

City and Beach Hotels (Mauritius) Limited

November 04, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Long-Term Bond Issue	EUR 30 million (MUR 1,320 million) *	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Revised from CARE MAU BBB+; Negative [Triple B Plus; Outlook: Negative]
Total	1,320		

* 1 EUR = MUR 44.00

Rating Rationale

The rating of long-term bond issue from City and Beach Hotels (Mauritius) Limited (CBHL) has been revised to CARE MAU A- with change in outlook from Negative to Stable. The rating derives strength from CBHL, which operates the La Pirogue hotel, fully resuming its activities as from October 2021, following the reopening of the Mauritian borders to international travellers as from 01 October 2021 and relaxation of Covid-19 related restrictions in the country. Good occupancy levels combined with relatively higher Average Daily Rates (ADR) have translated into CBHL reverting back to profitability after two years of losses. The profits achieved in FY22 provide a satisfactory level of interest coverage. The gearing level of the Company is also at a comfortable level and given the cash generating ability of CBHL, the gearing is expected to be reduced drastically as from FY23.

CBHL is part of the SUN Group which comprises of five other resorts, which suggests that it benefits from a stronger brand image, economies of scale and advantages derived from being part of a group of companies as opposed to being standalone, such as promoter support in times of crisis.

The rating is however constrained by the tourism & hotel industry being seasonal and also subject to external factors such as macroeconomic conditions or global pandemic. Given that Europe is the main market for La Pirogue, any severe adverse macroeconomic conditions on the continent can halt travel to Mauritius and cause ripple effects in the industry. Despite having resumed its activities, the Company has been operating at below its optimum capacity given that the average occupancy level for the year was around 22% lower than the pre-pandemic levels.

Rating Sensitivities:

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

- Occupancy levels attaining pre-pandemic levels
- Sustained high ADR

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

- External factors such as another pandemic or recession causing occupancy levels to drop drastically
- Additional debt, raising the gearing level

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)

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BRN: C14127054 • FSC License No.: CR14000001

BACKGROUND

City and Beach Hotels (Mauritius) Limited (CBHL) was incorporated on 09 June 1971 by Medine Group in Mauritius as Investeco Hotels (Mauritius) Limited, to develop and manage the property of the hotel La Pirogue Resort and Spa (LA Pirogue) which is located in Flic en Flac on the west coast of Mauritius. In April 1972, the company along with the hotel property of La Pirogue was taken over by SUN group and it was thereafter renamed as City and Beach Hotels (Mauritius) Limited.

La Pirogue is a 4-star deluxe resort which, as at date, has 248 rooms and 3 restaurants. Historically, the resort's occupancy rate has averaged around 80% until the Covid-19 pandemic hit Mauritius in March 2020.

Post re-opening of borders in October 2021, La - Pirogue has achieved an average occupancy of 62% for FY22. In July and August 2022, it has achieved an occupancy rate of 75% and 89% respectively.

La Pirogue hotel is extremely popular among Europeans with tourists from Germany, France and U.K accounting for 70% of the hotel's occupancy. South Africa and regional markets such as the Middle East, Eastern Europe, India and Australia make up the rest.

CBHL (La Pirogue) is a 99.82% subsidiary of Sun Limited, which in turn is 50.10% owned by CIEL Limited (rated CARE MAU A+; Positive/CARE MAU A1).

Sun Limited also owns and operate five other resorts namely, Sugar Beach, Long Beach, Ambre Resorts, Four Seasons Resorts and Shangri-La's Le Touessrok. Sun Limited and all the hotels collectively form the SUN Group.

After the full reopening of borders to international travellers, La Pirogue began its operations on 15 October 2021. The tourism industry gradually built up its momentum and with improved sanitary conditions globally, tourists started to travel to Mauritius again which contributed to La Pirogue achieving a 62% occupancy level for the period October 2021 to June 2022.

A summary of the occupancy levels and Average Daily Rate (ADR) of La Pirogue over the past five years is given below:

La Pirogue	FY18	FY19	FY20	FY21	FY22
Average Daily Rate (ADR) in MUR	7,334	7,784	8,461	2,576	8,153
Occupancy (%)	82%	84%	61%	19%	62%
RevPar (MUR)	6,036	6,539	5,161	489	5,055

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Details of Rated Instrument

Instrument	Amount	Repayment
Long-Term Bond Issue	EUR 30 million (MUR 1,320 million) *	January 2023 – EUR 8 million (MUR 352 million) January 2025 – EUR 8.5 million (MUR 374 million) January 2027 – EUR 8.5 million (MUR 374 million) January 2030 – EUR 5 million (MUR 220 million)

* 1 EUR = MUR 44.00

Disclaimer

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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

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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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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