

Compagnie des Villages de Vacances de L'Isle de France Limitée ("COVIFRA")

December 01, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue	MUR 660 million (EUR 15 million) *	CARE MAU A; Stable [Single A; Outlook: Stable]	Reaffirmed
Bank Facility	MUR 572 million (EUR 13 million) *	CARE MAU A; Stable [Single A; Outlook: Stable]	Reaffirmed
Total	1,232		

* 1 EUR = MUR 44.00

Rating Rationale

The ratings assigned to the bond issue and bank facilities of Compagnie des Villages de Vacances de L'Isle de France Limitée ("COVIFRA") continue to derive strength from the lease agreement between COVIFRA and Holiday Villages Management (Mauritius) Services ("HVMS") for a lock in period till October 2032, an unconditional and irrevocable guarantee from Club Med S.A.S which is the parent company of HVMS, the satisfactory track record of timely payment of lease rentals by HVMS except during 'force majeure' period, resumption of lease rental payments from HVMS which translated into COVIFRA renewing with profitability in FY22, and ultimate parentage from MCB Group Limited which provides reasonable assurance of promoter support in times of crisis.

The rating is however constrained by the hotel & tourism industry, in which HVMS operates, still performing at below the pre-pandemic levels, increasing competition from other islands in the region, seasonality of the industry and external factors such sanitary conditions or major global economic downturn also weigh in on the prospects of HVMS over the long term.

Rating Sensitivities:

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

- Timely receipt of lease rentals from HVMS
- Reduction in debt level of COVIFRA
- Higher and sustained occupancy levels and positive performance at HVMS and Club Med

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

- Additional debt taken by COVIFRA leading to increased gearing level
- Deterioration in the operational and financial parameters of HVMS and Club Med
- Negative externalities such as global recession or deterioration in sanitary conditions affecting the Mauritian hotel industry.

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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BACKGROUND

Compagnie des Villages de Vacances de l'Isle de France Limitée ("COVIFRA") is a 93.39% subsidiary of MCB Real Assets Ltd which is ultimately owned by the MCB Group Limited (rated CARE MAU AAA; Stable). COVIFRA owns a hotel resort on 11.8 hectares of prime beachfront land in La Pointe aux Canoniers, which it rents out to Holiday Villages Management (Mauritius) Services ("HVMS") on a 15-year unfurnished Euro denominated triple net, fully repaired and insured lease expiring in October 2032. The rental income under the Lease Agreement is indexed to the Eurozone inflation rate and is backed by an unconditional and irrevocable revolving guarantee from Club Med, the parent company of HVMS. The agreement provides for a rental revenue which is independent of the performance of the Resort.

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Details of Rated Instruments

Instruments/ Facilities	Amount	Repayment
Bond Issue	MUR 660 million (EUR 15 million) *	Bullet repayment in July 2029
Bank Facility	MUR 572 million (EUR 13 million) *	Bullet repayment in July 2024

* 1 EUR = MUR 44.00

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

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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