HV Holdings Ltd
20 December 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond – Long Term	1,500	CARE MAU BBB+; Stable [Triple B Plus; Outlook: Stable]	Reaffirmed
Total	**1,500**		

Rating Rationale
The rating assigned to the bond issue of HV Holdings Ltd (HV Holdings) continues to derive strength from the experienced and resourceful promoters, established group with investment across diverse business verticals, professional team managing each vertical, comfortable cashflow of the income generating companies, consistent flow of income to HV Holdings and the stable operational & financial performance of the various business verticals.

The rating also takes into consideration the portfolio of properties and land bank generating rental which can be monetized, comfortable liquidity in the form of quoted shares in MCBG and SBM and the stable financial performance of HV Holdings with low gearing and adequate liquidity at group level.

The rating is, however, constrained by the volatility in revenue of the various business verticals, risk associated with capex and the time lag between the operational performance and expenses of retails showrooms, foreign exchange rate risk and market risk associated with import business to Madagascar, sales risk associated with real estate vertical, interest rate risk, the moderate level of debt in the group companies and the high collection period at group level.

Rating Sensitivities
Positive factors that could, individually or collectively, lead to positive rating action / upgrade:
- Effective working-capital management
- Ability to improve profitability at consolidated level
- Significant reduction in debt and improvement in gearing levels

Negative factors that could, individually or collectively, lead to negative rating action/downgrade:
- Additional debt both at the company & group level affecting the ability to service debt
- Decline in revenue and profits by more than 20%
- Additional investment in group companies more than envisaged

BACKGROUND
Incorporated in 2006, HV Holdings Ltd ("**HV Holdings**") is an investment and holding company of HV group which is controlled and managed by the Hematlal family (holding 98% stake). It is the main holding company of HV Group of entities with its main operations in Mauritius and Madagascar. HV Group ranked 32nd in 2023 among the top 100 companies by turnover as per Business Magazine. HV Holdings consists of various subsidiaries with activities in real estate, retail and distribution, franchises of famous brands and import & export. It also has an investment portfolio of quoted and unquoted shares.

HV Holdings derives its revenue as dividends and management fees from the various companies engaged in diversified sectors such as property & real estate, retail and distribution and import & export. The major companies are HV Retail and Distribution Ltd, HV Property Management Ltd and HV International Ltd. Majority of the dividend is derived from HV International Ltd and from its investment in quoted and unquoted shares. However, during the projected years, HV Holdings will receive a substantial amount of dividend from the other business verticals to service the debt at the holding company level. HV Holdings' consolidated revenue for FY22 was MUR 4,862 million (MUR 4,873 million FY21).

Group background: In 1970, Mr. Hematlal Veljee started the business of trade of textile and haberdashery in Antananarivo, Madagascar where he was born. In the 1990s, his two sons, Mr. Sanjeev and Mr. Roupesh joined the

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

family business to further grow and diversify the activities of the business. In 2001, Hematlal family relocated to Mauritius and in 2004, they set up HV Holdings Ltd and Aurs (in memory of their late father). The brothers turned a single retail shop into a reputable conglomerate. The business has stood strong for more than 50 years since inception in 1970.

The Real Estate and Property cluster kicked off with the acquisition of MaxCity building in Port Louis in 2007. In 2009, HV Industries Ltd was started as a noodle manufacturing entity. The Real Estate cluster grew further with the acquisition of stake in Grand Baie La Croisette Mall (Sottise Development Ltd). In 2013, HV Group diversified into retail of home equipment and became a Samsung distributor. It launched Cosmos (retail store selling home equipment and electronic products) in Madagascar. Later on, in 2016, HV Group acquired 50% stake in Orchestra and 50% stake in FF Mega Stores Ltd (Foir Fouille) in 2018. During the same year, it also finalized the Montebello and La Salette deals, and it acquired 50% stake in Flacq Retail Park.

In 2019, HV Group acquired Le Warehouse Ltd (operating retail shops under the brand 361), obtained new franchise businesses in Mauritius and relocated HV Industries noodle factory to Madagascar. In 2021, it acquired full stake in Orchestra, Foir Fouille, KJ Mega Stores and Flacq Retail Park.

In 2022, there was a restructuring of HV Holdings Ltd and HV Industries Ltd where Mr. Roupesh took control of HV Holdings Ltd, and Mr. Sanjeev had control for HV Industries Ltd, while both brothers still work in partnership in key landmark real estate projects and for the distribution of FMCG products in Madagascar.

Management: HV Holdings is a professionally managed company. Prior to October 2022, the company was led by a board comprising of three executive directors. As from October 01, 2022, a 'unitary board' was implemented in line with recommendations of the Code of Corporate Governance. HV Holdings is now governed by a 6-member Board of directors comprising of one Chairman, two executive directors, one non-executive directors and two independent non-executive directors. The strategic affairs of the company are looked after by Mr. Roupesh Hematlal who is the Executive Chairman of the group. Mr. Roupesh is the CEO of HV Holdings and has more than 25 years of experience in import & export, FMCG and real estate in the Indian Ocean region. He is assisted by a team of experienced and qualified professionals.

Standalone performance in FY22: In FY22, the company achieved a 19% growth in revenue standing at MUR 154 million due to higher management fees of MUR 59 million received from its subsidiaries in FY22. EBITDA was MUR 102 million (MUR 84 million in FY21) and PAT stood at MUR 94 million in FY22.

Consolidated performance in FY22: HV Holdings consolidated witnessed growth in revenue for the past three years till FY21 except for FY22. Revenue remained at a similar level at MUR 4,873 million in FY22 compared to MUR 4,862 million in FY21. Total income marginally improved to MUR 5,019 million in FY22 (MUR 5,003 million in FY21). In FY22, the group posted PAT of MUR 216 million vis a vis PAT of MUR 648 million in FY21.

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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.

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