HV Holdings Ltd

23 January 2025

Ratings

Instrument/Facilities	Amount (MUR Million)	Rating[1]	Rating Action
Bond - Long Term	**1,500**	**CARE MAU A-; Stable**	Revised from CARE MAU BBB+; Stable

Rating Rationale

The revision in the rating assigned to the bond issue of HV Holdings Ltd (HV Holdings) primarily factors the improved operational performance and profitability of all subsidiaries under HV Retail & Distribution Ltd, satisfactory performance of all recently opened stores in Tribeca Mall, comfortable liquidity at group level and the significant appreciation in value of the group's liquid investment in form of quoted shares in MCB Group Limited (MCBG).

The rating 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, the stable operational & financial performance of the various business verticals, the portfolio of properties and land bank (in Mauritius & Madagascar) generating rental which can be monetized and the stable financial performance of HV Holdings with low gearing.

The rating is, however, constrained by the volatility in revenue of the various business verticals, risk associated with capex, 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 (working capital borrowings) 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 34th in 2024 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.

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

HV Holdings derives its revenue as dividends and loan interest from the various subsidiaries engaged in diversified sectors such as property & real estate, retail and distribution and import & export. The major companies are HV Retail and Distribution Ltd (HVRD), HV Property Management Ltd (HVPM) and HV International Trade Limited (HVIT). Management fees are now channeled to HV Corporate Services Ltd (HVCSL) following the incorporation of the shared service centre.

Majority of the dividends are derived from HV International Trade Limited and from its investment in quoted and unquoted shares. However, during the projected years, HV Holdings is expected to receive dividends from other business verticals to service the debt and interest at the holding company level. At consolidated level, in FY23, HV Holdings posted a higher revenue of MUR 5,219 million (MUR 4,862 million in FY22).

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 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, 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 25% 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 and KJ Mega Stores. It also acquired an additional 25% stake in Flacq Retail Park bringing its total holding to 50%.

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 of 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 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 Board is assisted by 3 sub committees chaired by the Independent Non-Executive Directors namely Audit & Risk Committee, Renumeration Committee and the Corporate Governance Committee. There is also an Executive Committee consisting of 13 members who are the General Managers of each Business Units and Functional Heads of the Group. 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 FY23: In FY23, the company achieved a 49% growth in total income reaching MUR 227 million attributed to higher loan interest receivables. EBITDA stood at MUR 191 million (MUR 101 million in FY22) and PAT stood at MUR 132 million in FY23.

Consolidated performance in FY23: In FY23, the group posted a 7% increase in revenue reaching MUR 5,219 million, a new benchmark set for the group. Alongside this, EBITDA grew by 16%, and PAT increased by 1%, despite higher interest costs resulting from the bond issue. GCA remained strong at MUR 342 million in FY23. Overall gearing increased slightly to 0.97 times, while adjusted gearing (based on the bank's ratio) remained below 0.50 times as of December 31, 2023. Average working capital utilization during the past 12 months was 67%.

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

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

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

Group Head
Name : Ms. Pooja Appadoo
Phone : 5955 3060
E-mail : pooja.appadoo@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.