Axess limited
17 November 2021

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
***Bank Facilities– Overdraft, Import loan and Letter of Credit**	350	CARE MAU A+; Stable (Single A Plus; Outlook: Stable) CARE MAU A1+ (A One Plus)	Assigned
Proposed Money Market Instrument*	100	CARE MAU A1+ [A One Plus]	Assigned
Total	**450**		

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 (Overdraft, Import loan and Letter of Credit) 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 in auto dealership business, Axess second leadership position in the automobile dealership in Mauritius, strong parentage with the ENL Group, Axess being the sole dealer of Jaguar, Land Rover, Ford, Citroen, Mazda and Peugeot and the preferred dealer for Leasing companies and Corporates. Axess relationship with Jaguar and Land Rover United Kingdom for over 15 years and the rising demand for car sales in Mauritius during last 5 years barring FY20 and FY21. The rating also takes into consideration Axess stable financial position with low gearing and low working capital utilisation level and stable debt coverage indicators and liquidity. The rating is, however, constrained by foreign exchange fluctuation risk, competition from dealers of other luxury brands and other secondary market, 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 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 Holland and Sumitomo. In August 2015, Axess has amalgamated with

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

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. Mr. Eric Espitalier Noel is the Chief Executive Officer of ENL Commercial and has extensive experience in the commercial and hospitality sectors, being a Board Member of various companies operating in those fields of activity. The strategic affairs of the company are looked after by him and Mr. Antione D'unienville (General Manager of Axess). Mr. Antoine D'Unienville holds a BSc in Economics from the University of Cape Town and a degree in Political Science (Paris). He is also an Executive Director of ENL Commercial Limited, Axess' parent company. They are assisted by a team of professionals looking after various functions of the company.

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

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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 accelera payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and downgrades.

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.

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