

Leal & Co. Ltd
17 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bank Facilities	600	CARE MAU A+; Stable [Single A Plus; Outlook: Stable]	Reaffirmed

Rating Rationale

The rating assigned to the bank facilities 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 leadership position in the automobile dealership market of Mauritius
- Effective working-capital management
- Significant reduction in debt at consolidated level

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-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

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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 an eleven-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. is a professionally managed company.

CREDIT RISK ASSESSMENT

Experienced promoters with an established track record of operation 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 8 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 supported by Mr. Yousuf Rehmally (CFO) who has been in 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 26% share of the passenger & commercial vehicle market of Mauritius (based on CY2022 (January to December 2022) sales). Leal Group registered the highest sales of passenger cars in Mauritius in recent years (2015-2022) with 2,805 units sold in 2022 (July 2021 to June 2022) and 3,008 units (January 2022 to December 2022).

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 FY22, the company sold 929 new cars and 850 used cars vis-a-vis 1,062 new cars and 1,001 used cars in FY21 respectively. Leal Reunion witnessed a drop of 10% in BMW volume and a decrease of 20% in Mini volume. Volume decreases were mainly linked to production problems being experienced by factories worldwide. Despite plummeted sales volume and hence lower revenue in FY22, the company exceeded budget and realized a higher revenue compared to the past few years.

United Motors is engaged in distribution of KIA, Haval and GWM cars. It has the sole dealership of KIA cars in Mauritius. KIA sales remained stable over last 3 years and was the best-selling passenger car in 2021. Haval specializes in the manufacturing of SUVs and is the No. 1 brand in China.

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 due to restrictions on international air traffic as people who used to purchase Apple products during their overseas trips acquired

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same locally and appreciation of EURO boosted revenue. The release of the new iPhone 14 models also boosted the revenue.

Leal Equipments 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) is 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.

Financials (FY22) of the major group companies of Leal & Co. Ltd:

MUR Million

Companies (FY22)	Stake (%)	Nature of business	Turnover	EBITDA	PAT	Total Debt	Networth	Overall gearing	Total debt/ EBITDA
Leal Reunion*	100	BMW vehicles distributor	3,586	289	125	359	306	1.2	1.2
Pharmacie Nouvelle	75	Consumer goods distributor	3,027	174	108	796	620	1.3	4.6
United Motors	100	KIA vehicles distributor	1,532	106	90	186	167	1.1	1.8
DistriPc	75	Hardware / Software distributor	1,010	42	38	16	65	0.2	0.4
Leal Communications & Informatics	90	IT Solutions	700	24	28	-	45	-	-
Leal Equipments	75	Solutions provider for Heavy Engineering projects	480	10	27	25	86	0.3	2.5
Solinfo*	50	Representative of Apple	753	32	23	40	46	0.9	1.3

*Converted at rate: EUR 1 = MUR 46

In FY22, all the subsidiaries reported satisfactory performance with a positive PAT. Leal Reunion posted PAT of MUR 125 million in FY22 (highest profitability since inception) vis a vis PAT of MUR 111 million in FY21. The performance of PNL is also commendable with a 23% increase in revenue as compared to FY21 and good results from all the clusters. The consumer good cluster remained the largest contributor to PNL's overall revenue. DistriPC remains a key ICT distributor in the region with its large variety of products offered and continues its systematic growth with a realized MUR 1 billion landmark of total income in FY22.

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 4 years.

Passenger Cars Sold (Units)	2019	2020	2021	2022
	12m	12m	12m	12m
BMW	588	526	434	526
Mercedes	336	323	305	315
Audi	241	227	197	215
Land Rover	91	85	84	61

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Passenger Cars Sold (Units)	2019	2020	2021	2022
	12m	12m	12m	12m
Volvo	8	45	79	91
Mini	66	66	68	76
Porsche	53	46	67	74
Jaguar	86	38	51	45

Source: National Transport Authority and Leal Annual Report

In FY22, sale of new BMW cars in Mauritius was higher as more electric BMW cars were launched and sold during the year. 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 2022 (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.

Preferred dealer for Corporates, Ministers 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 primarily on account of its aftersales 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, Kia and Haval are sold through different showrooms. Haval is a specialist in the manufacturing of SUVs and was launched by Leal in 2021-22. It is one of the leaders of SUVs brands in China.

New Passenger Cars Sold (units)	2018	2019	2020	2021	2022
KIA (Leal group)	1,244	1,145	982	1305	1188
Haval (Leal group)*	-	-	-	-	111
Suzuki	790	938	651	1196	2330
Toyota	1023	938	729	854	1672
Hyundai	623	939	523	691	1000
Mitsubishi (Leal)	245	452	396	345	718
Nissan	993	671	419	322	948
Honda	392	330	230	253	234
Renault (Leal)	479	470	357	207	389
MG	29	73	96	192	193
Mazda	166	73	77	139	401
Peugeot	180	170	153	136	172

Source: National Transport Authority and Leal Annual Report

The launch of Haval SUVs in FY22 along with the concurrent increase in sales of both Mitsubishi SUVs and Renault cars have made the company less dependent on BMW and Mini for revenue on sale of cars. Kia sales was down by 9% mainly due to a global shortage in raw materials which in turn has caused disruption the supply of cars. The above table shows that the sales of new passenger cars are back to pre-pandemic levels and gradual growth is expected in the upcoming years. 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 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. In addition, with its break down service 24/7,

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Europcar offers the driver and passenger insurance coverage in line with the European standards. 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. **Revenue stream of Leal is as under:**

	FY20 MUR Million	% of Revenue	FY21 MUR Million	% of Revenue	FY22 MUR Million	% of Revenue
Sales of new vehicles	2,241	74.6%	2,248	73.3%	2,403	71.8%
Sales of spare parts	425	14.1%	507	16.5%	553	16.5%
Sales of services	244	8.1%	264	8.6%	282	8.4%
Rental Services	89	3.0%	33	1.1%	92	2.8%
Others	7	0.2%	14	0.5%	15	0.5%
Total Revenue	3,006	100%	3,066	100%	3,346	100%

Leal witnessed an overall increase in revenue from its different revenue streams in FY22. Sale of new vehicles in FY22 was at MUR 2,403 million (MUR 2,248 million in FY21). Sale of new BMW cars in Mauritius fell in FY20 and FY21 due to the COVID-19 pandemic & low stock. However, in FY22, with a satisfactory recovery of the economy and rise in demand, Leal achieved a 7% increase in the sales of new automobiles.

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

Leal's automobile dealership model is purely trading in nature, wherein profit margins are high compared to trading nature of business and profit margin of other car dealers. The company's GP margin from car sales ranges between 10-13% 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. 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 second-hand car dealers who import cars of various brands including BMW from Japan & Europe. The second-hand car dealers influence the automotive sector in Mauritius. In January - December 2022, registration of new cars was around 11,524 units and imported cars was around 6,552 units which represents an increase of 27% and a decrease of 3% vis a vis CY21 respectively.

Significant investment in group companies

As on June 30, 2022, Leal had an investment of MUR 665 million in subsidiaries and associates. In FY22, Leal acquired/increased its stake in Leal Property Ltd, Leal Investment Ltd, Leal Logistics Ltd and Leal Energie Ltd for an aggregate amount of MUR 112 million. There was no reduction of stake during the year in any of the subsidiary company. Around 46% of Leal's net worth is invested in group companies (FY21: 44%). All the major group companies were profitable in FY22.

Low Project Risk

Leal proposes to execute the following projects over next 18 months:

Montebello Smart City	Acquisition of land and Construction of three new showrooms
	(MUR Million)
Total Capex	771.0
Total amount borrowed	600.0
Land	96.2 (already acquired)
Means of Finance	Term Loan from AfrAsia of MUR 600 million and rest MUR 75 million from own cash accruals
Project completion date	December 2023 – January 2024

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Leal has acquired 11,400 sqm of land in Montebello Smart City, Pailles (opposite to Leal showroom) and has started construction of three new showrooms for Renault, Haval and Mitsubishi with workshop and service facilities. The project entails 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. There is a penalty clause should there be any delay by the contractor. Construction started in FY22 and will be completed by December 2023 or latest January 2024. Construction will be funded from the term loan of MUR 600 million. 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 595 million) from BMW interest free for 60 days and a facility of Euro 1.25 million (MUR 62 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 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, ABC Group and CFAO Group control around 80% of the market share of new passenger and commercial cars sold (for CY21). 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 6 years. Despite the 3% drop in market share in FY22, Leal & Co. Ltd continues to lead the market with a share of 26%.

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. As of December 2022, there were more than 648,000 vehicles roaming around Mauritius whereby the fleet of vehicles roaming the roads of Mauritius consist mainly of cars (45%), dual cab pickup (1.6%), dual-purpose vehicles (7.4%) and others (46%). As per the latest statistics published by the National Transport Authority (NTA), registration of vehicles has increased by 4% (25,188) to 648,176 vehicles (622,988 vehicles in CY21) in CY22. The number of vehicles registered in CY23 as at February was 1,913 vehicles.

The scale up of the number of passenger vehicles sold and registered yearly was triggered by the excise duty scheme on motor vehicles introduced in budget 2022-23 by the Government of Mauritius (GOM). Under the new regime, an excise duty concession of 55% is applicable on motor cars with an engine capacity not exceeding 1,000 cc and 45% is applicable on motor cars with an engine capacity exceeding 1,000cc.

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.

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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.

Stable financial position with moderate gearing

In FY22, Leal witnessed a 9% increase in revenue, bolstered by an overall improvement in the revenue streams of the company. The company has been able to maintain its position as market leader in the automobile industry with a market share of 26%. Leal recorded the highest EBITDA and PAT hiking at MUR 420 million and MUR 322 million respectively in FY22. Leal has also kept its cost of sales at an average sustained increase of 5%. GCA was comfortable at MUR 409 million in FY22 vis-à-vis debt repayment obligation of MUR 51 million in FY23. Dividend paid amounted to MUR 72 million in FY22. Overall gearing ratio has improved from 0.38x as on June 30, 2021, to 0.27x as on June 30, 2022, following the repayment of debt.

Leal group reported exceptional results in FY22 with Revenue, EBITDA and PAT being the highest for the second time in a row since FY21 despite the ongoing worldwide inflationary pressures. The overall strong performance of the group is attributed to the improved performance of the different clusters. In FY22, total income grew by 11% and PAT increased to MUR 561 million (MUR 385 million in FY21). The 11% increase in group's total income was mainly driven by a concurrent and commendable year-on-year turnover growth of Pharmacie Nouvelle Limited (PNL) and Leal's IT cluster.

Financial Performance

Leal (Standalone)

For the year ended as on	Jun-20	Jun-21	Jun-22
	MUR Million		
Total Income	3,006	3,066	3,346
EBITDA	298	281	420
Depreciation	99	89	88
Interest	59	49	48
PBT	175	174	337
PAT	141	157	322
Gross Cash Accruals (GCA)	240	246	409
Dividend paid/proposed	60	65	72
Equity share capital	366	366	366
Tangible net worth	1,244	1,268	1,440
Total debt	810	477	385
- Long term debt	77	62	100
- Short term debt	734	415	285
Cash & Bank balances	80	64	84
Key Ratios			
EBITDA margin	9.91	9.15	12.56
PAT margin	4.46	4.77	8.89
ROCE- operating (%)	1.54	NM	2.76
RONW (%)	11.65	12.47	23.75
Debt equity ratio	0.06	0.05	0.07
Overall gearing ratio	0.65	0.38	0.27
Interest coverage (times)	5.06	5.70	8.82
Total debt/EBITDA	2.72	1.70	0.92
Current ratio	1.1	1.1	1.3
Avg. Coll. Period (days)	40	35	32
Avg. Inventory (days)	100	109	93
Avg. Creditors (days)	48	49	46
Op. cycle (days)	93	94	79

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Leal (Consolidated)

For the year ended as on	Jun-20	Jun-21	Jul-22
	MUR Million		
Total Income	11,334	13,448	14,866
EBITDA	658	836	1,017
Depreciation	271	260	267
Interest	157	132	137
PBT	311	518	707
PAT	217	385	561
Gross Cash Accruals (GCA)	488	645	828
Dividend paid/proposed	60	65	72
Equity share capital	366	366	366
Tangible networth	1,788	2,034	2,348
Total debt	2,437	1,770	2,155
- Long term debt	486	560	782
- Short term debt	1,951	1,210	1,373
Cash & Bank balances	572	517	402
Key Ratios			
EBITDA / Total operating income	5.86	6.28	6.90
PAT / Total income	1.91	2.86	3.77
ROCE- operating (%)	6.17	9.25	12.25
Debt equity ratio	0.27	0.28	0.33
Overall gearing ratio	1.36	0.87	0.92
Interest coverage (times)	4.18	6.34	7.43
Total debt/ EBITDA	3.71	2.12	2.12

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.).

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Details of Instruments

Bank	Facilities/Instruments	Amount (MUR Million)	Interest Rate	Repayment
AfrAsia Bank	Bank Facilities	500	3.60% - Floating Rate cap at 3.65%	Repaid from the cash accruals over a period of 84 months from July 2024 (moratorium of 12 months on capital repayment)
		100	5.70% - Floating Rate no cap	Repaid from the cash accruals over a period of 96 months from July 2024 (moratorium of 12 months on capital repayment)

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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.

CARE Ratings (Africa) Private Limited

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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.

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