

Chartreuse Group Ltd
27 June 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Proposed Bond Issue	400	CARE MAU BBB; Stable [Triple B; Outlook: Stable]	Assigned

Rating Rationale

The rating assigned to the proposed bond issue of the Chartreuse Group Ltd ("TCGL") derives strength from the experienced promoters, professional and highly qualified management team, established tea business with 20 years of track record, diverse stream of revenue from FMCG distribution, retail supermarket chain and real estate, stable operational & financial performance of its core business verticals with consistent level of profitability over the last years and comfortable collection period.

The rating is, however, constrained by exposure to volatility in import of FMCG goods due to inflation and freight availability, leveraged capital structure with high gearing ratio, dependence on working capital borrowings, interest rate risk and strong competition in the retail business in Mauritius.

Rating Sensitivities

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

- Ability to improve revenue and profitability of the group companies
- Effective management of working capital
- Significant improvement in capital structure with a comfortable gearing ratio

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

- Additional debt at both the company and group levels affecting the ability to service debt obligations
- Debt funded CAPEX investment in group companies than envisaged
- Decline in revenue and profitability

Background

The Chartreuse Group Ltd ("TCGL") is a private company incorporated in 2021 and is the investment holding company of the Bokhoree Family. TCGL was created with the aim of consolidating the operations of its subsidiaries La Chartreuse Tea Manufacturing Company. Ltd ("La Chartreuse Tea" or "LC"), Savemart Trading Ltd ("Savemart"), Chartreuse Property Investment Ltd ("Chartreuse Property" or "CPIL") and Chartrade Ltd ("Chartrade"), all owned by common shareholders, the Bokhoree family. TCGL operates across four main clusters comprising agriculture, tea manufacturing, retail and distribution and real estate investments. The ultimate beneficial owners are Mr. Asvin Kumar Bokhoree and Mr. Arvin Bokhoree who for the last decades have spearheaded the company's growth. TCGL has been ranked 61st in the top 100 companies in Mauritius in 2021, *by the Business Magazine*.

TCGL derives its revenue from the operations of its subsidiaries with the major companies being La Chartreuse Tea, Savemart, Chartrade and Chartreuse Property. The majority of the revenue is generated from Savemart and La Chartreuse

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

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Tea which represents 78% and 15%, respectively. La Chartreuse consolidated revenue for the year ended 2022 was at MUR 1,803 million (MUR 1,534 million FY21).

Group background: Mr. Kressoon Bokhoree started tea plantation in the year 1984, and was one of the largest private tea planters in Mauritius. TCGL was then founded by Mr. Asvin Kumar Bokhoree and Arvin Bokhoree (both successors of Mr. Kressoon Bokhoree) and hold 70% and 30% stake, respectively. With the aim of scaling up the business and transforming the tea plantation into a fully integrated tea manufacturer and distributor, the founders started La Chartreuse Tea as a greenfield operation in the year 1999 and steered the business to attain a leading position in the tea industry within 12 years of its operation. Its flagship brand La Chartreuse tea is known as one of the best-selling tea brands on the island according to the National Agricultural Products Regulatory Office ("NAPRO"). The tea segment of TCGL reported a revenue of MUR 270 million and PAT of MUR 7 million in FY22. Following the success of the first venture, the founders have expanded their activities into different business channels comprising retail, logistics and distribution, and property management. The details of the business lines are as follows:

Savemart Trading Ltd: Savemart was launched in the year 2014 as a chain of convenience stores in rural regions of Mauritius. The company currently employs over 400 staff and retails over 30,000 products range. It operates 28+ retail outlets spread across the country.

Chartrade Ltd: Chartrade started operating in the year 2020 amid the COVID-19 pandemic due to supply chain disruptions faced by Savemart Supermarkets. The company has till now developed 250 house brands with around 60% of its turnover generated from non-group entities. It offers different services including import, packaging, warehousing, merchandising and logistics.

Chartreuse Property Investment Ltd: Incorporated in 2012, the company is the investment property holding company of TCGL. It manages warehouses, retail outlets, commercial buildings, and factories with a lettable area of 20,000 sqm. TCGL is a professionally managed company and is headed by Mr. Asvin Kumar Bokhoree who is the group Chief Executive Officer. Mr Asvin Bokheree holds a Bachelor of Engineering in Aeronautical Engineering. He was instrumental in the creation of La Chartreuse Tea as a greenfield project in 1999 and has, within 12 years of its inception, propelled it to a leading position in terms of market share. He has more than 20 years of experience in the tea industry. Mr. Arvin Bokhoree is the co-founder and executive member of TCGL who is responsible for the development and implementation of strategies that support the business objectives. He is also the co-founder of Savemart which employs more than 400 staff.

Financial Performance of the group (Consolidated): La Chartreuse (consolidated) witnessed an increase in the revenue from MUR 1,534 in FY21 to MUR 1,803 in FY22. The growth in revenue in FY22 is predominantly driven by the fast expansion of Savemart operations. Another factor contributing to the revenue is the income generated by Chartrade which spiked from MUR 23 million in the year 2021 to a considerable MUR 245 million in the year 2022 explained by the signing of a distribution contract with the State Trading Corporation Mauritius. As a result of the rise in revenue, the EBITDA and PAT of TCGL has increased by 22% and 34%, respectively, albeit the increase in cost of sales and administrative expenses. TCGL has maintained a PAT margin of 1.1% and RONW of 14.63% in FY22. TCGL also maintains a cash cushion of MUR 35 million to ensure any unforeseen circumstances. The current ratio of TCGL for the year 2022 and 2021, appears to be comfortable. Trade receivables days in the year 2022 is within the reasonable range of 20 days showing the company's capacity to collect receivables efficiently.

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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 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**

<i>Symbols</i>	<i>Rating Definition</i>
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.

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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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