Emtel Limited
23 July 2025

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue I	**500 (reduced from 1,000)**	**CARE MAU AA-; Negative**	Revised from CARE MAU AA-; Stable
Bond Issue II	**600 (reduced from 900)**	**CARE MAU AA-; Negative**	Revised from CARE MAU AA-; Stable
Term Loan	**2,300**	**CARE MAU AA-; Negative**	Revised from CARE MAU AA-; Stable
Total	**3,400**		

Rating Rationale

The revision in the rating outlook of Emtel Limited's ("Emtel") bond issues and term loan from 'CARE MAU AA-; Stable' to 'CARE MAU AA-; Negative' is primarily on account of weakening of capital structure due to high dividend payout exceeding the net profit during FY24 (FY refers to the financial year ending December 31, 2024) leading the depletion of the networth and additional debt availed towards capital expenditure resulting in significant increase in leverage ratios. It shall be noted that Emtel had anticipated a gain of approximately MUR 283 million from the planned disposal of its 90% stake in EM Vision in the year 2024. However, due to delays in regulatory approvals, the transaction was deferred to FY25.The ratings continue to derive strength from the experience of Currimjee Group and India based Bharti Airtel Group operating in the telecom industry, continued strong operational and financial performance, Emtel's strong brand recognition being the second largest telecommunication company operating in Mauritius and Rodrigues and the expanded distribution network allowing consistent growth in the established and large subscriber base supporting company's cash inflows. The ratings also factor in the high barrier to entry such as regulatory requirements and significant capex requirement which limits new entrants and the renewed licenses which strengthen revenue certainty and market position.

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

Outlook: Negative

The outlook has been revised to negative due to deterioration of networth and increase in debt leading to elevated gearing levels. However, this outlook could be revised to stable if there is an observable improvement in gearing levels.

Rating Sensitivities

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

- Improvement in operational & financial performance of the company
- Steady increase in subscribers base for Emtel.
- Ability to increase market share for Emtel in terms of postpaid and prepaid subscribers.

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

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

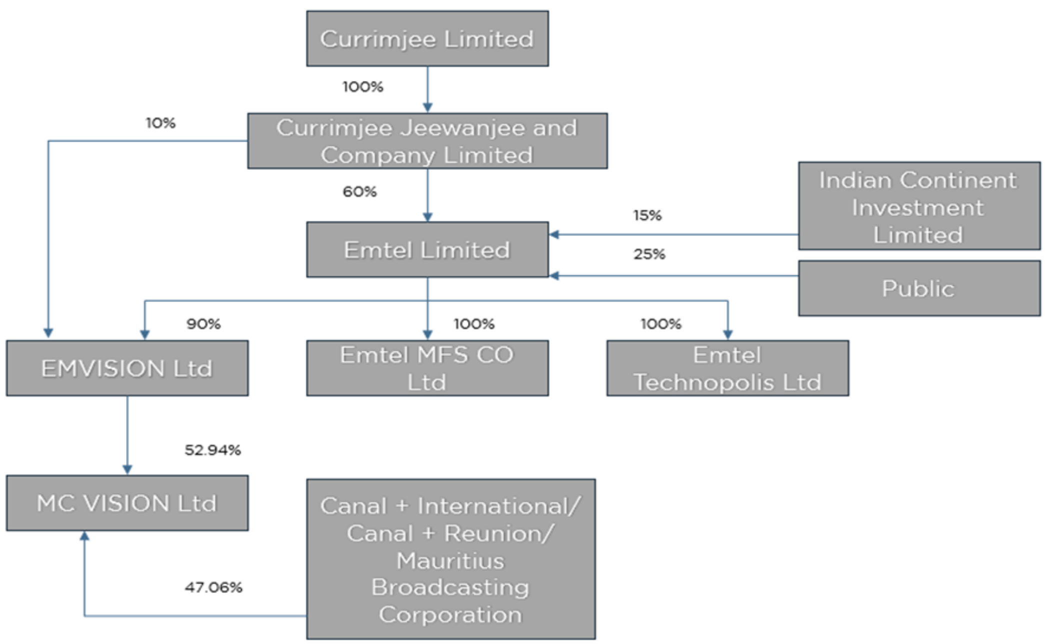
- Additional long-term debt for Emtel Limited over and above the envisaged level.
- Sustained Gearing level in line with FY24
- Unexpected high investment capex required for enhanced services than envisaged.
- Deterioration in profitability and total debt/EBITDA

BACKGROUND

Emtel Limited ("**Emtel**") was incorporated in July 1987 by Currimjee Group. 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.

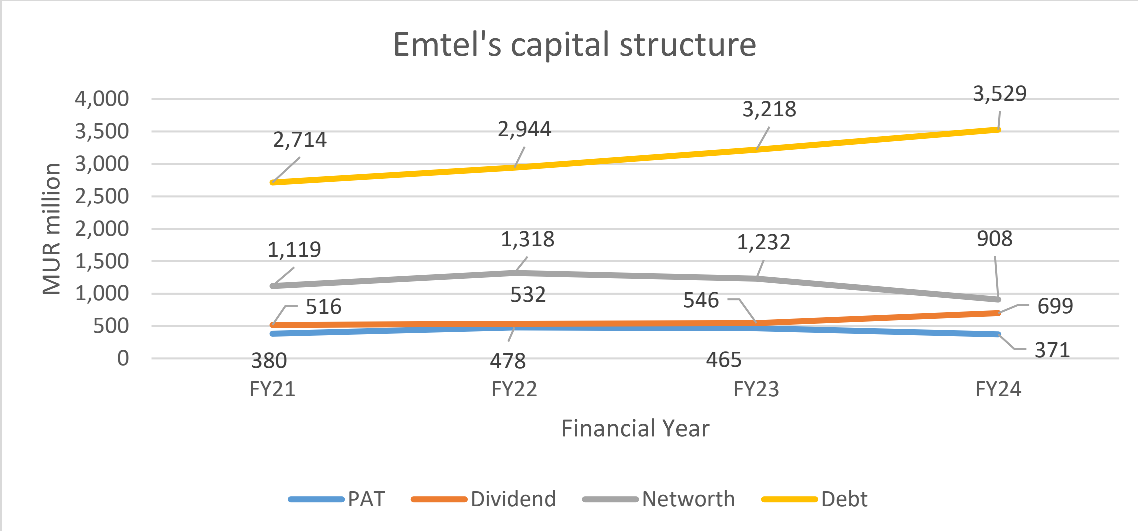
In 2014, the Currimjee Group procured the entire stake of Millicom in Emtel. In 2015, Emtel partnered with Bharti Airtel Limited [rated CARE AAA; Stable/ CARE A1+ on October 28,2024], India's leading telecom service provider with operations in 20 countries across Asia and Africa. As such, Indian Continent Investment Limited, (ICIL) acquired 25% stake in Emtel. Emtel has a Business Support Services Agreement with Bharti Airtel Limited to leverage from the technical and commercial know-how on sales & distribution, broadband, IT, customer services, finance, procurement, revenue assurance, human resource, network and FinTech. Emtel has been in the forefront in technology and innovation.

The shareholding structure as on December 31, 2024, of Emtel is as follows:



High dividend payout exceeding PAT constrains networth and leads to leveraged capital structure

Emtel maintains a high dividend payout policy with payouts that exceed its annual profit, thereby limiting the accumulation of retained earnings and constraining the growth of tangible networth. Since FY21, the company's dividend payouts have consistently surpassed 100% of PAT, as illustrated below.



In FY24, Emtel announced a dividend of MUR 700 million, factoring in an anticipated gain of approximately MUR 283 million from the planned disposal of its 90% stake in EM Vision. However, due to delays in regulatory approvals, the transaction was deferred to FY25. Despite this, the Company proceeded with the planned dividend payment as same was already communicated to shareholders during the IPO process, thus resulting in a dividend payout that exceeded its FY24 PAT of MUR 371 million.

As a result, tangible networth declined sharply from MUR 1,232 million as of December 31, 2023, to MUR 908 million as of December 31, 2024. This payout mismatch, combined with the absence of the anticipated disposal gain in FY24, contributed to a more leveraged capital structure. In year 2025, taking into account the disposal of the stake in MC Vision, the Company is expected to generate higher PAT than the planned dividend payout.

Continued strong operational and financial performance, tempered by elevated leverage.

In FY24, Emtel's total income grew by 10 %, supported by stronger data services, enterprise solutions, and device sales. Despite top-line expansion, EBITDA margin decreased to 40.2% (FY23: 44.3%) mainly due to exceptional one off costs associated with the initial public offering, legal costs for MT case hearing at Privy Council and special bonus paid to staffs. Excluding the one-off expenses, Emtel's adjusted EBITDA margin has increased from 45.9% to 48.4%. Operating profit was further pressured by higher depreciation (2024: MUR 875 million vs 2023: MUR 799 million) and additional interest expense on a new MUR 2 billion term loan, contributing to a 20% fall in PAT to MUR 371 million (inclusive of a MUR 207 million gain on PPE disposals). Gross cash accruals remained healthy at MUR 1,246 million.

Expecting a sizeable capital gain from the planned sale of its 90 % stake in EM Vision, management declared a MUR 699 million dividend. However, due to a delay in regulatory approval, the sale has been postponed for FY25. Since the dividend payment was already communicated, Emtel paid an amount of MUR 699 million as dividend against PAT of MUR 371 million, resulting in a deterioration in overall gearing to 3.89 times as on December 31, 2024 (December 31, 2023: 2.61 times) and the net gearing to 3.51 (December 31, 2023: 2.47times). Total debt to EBITDA to 2.32 times as on December 31, 2024 (December 31, 2023: 2.11 times). Total debt to GCA was 2.83 times (December 31, 2023: 2.55 times) and interest coverage was 6.65 times (December 31, 2023: 7.68 times) as on the same date.

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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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.