representing 90% of the total interest income earned during the whole year FY23. Owing to improved quality of the loan book, provisioning has been significantly cut from MUR 66 million in FY23 to MUR 16 million for 9MFY24. Overall, Loinette Capital registered a PAT of MUR 29 million for the 9MFY24 which is higher than the normalised PAT of MUR 24 million in FY23.

Annexure I

Details of Rated Facilities

Facilities	Bank	Amount	Tenor
Term Loan	Afrasia Bank Limited	MUR 132 million *(USD 3 million)	3 Years
Term Loan	Afrasia Bank Limited	MUR 132 million #(EUR 2.7 million)	3 Years
Short Term Loan	Absa Bank (Mauritius) Limited	MUR 132 million *(USD 3 million)	1 Year Renewable
Total		**MUR 396 million**	

*Applicable Exchange Rates: * USD 1: MUR 44*
 # EUR 1: MUR 49

1. Afrasia Bank Term Loan

Facility	Secured Term Loan
Amount	MUR 132 million (USD 3 million)
Tenor	3 Years
Capital Repayment terms	Capital repayable in 12 equal quarterly instalments.
Covenants	1. GNPA shall not exceed exceed 5%. 2. Interest coverage of at least 1.5x to be maintained. 3. Overall gearing shall not exceed 2.5x.
Purpose	Proceeds from the term loan will be utilised to fund the lending operations of Loinette Capital.
Security	Undertaking from CIM Financial Services Ltd to provide financial support to Loinette Capital to meet its financial obligations and cover any cash flow shortfall in repayment by the borrower.

2. Afrasia Bank Term Loan

Facility	Secured Term Loan
Amount	MUR 132 million (EUR 2.7 million)
Tenor	3 Years
Capital Repayment terms	Capital repayable in 12 equal quarterly instalments.
Covenants	3. GNPA shall not exceed 5%. 4. Interest coverage of at least 1.5x to be maintained. 5. Overall gearing shall not exceed 2.5x.
Purpose	Proceeds from the term loan will be utilised to fund the lending operations of Loinette Capital.
Security	Undertaking from CIM Financial Services Ltd to provide financial support to Loinette Capital to meet its financial obligations and cover any cash flow shortfall in repayment by the borrower.

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3. ABSA Bank Short-Term Loan

Facility	Secured Short Term Loan Facility
Amount	MUR 132 million (USD 3 million)
Tenor	Maximum tenor of 6 months for each utilisation
Capital Repayment terms	Capital repayable in 12 equal quarterly instalments.
Covenants	1. GNPA shall not exceed shall not exceed 10% of all credit facilities. 2. A minimum provision coverage ratio of 50% shall be maintained 3. Overall gearing shall not exceed 3x. 4. A minimum Equity/Total Assets ratio of 50% shall be maintained.
Purpose	The proceeds from the short term loan will be utilised to finance the working capital requirements of Loinette Capital.
Security	Unconditional & irrevocable corporate guarantee from CIM Financial services Ltd, which undertakes and agrees to pay the Lender any cash flow shortfall from Loinette Capital.

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 the 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.