

Axess Limited
23 January 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bank Facilities– Long Term	350	CARE MAU A+; Stable (Single A Plus; Outlook: Stable)	Reaffirmed
Proposed Money Market Instrument – Short Term*	100	CARE MAU A1+ (A One Plus)	Reaffirmed
Total	450		

****The aggregate of outstanding MMI and working capital facilities shall always be within the overall sanctioned working capital limits of Axess of MUR 335 million with bank.***

Rating Rationale

The rating assigned to the bank facilities and proposed Money Market instrument of Axess Limited ("Axess") continues to derive strength from the long & satisfactory track record in the auto dealership business, the company's position as the second largest automobile dealer in Mauritius (in terms of units sold), strong parentage with being part of ENL group, exclusivity in dealership 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 higher operating margin in service and spare parts, the satisfactory financial position with low gearing and comfortable liquidity.

The rating is, however, constrained by foreign exchange fluctuation risk, competition from dealers of other luxury brands and secondary market, non-availability/delay in receipt of vehicles from the manufacturers due to semi-conductor and logistics issues across the globe 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 profitability and scale up more than 20% from current levels
- Ability to maintain its position as the second largest car reseller in the automobile dealership market of Mauritius
- Effective working-capital management

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

- Significant decline in market position on sustained basis
- Decline in total income of more than 20%
- Deterioration in working capital turnover days for more than 150 days

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

CARE Ratings (Africa) Private Limited

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BACKGROUND

Axess Limited (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 motor vehicle owners on the island. 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. Axess is wholly owned (100%) by ENL Commercial, which in turn is a subsidiary of ENL Limited (CARE MAU A; Stable). The company has expanded its activities and entered distribution of Ford, Suzuki, Mazda, Citroen, Jaguar, Land Rover and Peugeot (all sole distributors except for Suzuki). 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. Axess also has a dedicated Tyre Department supplying Michelin and BF Goodrich 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. Antoine D'Unienville (General Manager of Axess). They are assisted by a team of professionals looking after various functions of the company.

Financial Position: In FY22, Axess witnessed steady revenue growth in the sale of vehicles, spare parts and sale of services. Revenue increased by 11% from MUR 3,366 million to MUR 3,032 million. Total income increased from MUR 3,428 million to MUR 3,085 million. EBIDTA and PAT were also higher in FY22 at MUR 252 million (MUR 216 million in FY21) and MUR 74 million (MUR 69 million in FY21). GCA was comfortable at Mur 171 million.

In FY19, the company had availed long term loan from ENL Limited (MUR 112 million @3.10% p.a.) and utilized the same to reduce its short-term borrowings from banks. The company further availed MUR 172 million from ENL Limited (@3.10%) in FY20 to manage its working capital (cheaper than overdraft at 4.10%). As on June 30, 2022, Axess' borrowings from ENL Limited were around Mur 9 million. Total debt in the company as at June 30, 2022 was MUR 289 million with majority of the debts being short term borrowings (MUR 209 million). Overall gearing was 0.47x in FY22 (improved from 0.73x in FY21) due to repayment of MUR 250 million of the loan from ENL Limited. Current ratio has been above unity over the few years since the company uses advance from customers to part finance its inventory. Interest coverage was 4.11x in FY22. The average working capital utilization was at 72% during the last 12 months ended September 2022.

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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.

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.

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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.

Short term Instruments

Symbols	Rating Definition
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category

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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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