Leal & Co. Ltd
06 August 2025

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facility - Term Loan	**600**	**CARE MAU A+; Stable**	Reaffirmed

Rating Rationale

The rating assigned to the bank facility of Leal & Co. Ltd ("**Leal**") continues to derive strength from the long and satisfactory track record of the promoter in the auto dealership business, the group's leadership position in automobile dealership in Mauritius, with Leal group being the sole dealer of BMW, Mini, Renault, Mitsubishi, Kia, Haval, GWM and BYD in Mauritius and the preferred dealer amongst Corporates and Government bodies, the long association with BMW group for over 45 years and the rising demand for car sales in Mauritius. The rating also factors the group's presence in distribution of branded products across various industries in Mauritius, its stable operating margin for the last few years, the comfortable financial position with moderate gearing and liquidity and the stable performance of the dividend paying subsidiaries.

The rating is, however, constrained by the working capital-intensive nature of the business, foreign exchange fluctuation risk, competition from dealers of other luxury brands and secondary market, risk associated with inherent cyclical nature of demand in the automobile sector and the significant investment in group companies.

Rating Sensitivities:

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

- Ability to improve total operating income and maintain profitability margin
- Ability to maintain a stable market share in the automobile industry
- Effective working-capital management
- Significant reduction in total debt

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

- Additional investment in group companies (over and above already considered) vis-à-vis networth adversely affecting its liquidity and debt coverage indicators
- Deterioration in performance of any major subsidiary leading to support requirement from Leal
- Additional long-term debt at Leal & Co. Ltd resulting in overall gearing higher than 1x
- Non-renewal of dealership agreement with BMW
- Major disruption in supply chain constraining Leal's operations

BACKGROUND

Leal & Co. Ltd (**Leal**) was incorporated in January 1976 by Late Mr. Michael Joseph Clency Leal as a private limited company in Mauritius. Mr. Leal's venture in the automotive sector started in 1970 by setting up a small garage for cars repairs under Société Clency Leal. In 1972, the Société Clency Leal entered into an agreement with BMW AG Germany for

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

distribution of BMW cars (most popular car in the luxury segment of Mauritius). In 1976, the agreement with BMW AG Germany was renewed under Leal. In 1981, Leal was converted into a public limited company.

Shareholding: As of date, the Leal family, through various affiliated entities, retains a controlling interest of 79%, while the remaining 21% is held by institutional investors, including insurance companies, pension funds, and individual shareholders.

Leal is engaged in the distribution of new cars - passenger vehicles, commercial vehicles and motorcycles - through its showrooms equipped with 4-S facilities (sales, service, spare parts and systems) along with one sales outlet in the North of the Island and one body & paint workshop. In addition to the above, the company also deals in pre-owned cars, spares parts, car accessories (BMW, Mini, Renault and Mitsubishi), car servicing facilities and car rental business. It is the sole distributor of BMW cars and motorcycle in Mauritius for over 45 years. The company expanded its activities and entered into dealership of Renault (2004), MINI (2007), KIA (2011), Haval (2012), Mitsubishi (2015) and BYD (2023). In October 2013, the Leal group entered into a dealership agreement with BMW in Reunion Island.

Leal Group ("LEAL & Co. Ltd and its subsidiaries") is engaged in distribution of various products across a wide range of industries - automobile, pharmaceutical, chemicals, consumer goods, retail products, IT products (distributor of Apple, Microsoft & Symantec products), software, information technology services and engineering in Mauritius and Reunion Island.

Stable financial performance with moderate gearing

Standalone financial performance: Revenue witnessed a 13% increase to MUR 4,969 million in FY24 (FY23: MUR 4,397 million), supported by the growth in sale of passenger vehicle to 3,774 units (FY23: 3,386 units) and higher revenue from sale of spare parts and services. Total income increased by 16% on account of higher revenue from new car sales, spare parts, after-sales services, and rental income.

The Group maintained a high market share in the Mauritian automobile market at 25%. EBITDA increased to MUR 780 million in FY24, up from MUR 623 million in FY23 and PAT was higher at MUR 535 million in FY24 (FY23: MUR 454 million) including foreign exchange gain of MUR 68 million. Gross cash accruals remained comfortable at MUR 657 million.

As of June 30, 2024, total debt stood at MUR 1,572 million, primarily comprising working capital borrowings (MUR 550 million). Overall gearing rose to 0.47x (June 30, 2023: 0.36x), reflecting increased working capital requirements in line with higher sales volumes. The interest coverage ratio was 7.03x as of June 30, 2024. Average fund-based working capital utilization stood at 70% over the 12-month period ending March 2025. The company maintained a comfortable cash balance of MUR 221 million as of June 30, 2024.

Consolidated financial performance: Total income witnessed a 13% increase to MUR 20,549 in FY24 (FY23: MUR 18,181 million), while EBITDA increased to MUR 1,511 million in FY24 (FY23: MUR 1,438 million). PAT decreased by 16% to MUR 691 million in FY24 (FY23: MUR 824 million) due increased finance costs to MUR 344 million in FY24 (FY23: MUR 238 million) and higher depreciation charges.

As of June 30, 2024, total consolidated debt stood at MUR 4,989 million, primarily driven by additional borrowings undertaken by several subsidiaries, including DistriPc, Leal Equipment & Compagnie Ltée, Pharmacie Nouvelle, SARL

Solinfo, United Motors, and Leal Réunion. Consequently, the consolidated gearing ratio slightly improved to 1.26x as of June 30, 2024 (FY23: 1.30x), reflecting moderate leverage across operating entities. The group maintained a comfortable cash balance of MUR 518 million as of June 30, 2024.

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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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.