

Brief Rating Rationale

CRAF assigns ‘CARE MAU A+ Stable/ CARE MAU A1+’ rating to the bank facilities and CARE MAU A1+ rating to proposed Money market instrument issue of Axess Limited

Ratings

Instrument/Facilities	Amount	Rating	Rating Action
Bank Facilities – Overdraft, Import loan and Letter of Credit	MUR 350 million	CARE MAU A+; Stable (Single A Plus; Outlook: Stable) CARE MAU A1+ (A One Plus)	Assigned
Proposed Money Market Instrument*	MUR 100 million	CARE MAU A1+ [A One Plus]	Assigned

The aggregate of outstanding MMI and working capital facilities shall always be within the overall sanctioned working capital limits (overdraft limit and import loan) of Axess of MUR 335 million with banks).

Rating Rationale

The rating assigned to the bank facilities of MUR 350 million and proposed Money Market instrument of MUR 100 million of Axess Limited (“Axess”) derives strength from the long & satisfactory track record of Axess in the auto dealership business, the company’s position as the second largest automobile dealer in Mauritius (in terms of units sold), part of ENL group, being the sole dealer of Jaguar, Land Rover, Ford, Citroen, Mazda & Peugeot in Mauritius, 15 years long relationship with Jaguar and Land Rover and the rising demand for car sales in Mauritius during last 5 years. The rating also takes into consideration the company’s stable financial position with moderate gearing, low working capital utilisation level and satisfactory debt coverage indicators and comfortable liquidity. The rating is, however, constrained by foreign exchange fluctuation risk, competition from dealers of other luxury brands and secondary market and risk associated with inherent cyclical nature of demand in the automobile sector.

Rating sensitivities

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

- Ability to maintain steady operating margin
- Ability to maintain second leadership position in the automobile dealership market of Mauritius
- Effective working-capital management

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

- Non -renewal of dealership Agreement with Jaguar/ Land Rover
- Timely debt servicing

BACKGROUND

Axess was incorporated in October 1982 as a private limited company in Mauritius. Since 1989, under the leadership of Mr. Antoine D’Unienville, Axess has broadened its portfolio of car brands, increased its market share and positioned itself as one stop shop for the motor vehicle owners on the island. In 2006, Axess has entered into an agreement with Land Rover and Jaguar UK for the distribution of Land Rover and Jaguar vehicle in Mauritius. Axess is also a specialist supplier of heavy vehicles and agricultural/industrial equipment and operates a portfolio of international brands including Isuzu, New

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Holland and Sumitomo. In August 2015, Axess has amalgamated with Tractors and equipment (Mauritius) Ltd (TEML) and Axess remains as the surviving company. Axess is wholly owned (100%) by ENL Commercial, which in turn is a subsidiary of ENL Limited (CARE MAU A Stable).

Axess is the sole distributor of Jaguar and Land Rover cars in Mauritius for over 15 years. The company has expanded its activities and entered distribution of Ford, Suzuki, Mazda, Citroen and Peugeot (all sole distributors except for Suzuki).

Axess is engaged in the distribution of new cars - passenger vehicles, commercial vehicles and heavy vehicles of agricultural /industrial equipment. The company display its vehicle brands through its two showrooms (rented) equipped with 4-S facilities (sales, service, spare-parts, and systems) in Mauritius along with one body & paint and mechanical workshop. Apart from this, the company is also involved in trading of pre-owned cars. Other additional income from Axess is from its sales of spare parts and accessories and car servicing facilities. Axess also has a dedicated Tyre Department (Michelin) supplying a range of tyre brands (including Michelin) to its customers.

Management: Axess is a professionally managed company. It is governed by a 5-member Board of Directors comprising of eminent industrialists and professionals. The strategic affairs of the company are looked after by him and Mr. Antione D’unienville (General Manager of Axess).

Financial Position: In FY20, Total income witnessed a dip of 4% due to 3 months lockdown period and challenges faced with import of new cars due to closed frontiers. Despite lower turnover, EBIDTA increased by 14% in FY20 due to lower cost of sales (company benefited in turnover from appreciation of USD & EURO between March-June period). PAT was lower due to higher depreciation upon application of IFRS 16. GCA increased from Mur 113 million in FY17 to Mur 173 million in FY20.

In FY21, despite lower revenue from car sales, turnover witnessed an increase of 1.1% due to higher revenue from sale of spare parts, tyres and servicing. However, EBITDA and PAT were lower due to higher cost of goods sold vis-à-vis incremental turnover, since Axess provided discounts to clear its stock of cars in May-June 2021 (post second lockdown). GCA was satisfactory at MUR 157 million.

Axess doesn’t have any long-term debt from banks and Financial Institution

[Madam Aruna Radhakeesoon did not participate in the Rating Committee discussion of this case because of her association with Rogers & Co. Ltd, an associate company of Axess Limited]

Disclaimer

CARE Ratings (Africa) Private Limited (“CRAF”)’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF’s ratings do not convey suitability or price for the investor. CRAF’s ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

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CRAF’s ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure I

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. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

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.