

Mammoth Trading Co. Ltd
23 August 2023

Ratings

| Facilities/Instruments | Amount (MUR Million) | Rating ¹ | Rating Action |
|----------------------------|----------------------|---|-----------------|
| Proposed Bond Issue | 650 | CARE MAU BBB+; Stable [Triple B Plus; Outlook: Stable] | Assigned |

Ratings Rationale

The rating assigned to the proposed bond issue of Mammoth Trading Co. Ltd ("MTL") derives strength from the leading position of the Company in the commercial retail market in Mauritius, its well established track record of almost four decades of operations in the country, increasing trend in sales across all product categories over the past two years indicative of its resilience, tie up with the leading Mauritian consumer credit provider, and the long- track record of the shareholders who have promoted MTL in Mauritius in 1985.

The rating is however constrained by the low net worth base and leveraged capital structure, decline in profitability in FY23 over the previous financial year, elevated inflation and interest rate environment affecting the purchasing power of customers and limiting access to consumer credit finance facilities, and fierce competition from other players.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in net worth and gearing level below 2.5x
- Growth of 20% in revenue while maintaining EBITDA and PAT margins above 10% and 4% respectively
- Improvement in liquidity management with cash conversion cycle being reduced to 45 days

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Additional debt taken to fund expansion
- Decline in profitability, affecting the cash generating capacity and margins of the Company
- Dividend payment to parent company resulting in a weaker net worth and higher gearing from current level

BACKGROUND

Mammoth Trading Co. Ltd ("MTL"), is a limited liability company incorporated in Mauritius in August 2015, which is into retailing of home furniture, consumer electrical appliances, electronics and mobile phones and is the largest retailer in Mauritius. The company operates a network of 22 stores in Mauritius and 2 stores in Rodrigues Island. The Company trades under the name of Courts Mammoth.

The history of MTL dates back to the 19th century when William Henry Court opened the first retail store in Canterbury, England in 1860, and sold to three brothers from the Cohen family in 1946. From 1950 to 1980, the Cohen family rapidly grew and expanded the business locally and internationally with opening of stores across the Caribbean, Asia-Pacific and northwestern Europe regions.

In 1985, the first Courts store was opened at Bell Village in Mauritius Courts (Mauritius) Ltd was incorporated and traded under the name of 'Courts Mammoth', reflecting the store's large size and diversified product mix. At the beginning of the

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

1990s, Courts (Mauritius) Limited was listed on the Stock Exchange of Mauritius (SEM). The Company quickly grew to become the largest retailer of furniture, electrical and IT products in Mauritius with its offer of lowest prices, easy credit and focus on customer service.

In December 2005, Courts (Mauritius) Limited was taken over by the BAI Group and following the collapse of BAI in 2015, all the assets of the Group (including Courts) were placed under Special Administration, and Courts was subsequently acquired by a consortium led by its previous owners, the Cohen family, forming a new company, Mammouth Trading Co. Ltd.

At 31 March 2023, MTL was a wholly owned subsidiary of Mammouth (Mauritius) Ltd ("MML"). MTL is governed by 6-member board of directors with Mr. Alexander Winston Lynford as Chairperson. The day-to-day running of the Company is entrusted to Mr. Andrew Cohen, the son of late Mr. Bruce Cohen.

Financial performance

The increased demand, post Covid-19, coupled with higher prices led MTL to register two consecutive years of high revenue growth of 41.88% and 15.46% in FY22 and FY23 respectively. While the EBITDA of MUR 340 million in FY22 was the highest recorded over the past five years, same was reduced to MUR 290 million in FY23 on the back of increased cost due to inflation and currency depreciation increase import costs. Further, the Company granted a 10% salary increase to all its staff to help them meet the persistently higher cost of living. PAT fell by 17.81% from MUR 95 million to MUR 78 million in FY23 but remains well above levels prior to FY22.

At 31 March 2023, MTL had an overall gearing of 3.98x (end of FY22: 1.60x). The total debt of the Company consisted of MUR 483 million of overdraft and ST facilities and MUR 124 million LT loans.

In FY23, MTL declared a dividend of MUR 100 million to its parent company MML. The dividend payment, which is a one-off transaction, was utilised to repay debt at the holding company which was contracted to buy back 15% of the outstanding shares in MML, and no dividend were paid to individual promoters.

During FY23, MTL has been more efficient in managing its working capital as shown by its Cash Conversion Cycle (CCC) which improved from 94 days in FY22 to 70 days. With Quick ratio increasing from 0.49x to 0.69x, it is overserved that the Company was better at turning its inventory into receivables, which are more liquid assets.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001

Details of Rated Instrument

| Instrument | Amount | Repayments |
|---------------------|-----------------|--|
| Proposed Bond Issue | MUR 650 million | MUR 150 million – August 2026 MUR 500 million – August 2028 |

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 instruments 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001

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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001

Contact us**Contact**

Name : Mr. Saurav Chatterjee
Title : Chief Executive Officer
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact

Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@careratingsafrica.com

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.

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

Phone: +230 59553060/58626551 • www.careratingsafrica.com

BRN: C14127054 • FSC License No.: CR14000001