

## Leal & Co. Ltd

July 07, 2022

### Ratings

Facilities/Instruments	Amount (Mur Million)	Rating <sup>1</sup>	Rating Action
<b>Proposed term loan</b>	600 (enhanced from MUR 500 million)	<b>CARE MAU A+; Stable [Single A Plus; Outlook: Stable]</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>600</b>		

### Rating Rationale

The rating assigned to the proposed term loan of MUR 600 million of Leal & Co. Ltd ("Leal") continue to derive strength from the long & satisfactory track record of the promoter in auto dealership business, Group's leadership position in automobile dealership in Mauritius, Leal being the sole dealer of BMW, Mini, Renault and Mitsubishi in Mauritius and the preferred dealer amongst Corporates and Govt. bodies, long association with BMW group for over 40 years and the rising demand for car sales in Mauritius during last 5 years barring CY20. The rating also takes into consideration the group's presence in distribution of branded products across various industries in Mauritius, stable operating margin for last few years, satisfactory financial position with moderate gearing & liquidity and stable performance & cash surplus of the dividend paying subsidiaries.

The rating is, however, constrained by the working capital-intensive nature of the business, foreign exchange fluctuation risk, competition from dealers of other luxury brands & secondary market, risk associated with inherent cyclical nature of demand in the automobile sector, significant investment in group companies and completion of the ongoing/proposed projects well within stipulated cost & time.

### Rating sensitivities

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

- Ability to maintain steady operating margin
- Ability to maintain 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**

- Additional investment in group companies (over & above already considered) vis-à-vis net worth adversely affecting its liquidity and debt coverage indicators
- Deterioration in performance of any major subsidiary leading to support requirement from Leal
- Additional long-term debt at Leal & Co. Ltd
- Non-renewal of dealership Agreement with BMW

### BACKGROUND

Leal & Co. Ltd ("Leal") was incorporated in January 1976 by Late Mr. Michael Joseph Clency Leal as a private limited company in Mauritius. Mr. Leal's venture in the automotive sector started in 1970 by setting up a small garage for car repairs under Société Clency Leal. In 1972, Société Clency Leal entered into an agreement with BMW AG for distribution of BMW cars (most popular brand in the luxury segment of Mauritius). In 1976, the agreement with BMW AG Germany was renewed under Leal. In 1981, Leal was converted into a public limited company.

Leal is engaged in the dealership of new cars - passenger vehicles and motorcycles through its showrooms equipped with 4-S facilities (sales, service, spare-parts, and systems) in Mauritius along with one sales outlet in North of the Island and one body & paint workshop. In addition to the above, the company also deals in pre-

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owned cars, spares parts, car accessories (BMW, Mini, Renault and Mitsubishi), car servicing facilities and car rental business.

Leal has been the dealer of BMW cars in Mauritius for more than 40 years. The company expanded its activities and entered into dealership of Renault (2004), MINI (2007) and Mitsubishi (2015). In October 2013, Leal Group entered into a dealership agreement with BMW in Reunion Island.

**Leal Group ("Leal & Co. Ltd and its subsidiaries")** is engaged in distribution of various products across a wide range of industries - automobile, pharmaceutical, chemical, consumer goods, retail products, IT products (distributor of Apple, Microsoft & Symantec products), software, information technology services and engineering in Mauritius and Reunion Island.

**Management:** Leal is governed by twelve-member Board of Directors comprising of professionals with wide range of experience and expertise. Mr. Eric Georges Michel Leal took over as the Chairman and Group Chief Executive officer in May 2014. Mr. Eric has worked in various departments of Leal for more than 25 years and has a good understanding of the automotive market of Mauritius. The strategic affairs of the company are looked after by himself and Mr. Yousouf Rehmally, the Group CFO.

### **CREDIT RISK ASSESSMENT**

#### **Experienced promoters with long track record in auto dealership business**

Leal is promoted by Leal family based in Mauritius. Leal is into operation for more than 40 years and is the largest automobile dealer of Mauritius for the last 7 years. Mr. Eric Georges Michel Leal (Chairman) has been working with various departments of Leal for more than 25 years and has a good understanding of the automotive market of Mauritius. He is well supported by Mr. Yousouf Rehmally (CFO) associated with the sales, operations, and finance division of the company for more than 25 years.

#### **Leal Group's leadership position in automobile dealership in Mauritius**

Leal group (Leal and its subsidiary company United Motors Ltd.-engaged in distribution of KIA cars), is currently the largest car dealer of Mauritius with 27% share of the passenger & commercial vehicle market of Mauritius (based on CY2021 (January to December 2021) sales). Leal Group registered the highest sales of passenger cars in Mauritius in recent years with 2,409 units in 2021 (Jan-Dec).

#### **Group's presence in distribution of branded products across various industries in Mauritius**

Leal group, through various subsidiaries, is engaged in distribution of various branded products across a wide range of industries starting from automobile to medical, consumer goods, electronic goods, software, information technology services and engineering in Mauritius and Reunion Island. A brief snapshot of the major business activities of the group and their financials are as under:

**Pharmacie Nouvelle Ltd (PNL)** is engaged in the distribution of consumer goods, pharmaceutical products, retail good and chemical products in Mauritius. In the consumer goods sector, PNL is engaged in distribution of consumer products, ranging from baby nutrition to baby care, personal care, feminine hygiene, home care products, food, wine, and spirit. PNL is the sole distributor for some of the well-known pharmaceutical companies in the world- Merck, GSK, Sanofi Aventis, Pfizer, and Roche in Mauritius.

**Leal Reunion** – is the sole distributor of BMW cars in Reunion Island. In FY21, sale of cars increased significantly (BMW cars increased by 32.5% and sale of MINI increased by 65.3%) following the introduction of new electric

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models. There has also been an improvement in gross profit margins. The aftersales activities were impacted by late deliveries of spare parts and increase in freight charges.

**United Motors:** United Motors is engaged in distribution of KIA cars. It has the sole dealership of KIA cars in Mauritius. KIA sales remained stable over last 2 years.

**Solinfo SARL (Reunion)** is the sole distributor of Apple products and the representative for Microsoft, Symantec, ViewSonic, MSi, NComputing products in Reunion Island. Demand for Apple products increased post the lockdown and appreciation of EURO boosted revenue.

**Leal Equipements Cie Ltée (LEC)** is a solutions provider in the Heavy Engineering, Industrial and Transport sectors in Mauritius with strong distribution channel in the Indian Ocean Region. LEC has more than 10 years' experience in its different sectors of activity.

**Leal Communications and Informatics (LCI)**, a leader in the ICT sector in Mauritius, is engaged in the provision of technology solutions and represents brands such as Microsoft, HPE, Apple, ViewSonic, Symantec, Sophos, Fujitsu and Fortinet in Mauritius. LCI also operates several retail outlets (iShop by Leal) in Mauritius and Rodrigues.

**DistriPC** is a distributor of hardware and software in Mauritius. It supplies brands such as Microsoft, Symantec, Veritas, Mobile Iron, Epson, Transcend, ViewSonic, Lexmark, MSI, Acer, Devialet and Jabra to Mauritius, Indian Ocean Islands, mainland Africa and French Pacific.

**The brief financials of major group companies are as under:**

*MUR Million*

Companies	Stake (%)	Nature of Business	Turnover	EBITDA	PAT	Total Debt	Net worth	Overall gearing	Total debt / GCA
Pharmacie Nouvelle Limited	72.94	Consumer goods distributor	2,392	118	60	614	509	1.2	5.2
Leal Reunion*	100	BMW vehicles distributor	3,761	270	111	521	225	2.3	1.9
United Motors Limited	100	KIA vehicles distributor	1,397	122	104	126	108	1.2	1.0
SARL Solinfo*	50	Representative of Apple	715	77	29	28	49	0.6	0.4
Leal Equipments Compagnie Ltee	75	Solutions provider for Heavy Engineering projects	261	(8)	6	13	81	0.2	NM
Leal Communications & Informatics Ltd	90	IT solutions	488	18	18	14	40	0.4	0.8
DistriPc Ltd	75	Hardware/Software distributor	863	34	35	5	57	0.1	0.1

*Converted at rate: EUR 1 = MUR 45*

In FY21, all the subsidiaries reported satisfactory performance with positive PAT. The improved performance of Leal Reunion is attributed due to the increase in sale of cars with the arrival of new electric models such as BMW iX3 and MINI cooper SE. Performance of PNL is also commendable with 5% increase in revenue as compared to FY20 and good results from all the clusters. The consumer good cluster was the largest contributor to PNL's overall revenue. Following a great performance by DistriPC, it has established itself as a key ICT distributor in the region with its large variety of products offered.

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### Sole authorized dealer of BMW- the highest selling luxury car in Mauritius

Leal enjoys the leverage of being the sole dealer of BMW in Mauritius. It has an agreement with BMW AG based in Germany to act as its distributor and the same has been renewed annually for the past 45 years. Leal management has stated that the company's long association with the brand also speaks about its ability to renew the sole distributorship contract in future. The company's showroom, spare parts, repairs & maintenance division, and new body workshop has been set up under the guidance of BMW. This apart, as per the Regulations of BMW, a contract with the dealer is terminated on liquidation or inability to meet target. In case of Leal, it is a cash surplus company and is the leading automobile dealer in Mauritius. In the luxury car market of Mauritius (BMW, Mercedes, Audi, Jaguar, Porsche, and Land Rover), the unit sales of BMW have consistently been the highest in last 6 years.

Passenger Cars Sold (Units)	2016	2017	2018	2019	2020	2021
	12m	12m	12m	12m	12m	12m
<b>BMW</b>	661	657	667	588	526	434
<b>Mercedes</b>	410	413	325	336	323	305
<b>Audi</b>	242	271	270	241	227	197
<b>Land Rover</b>	49	36	22	91	85	84
<b>Volvo</b>	0	0	0	8	45	79
<b>Mini</b>	33	28	47	66	66	68
<b>Porsche</b>	61	48	52	53	46	67
<b>Jaguar</b>	80	78	77	86	38	51

Source: National Transport Authority and Leal Annual Report

In FY21, sale of new BMW cars in Mauritius dipped due to lower stock availability on the global market. Despite this, BMW cars are quite popular around the island and are the highest selling car in the luxury segment and top 6 bestselling cars overall from 2015 to 2021 (Source: National Transport Authority). Due to small size of the market almost every brand has only one authorized car dealer, hence competition from another dealer representing the same brand is very unlikely. The management stated that the sale volume for 2022 and 2023 will be better.

### Preferred dealer for Corporates and Govt. bodies

Leal's customers are mainly Corporates, Government bodies and individuals. Corporates accounts comprise of majority of the car sales followed by individuals and Govt. bodies. Leal has a strong reputation thanks to its after-sales service facility. Leal's workshop and inventory of spare parts is considered the best in Mauritius.

### Sole authorized dealer of Renault, Mitsubishi and Mini in Mauritius

Leal is also the sole authorized dealer of Renault, Mitsubishi and Mini in Mauritius. United Motors Limited is also the sole distributor of KIA cars in Mauritius. All these sole dealership acts as a strong and consistent revenue generating source for the company and the group. It also helps Leal to establish its dominant position in the auto dealer market of Mauritius. While Mini is sold in the same showroom of BMW, but Renault, Mitsubishi and Kia are sold through different showrooms.

<b>New Passenger Cars Sold (units)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
KIA (Leal group)	1,242	1,244	1,145	982	1305
Suzuki	633	790	938	651	1196
Toyota	962	1,023	938	729	854
Hyundai	1,044	623	939	523	691
Mitsubishi (Leal)	187	245	452	396	345
Nissan	942	993	671	419	322
Honda	380	392	330	230	253
Renault (Leal)	533	479	470	357	207
MG	0	29	73	96	192
Mazda	141	166	73	77	139
Peugeot	133	180	170	153	136

Source: National Transport Authority and Leal Annual Report

In FY21, there was an increase in sale of new passenger cars for majority of the brands except for Nissan, Mitsubishi, Renault, and Peugeot compared to FY20 in which sales were impacted by the pandemic and lockdown. Prior to the pandemic, the past trend shows increase in sales of KIA and Mitsubishi (Leal became authorized dealer in 2015) over the last few years have reduced dependence of the company on BMW for revenue from sale of cars. This apart, the company earns revenue from sale of spare parts, pre-owned cars, revenue from services (repairing of cars in workshop).

**Car Rental Services** - In 1974, Leal has tied up with Europcar (one of the largest car rental companies of Europe), for providing car rental services. It was the first Europcar franchise outside Europe. Tourism is one of the key pillars of the economy of Mauritius and more than 50% of the tourist are European. With a large fleet of vehicles ranging from the small Kia Picanto to the luxurious BMW, Europcar is a leading rental car company in Mauritius. The company has presence in the largest hotel groups and airport. Europcar brand also provides an edge to the company compared to other International (Avis, Sixit, Enterprise, Hertz, etc.) and local car rental companies.

**The revenue stream of Leal is as under:**

	<b>FY19</b>	<b>% of</b>	<b>FY20</b>	<b>% of</b>	<b>FY21</b>	<b>% of</b>
	<b>MUR Million</b>	<b>Revenue</b>	<b>MUR Million</b>	<b>Revenue</b>	<b>MUR Million</b>	<b>Revenue</b>
Sales of new vehicles	2,627	76.0%	2,241	74.6%	2,248	73.3%
Sales of spare parts	448	13.0%	425	14.1%	507	16.5%
Sales of services	268	7.8%	244	8.1%	264	8.6%
Rental Services	100	2.9%	89	3.0%	33	1.1%
Others	11	0.3%	7	0.2%	14	0.4%
<b>Total Revenue</b>	<b>3,454</b>	<b>100%</b>	<b>3,006</b>	<b>100%</b>	<b>3,066</b>	<b>100%</b>

Leal witnessed an overall increase in revenue from the different sale streams in FY21 except for rental services. Sale of new vehicles were more or less the same in both years, FY21 and FY20.

### **Stable operating margin in car dealership, service, and spare parts**

Leal's automobile dealership model is purely trading in nature, wherein profit margins during are high compared to trading nature of business and profit margin of other car dealers. The company's gross profit margin from car sales ranges between 10-12% and that from sale of spare part and after sales services ranges between 35-40%. This is because of long relationship & better bargaining power with BMW, which enables the company to get discounts, offers, and higher credit period on cars from BMW. This apart the company's leadership position in automobile market of Mauritius also enabled it to negotiate better terms with Renault and Mitsubishi. The demand for high end BMW cars and increasing demand for Mitsubishi SUVs has also boosted the company's profit margin.

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This apart higher rebate on purchases and consistent flow of dividend, rental income & management fees has boosted the company's profitability.

### Stiff competition from secondary market

Although Leal is the only new car dealer of BMW, it faces competition from used car dealers who import cars of various brands including BMW from Japan & Europe. The used car dealers influence the automotive sector in Mauritius. In January- December 2021, registration of new cars was around 9,070 units and imported cars was around 6,755 units. Sale of cars, both used cars and new cars were lower as compared to pre-covid years due to the lockdown and closure of international borders however sale of new cars was slightly higher in CY21 compared to CY20. The used imported car registration fell by 7% for the period CY21 over CY20 whilst new car registration increases by 8% during the same period.

### Significant investment in group companies

As on June 30, 2021, Leal had an investment of MUR 552 million in subsidiaries and associates. In FY21, Leal has acquired/increased its stake in Leal Property Ltd, Leal Investment Ltd, Leal Logistics Ltd and Leal Energie Ltd for an aggregate amount of MUR 84.8 million. There was also a reduction of stake in Leal Agency Ltd for an aggregate amount of MUR 6 million during the year. All the major group companies were profitable in FY21.

### Low Project Risk

Leal has decided to execute the following project over next 18 months:

	<b>Acquisition of land and Construction of three new showrooms Montebello Smart City (MUR Million)</b>
<b>Total Capex</b>	771.0
<b>Total amount borrowed</b>	600.0
<b>Land</b>	96.2 (already acquired)
<b>Means of Finance</b>	Term Loan from AfrAsia of MUR 600 million and rest MUR 75 million from own cash accruals
<b>Project completion date</b>	July 2023

Leal has acquired 11,400 m<sup>2</sup> of land in Montebello Smart City, Pailles (opposite to Leal showroom) and will start construction of three new showroom for Renault, Haval and Mitsubishi with workshop and service facilities. The project will entail a cost of MUR 675 million (excluding land already purchased) and will be executed by subsidiary company - Leal Property Ltd. The later has already procured the land at MUR 96.2 million and has appointed as contractors, Gamma Materials, for the construction of the showrooms. Construction is expected to be completed in 2023. The company proposes to raise a term loan of MUR 600 million from AfrAsia and utilize the same to invest in Leal Property Ltd for the showroom's construction. The project risk is low given there will be only construction of showrooms and warehouses, and these are mostly cost saving projects.

### Foreign exchange fluctuation risk

Leal is exposed to foreign exchange fluctuation risk by virtue of purchase price of cars & spare parts in Euro (BMW, Mini & Renault) and Yen (Mitsubishi) and selling price in MUR. Leal has a credit line of Euro 12 million (MUR 545 million) from BMW at 0% rate for 60 days and a facility of Euro 1.25 million (MUR 56 million) from Renault. Initially the same is utilized for purchasing the cars. The company has an active Treasury desk, headed by Mr. Rehmally, which monitors the movement of Euro/MUR & Yen/MUR closely and the credit facility is repaid on the favourable

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Euro/MUR rate. In case of any adverse movement, the company has an option of rolling the facility for another 30 days. However, the company has rarely used the same. During last 5 years, the company has always posted foreign exchange gain. This apart, the company also follows a stringent policy to cover its foreign exchange risk with forward cover in case of adverse movement of currency.

### **Competition from the other automobile dealers of other cars**

Mauritius automobile industry remains a moderately concentrated market. The top 5 dealers - Leal Group, Axess, Toyota Mtius, Bamyris Motors Ltd and ABC Group control around 64% of the market share of new passenger and commercial cars sold. Leal faces competition from dealers of other luxury & premium cars in Mauritius (Mercedes, Audi, Honda, Toyota, Hyundai, Nissan & Suzuki). Leal group is the largest car dealer of Mauritius (in terms of units sold), for last 5 years. It has maintained its market share at 27% in FY21 despite the drop in car sales during the year.

The automobile industry has witnessed gradual increase in demand of passenger car over the past 10 years. The upward trend in demand for cars have been mainly driven by increasing purchasing power of Mauritians, rising income, declining taxes on vehicles over the period, changing lifestyle and psychological factors like status, social and personal aspirations, and emotional aspects. In FY20 post the pandemic, the automotive sector was impacted leading to a worldwide reduction in car sales. The closed borders and ceasing of operations due to the lockdown slackened the sale of cars. However, new vehicles registration has increased by 6% in FY21, and it is expected to continue on the same trend in FY22.

### **Cyclical nature of the auto industry**

The automotive sector is inherently vulnerable to the economic cycles and is highly sensitive to interest rates and fuel prices. Following the pandemic and more than two months' lockdown in Mauritius in 2020, there was a 19% drop (net addition of 23,452 vehicles of all types) in number of registered vehicles in Mauritius as compared to 29,077 registered in 2019. The fleet of vehicles roaming the roads of Mauritius consist mainly of cars, pickup, and dual-purpose vehicles (63%).

However, the demand picked up in 2021 with a slight increase of around 6% in the number of registered vehicles in Mauritius. As per the statistics published by National Transport Authority in December 2021, new vehicles registration has increased to 24,947 compared to 23,452 in 2020. As per few car dealers, sales have exceeded expectation in 2021 with an average 80% of vehicles sold being financed via leasing facilities. This apart, car sales are also triggered by significant tax discounts being offered by Govt. of Mauritius on electric & hybrid vehicles. More than 6,300 vehicles (2,700 new vehicles) have been registered in Q1FY22 as per National Transport Authority. The threat of new entrants in the industry remains quite low as Mauritius is small market and almost all the big brands are already represented in the market. Furthermore, with the current legislation not allowing on-demand ride-sharing transportation companies (such as Uber, Lyft, Ola etc.) to operate in Mauritius, close alternatives that may dent the demand for automobile remain limited. The impact of Light Rail Vehicle (Metro Express) is unlikely to significantly impact the demand for pick-ups & cars as it does not cover the entire island and the ongoing pandemic, people are mostly opting to travel by their own mean of transport rather than crowded public transport. However, development of a wider network for such transportation in the future might negatively impact the automotive industry.

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## Prospects

Going forward, the prospects of Leal will depend on its ability to sustain profitability, maintain leadership position in the automobile market of Mauritius and general economic outlook. Effective working-capital management, improvement in capital structure and performance of group companies remains critical from credit perspective

## FINANCIAL PERFORMANCE

### Leal (Consolidated)

MUR Million

For the year ended as on	Jun-19	Jul-20	Jul-21
	<b>12M, Audited</b>		
Revenue	11,194	11,221	13,312
Total Income	11,301	11,334	13,448
EBIDTA	615	658	836
Depreciation	189	271	260
Interest	136	157	132
PBT	371	311	518
PAT	297	217	385
Gross Cash Accruals (GCA)	486	488	645
Dividend paid/proposed	65	60	65
Equity share capital	366	366	366
Tangible network	1,658	1,788	2,034
Total debt	2,159	2,723	2,001
- Long term debt	768	694	719
- Short term debt	1,494	2,029	1,282
Cash & Bank balances	323	572	517
<b>Key Ratios</b>			
EBIDTA / Total operating income	5.49	5.86	6.28
PAT / Total income	2.6	1.91	2.86
ROCE- operating (%)	8.2	6.05	9.11
RONW (%)	19.3	12.59	20.12
Debt equity ratio	0.5	0.39	0.35
Overall gearing ratio	1.3	1.52	0.98
Interest coverage (times)	4.5	4.18	6.34
Total debt/ EBITDA	3.5	4.14	2.39
Current ratio	1.1	1.12	1.20

### Stable Financial position with moderate gearing

Leal group reported a very satisfactory performance in FY21 with Revenue, EBIDTA and PAT being the highest since the past few years despite the pandemic and lockdown. The strong performance of the different clusters contributed to the improved performance in FY21. Total income was up by 19% (MUR 13 billion in FY21 compared to MUR 11 billion in FY20) and PAT by 77% (MUR 385 million in FY21 as compared to MUR 217 million in FY20). The higher revenue is attributed to an increase in number of car and spare part sold. Sale of services, IT products, consumer goods, pharmaceutical products etc. were also higher during the year. The only segment that reported lower revenue is the rental business which was impacted due to closed borders. All the major group companies were profitable in FY21. The major contributor to revenue is Leal Reunion which posted a revenue of MUR 3.8 billion and PAT of MUR 111 million during the year compared to loss after tax of MUR 9 million in FY20. The boosted revenue is a result of an increase in number of cars sold in Reunion Island.

Leal Group had a cash balance of MUR 517 million as of June 31, 2021. The overall gearing was at 0.98x times (from 1.52x times in FY20) with a good portion of debt been repaid. Leal Group paid a dividend of MUR 65 million in FY21. Debts were lower by around MUR 400 million in the group companies. Debt will remain at a similar level in FY22. As confirmed by the management, an amount of none of these companies will require cash assistance from Leal Group in the projected years.

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**Leal (Standalone)**

MUR Million

For the year ended as on	Jun-19	Jun-20	Jun-21
	<b>12M, Audited</b>		
Revenue	3,454	3,006	3,066
Total Income	3,629	3,170	3,283
EBIDTA	322	298	281
Depreciation	93	99	89
Interest	51	59	49
PBT	224	175	174
PAT	200	141	157
Gross Cash Accruals (GCA)	292	240	246
Dividend paid/proposed	65	60	65
Equity share capital	366	366	366
Tangible network	1,185	1,244	1,268
Total debt	730	994	632
- Long term debt	227	216	170
- Short term debt	503	778	462
Cash & Bank balances	93	80	64
Investment in subsidiaries and associates	412	473	552
<b>Key Ratios</b>			
EBIDTA / Total operating income	9.32	9.91	9.15
PAT / Total income	5.50	4.46	4.77
ROCE- operating (%)	2.76	1.51	-1.1
RONW (%)	17.96	11.65	12.47
Debt equity ratio	0.19	0.17	0.13
Overall gearing ratio	0.62	0.80	0.50
Interest coverage (times)	6.29	5.06	5.70
Total debt/EBITDA	2.27	3.34	2.25
Current ratio	1.1	1.1	1.1
Avg. Collection Period (days)	33	40	35
Avg. Inventory (days)	71	100	109
Avg. Creditors (days)	34	48	49
Op. cycle (days)	69	93	94

**Financial Analysis**

In FY18 & FY19, Leal witnessed steady revenue growth in the sale of BMW, Renault, and Mitsubishi cars; thereby increasing the sale of vehicles, spares & accessories, and servicing. However, in FY20, Total income witnessed a dip of 12.6% due to 3 months lockdown period and with the closed frontiers from importing new cars. In FY21, total income increased from MUR 3,283 million to MUR 3,170 million in FY20. The company has been able to maintain its position as market leader in the automobile industry with a market share of 27%. PAT witnessed an increase of 11%. During FY18-FY21, GCA was comfortable.

Overall gearing ratio has improved from 0.80x as on June 30, 2020, to 0.50x as on June 30, 2021, following the repayment of debt. Total debt/EBITDA also improved to 2.25x from 3.34x in FY20. Leal is a low geared company. Current ratio has been above unity over the few years, since the company uses advance from customers to part finance its inventory. The average fund based working capital utilization was at 45% during the last 12 months ended March 2022. Leal paid a dividend of MUR 65 million in FY21. The cash position as at June 30, 2021 was MUR 64 million. Interest coverage was at 5.70x times.

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### Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve and intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax.
3. Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Net worth.
4. Total Operating Income includes revenue from others (Dividend income, rental income, Management fees, rebate on purchase, etc.)

### Details of Instruments Proposed Facility

Bank	Facilities/Instruments	Amount (MUR Million)	Interest Rate	Repayment
AfrAsia Bank	Proposed Term Loan	500	3.20% - Floating Rate cap at 3.65%	Moratorium on capital repayment for one year. Monthly repayments over a period of 84 months from July 2024
		100	3.20% - Floating Rate no cap	

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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.

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