

Brief Rationale
CRAF reaffirmed CRAE MAU BBB+ rating assigned to Bond Issue of City and Beach Hotels (Mauritius) Limited with removal of Credit watch.

Ratings

Instrument	Amount	Rating	Rating Action
Long Term Bond	Euro 30 million * (Mur 1,485 million)	CARE MAU BBB+; Negative [Triple B Plus; Outlook: Negative]	Rating reaffirmed with removal of Credit Watch

* 1 Euro = Mur 49.5

Rating Rationale

The rating assigned to the Bond Issue of Euro 30 million (MUR 1,485 million) of City and Beach Hotels (Mauritius) Limited (“CBHL”) has been reaffirmed with the removal of credit watch due to re-opening of the international borders as from October 01, 2021 and increase in arrival of tourists in Mauritius between October – December 21.

The rating continues to derive strength from its experienced and resourceful promoters - CIEL group [CIEL Limited (rated CARE MAU A+; Stable/CARE MAU A1)] which holds 50.10% of Sun Limited (which in turn holds 99.82% in CBHL) having long track record of operations & strong presence in the hotel sector of Mauritius, diversified source of revenue and good share of food & beverage revenue, improvement in average room revenue (ARR) and occupancy rate between Oct-Dec 21, popularity of La Pirogue among French, German and British tourists and sales and marketing tie-up with leading tour operators in Europe. The rating is however constrained by moderate credit profile of Sun Limited (parent company), uncertainty of tourist arrival in Mauritius over next few months amidst rising COVID cases internationally, performance of the hotel with limited flight operations and sanitary protocols in the country, cyclical nature of the hotel industry as demand for hotel rooms varies with economic cycles in its main source markets, regular capital expenditure in the industry, market & political risks associated with the operations as well as event risk (natural disasters), competition from budget hotels and sensitivity of the Mauritian hotel industry in respect of air access, more so in post COVID-19 era.

Rating Sensitivities:

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

- Ability to maintain the pre-Covid ARR and occupancy rate post opening of the international borders
- Restoring the pre-covid business performance in La Pirogue

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

- Any new debt funded expansion or acquisition
- Higher than projected dividend payment or support extended in any other form to Sun Limited beyond maximum MUR 150 million dividend per annum, post resumption of profitability in CBHL.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

BACKGROUND

City and Beach Hotels (Mauritius) Limited ('CBHL') was incorporated in June 1971 to develop the hotel property of La Pirogue Resort and Spa (La Pirogue) in Flic en Flac on the west coast of Mauritius. In year 1983, CBHL along with the hotel property of La Pirogue was taken over by Sun Limited.

CIEL Limited (rated CARE MAU A+ Stable/CARE MAU A1) owns 50.10% of SUN Limited (holding 99.82% stake in CBHL) - a public limited company listed on Stock Exchange of Mauritius.

As of December 2021, La Pirogue has 248 rooms and 5 restaurants. Since inception, La Pirogue has positioned itself as a mid-market (4-star deluxe category) resort player in the tourism sector of Mauritius. La Pirogue is popular among the European tourists, given its iconic image.

CBHL is professionally managed by Sun Resorts Hotel Management Ltd, the hotel operator company of Sun Limited. It is led by a team of experienced professionals who have successfully manoeuvred through the entire hospitality cycle for over 40 years. CBHL is currently governed by a Board of 2 executive directors.

Total revenue declined by 75% in FY21 over FY20, due to the COVID-19 pandemic with borders closed to tourists for much of the year and a second lockdown period during March-May 2021. Both EBITDA and PAT level also witnessed significant decline in FY21 over FY20 due to low accommodation. The company's focus over the last financial year was geared towards the optimization of food and beverages activities with local clients. Unfortunately, the level of revenue achieved was encouraging but insufficient to cover the operating expenses. The company was benefited from Government Wage Assistance Scheme.

CBHL's total debt remained same at Euro 30 million. The debt value increase in MUR due to depreciation of MUR vis-à-vis Euro. CBHL receives 70-80% of its revenue in Euro and hence the impact of MUR depreciation is positive for the company, since the same will boost its profitability. Gearing was at 1.17x as on June 30, 2021.

La Pirogue's prospects depend upon ability to maintain the pre-Covid ARR and occupancy rate of its hotel post opening of the international borders and restoring the pre-covid business performance for the hotels.

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. 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.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

Annexure I

Rating Symbols Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com