Mammouth Trading Co. Ltd

13 January 2025

Rating

Instrument/Facilities	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**MUR 650 million**	**CARE MAU BBB+; Stable**	Reaffirmed

Rating Rationale

The rating assigned to the bond issue of Mammouth Trading Co. Ltd ("MTL") continues to derive strength from the leadership position of MTL in the commercial retail segment in Mauritius, its well established track record of almost four decades of operations in the country, increasing trend in sales across all product categories over the past three years, tie up with the leading Mauritian consumer credit provider, and the long- track record of the shareholders who have promoted MTL in Mauritius since 1985.

The rating is however constrained by the leveraged capital structure with a deterioration in the overall gearing, decline in profitability for the second consecutive year, a depreciated Mauritian rupee vis-à-vis the USD adversely affecting the cost of imports, the increases in labour and other general costs which is weighing heavily on margins, and fierce competition from other players.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Strengthening of the networth leading to the overall gearing improving below 2x
- Consistent growth of more than 20% in revenue and profitability over the next three years
- Improvement in liquidity management with cash conversion cycle being reduced to 45 days

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Additional debt taken resulting in further deterioration in the overall gearing beyond 5x
- Stagnation /reduction in revenue and profitability impacting the cash generating ability

BACKGROUND

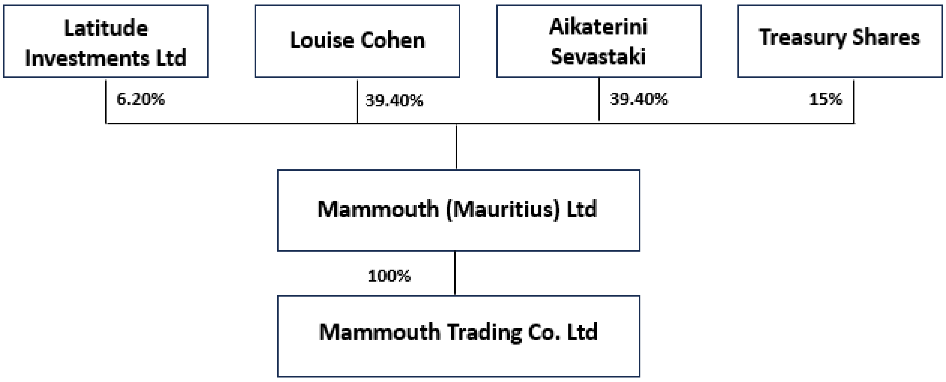
Mammouth Trading Co. Ltd ("MTL"), is a limited liability company incorporated in Mauritius in August 2015, is in to retailing of home furniture, consumer electrical appliances, technology and mobile phones and is the largest retailer in Mauritius. The company operates a network of 23 stores in Mauritius and 3 in Rodrigues Island.

The history of MTL dates back to the 19th century when William Henry Court opened the first retail store in Canterbury, England in 1860, which was then sold to three brothers from the Cohen family in 1946. From 1950 to 1980, the Cohen family rapidly grew and expanded the business locally and internationally with opening of stores across the Caribbean, Asia-Pacific and northwestern Europe regions.

In 1985, the first Courts store was opened at Bell Village in Mauritius. Courts (Mauritius) Ltd was incorporated and traded under the name of 'Mammouth'. The Company quickly grew to become the largest retailer of furniture, home appliances and electronic products in Mauritius with its offer of lowest prices, easy credit and focus on customer service.

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

In December 2005, Courts (Mauritius) Limited was acquired by the British American Industries (B.A.I) Group and following the receivership of B.A.I group in 2015, Courts was subsequently re-purchased by a consortium led by its previous owners, the Cohen family, forming a new company, Mammouth Trading Co. Ltd operating under the 'Courts Mammouth' brand.
As on 31 March 2024, the shareholding structure of MTL was as follows:



The main shareholders are Mrs. Louise Cohen and Mrs. Aikaterini Sevastaki who both hold 39.40% each and collectively control 78.80% of MML. Mrs. Cohen is a non-executive member on the Board of MTL.
Mrs. Aikaterini Sevastaki is the spouse of and nominee shareholder for the CEO of MTL, Mr. Andrew Cohen.
A minority stake of 6.2% is held by Latitude Investments Ltd, a private equity firm which was part of the consortium to acquire back the Company in August 2015.

Financial performance
For the third consecutive year, the turnover level of MTL has experienced satisfactory growth with the revenue from sales of goods increasing by 12.60% in FY24 from FY23. In FY23, MTL incurred significant increase in cost of sales and administrative & staff costs which have been passed onto customers during FY24. This led to a 12.76% growth in EBITDA for FY24 compared to a contraction of 14.69% for the prior year. The growth in revenue coupled with the containment of operational expenses have contributed to a 13.10% increase in EBIT from MUR 145 million in FY23 to MUR 164 million in FY24. The increase in operating profitability of MTL in FY24 was however partly offset by the high interest expenses associated with the elevated gearing level which overall, led to an 14.10% decline in PAT from MUR 78 million to MUR 67 million for FY24.
During FY24, MTL raised a total amount of MUR 650 million from a bond issue the proceeds of which were partly utilise to finance working capital requirements, invest in fixed assets and a portion was loaned to other group companies. Subsequent to the bond issue the total debt of MTL increased from MUR 607 million at end of FY23 to MUR 1,036 million at end of FY24, which led to the overall gearing of the company increasing to 4.57x as on 31 March 2024, from 3.98x earlier. The total debt/EBITDA and debt/GCA stood at 3.17x and 4.52x respectively at end of FY24 compared to 2.10x and 2.72x at end of FY23.
During FY24, MTL has been more efficient in managing its working capital as shown by its Cash Conversion Cycle (CCC) which improved from 70 days in FY23 to 60 days. The higher quick ratio of 0.93x for FY24 against 0.69x earlier illustrates that the company was better at turning its inventory into receivables, which are more liquid assets.

Annexure I
Details of Rated Instrument

Instrument	Amount	Repayments
Floating Rate Notes	MUR 650 million	MUR 150 million – August 2026 MUR 500 million – August 2028

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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.

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