

Brief Rationale

CRAF assigns CARE MAU A (Stable) rating to the proposed Bond Issue of Euro 30 million (Mur 1200 million) of City and Beach Hotels (Mauritius) Limited

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	Euro 30 Million * (Mur 1,200 Million)	CARE MAU A Stable [Single A; Outlook: Stable]	Assigned

Rating Rationale

The rating assigned to the proposed bond issue of Euro 30 million (MUR 1,200 million) of City and Beach Hotels (Mauritius) Limited (“CBHL”) derives strength from its experienced and resourceful promoters - CIEL group (CIEL Limited 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, one of the highest average room rate in its category, high occupancy rate for last 3 years with a diversified source of revenue and good share of food & beverage revenue apart from room rent, popularity of La Pirogue among French, German and British tourists, strong sales and marketing tie-up with leading tour operators and satisfactory financials & strong debt coverage indicators.

The rating is however constrained by lower credit profile of Sun Limited (parent company), cyclical nature of the hotel industry as demand for hotel rooms varies with economic cycles and 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 to air access.

The rating is sensitive to the ability of CBHL to grow its ARR and maintain its occupancy rate, any new debt funded expansion or acquisition and higher than projected dividend payment (maximum MUR 150 million dividend per annum) or support extended in any other form to Sun Limited.

BACKGROUND

City and Beach Hotels (Mauritius) Limited (‘CBHL’) was incorporated on 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.

Sun Limited (hereinafter referred to as “SUN”) was incorporated as a limited company on 10 February 1983 under the name Sun Resorts Limited and subsequently changed its name on 24 September 2015. The duration of the Company is unlimited. In year 1983, CBHL along with the hotel property of La Pirogue was taken over by Sun Limited.

SUN falls under the CIEL Group (rated CARE MAU AA Stable/CARE MAU A1+) which owns 50.10% of SUN (holding 99.82% stake in CBHL), which is a public limited company listed on the Stock Exchange of Mauritius.

As of September 2019, La Pirogue has 248 rooms and 5 restaurants operating at an average occupancy above 80% for last 3 years. For last 40 years, La Pirogue has undergone various expansions and renovations with the latest being during June-August 2017, when the hotel was closed for 7 weeks.

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Since inception, La Pirogue has positioned itself as a mid-market (4-star category) resort player in the tourism sector of Mauritius. La Pirogue is extremely popular among the European tourists, given its iconic image. The resort has also won several awards from TripAdvisor, booking.com and guest review award for its quality of service.

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. CBHL is currently governed by a Board of 3 directors, comprising of 2 Executive Directors and 1 Non-executive director.

The day to day operations of the company are looked after by Andrew Slome (General Manager) and assisted by a team of experienced professionals. He joined Sun Limited in 1999 and reports to the CEO of SUN.

Total revenue increased by 12% from Mur 894 million in FY18 to Mur 979 million in FY19 due to higher occupancy rate of 84% (FY18 - 82%) and higher ARR of MUR 7,784 (FY18 – MUR 7,334). Both EBITDA level and PAT witnessed significant increase in FY19 over FY18 due to better operational efficiency and benefits of cost containment measures. GCA was comfortable at Mur 243 million in FY19. Interest coverage ratio was comfortable. As on June 30, 2019, the company has only availed a debt of MUR 510 million from Sun Limited to finance its renovation projects. This apart the company does not have any long-term debt. It has an overdraft facility of MUR 15 million with MCB, whose maximum utilization is 30-40% mostly during the month end.

Purpose of the proposed Bond issue:

CBHL proposes to issue a Bond of MUR 1,200 Million and utilise the proceeds for repayment of existing high cost borrowings (6.25% for FY19 and 9.25% for FY18) of MUR 510 Million from Sun Limited and extend the remaining amount of Mur 690 Million to Sun Limited for repayment of debt.

Disclaimer

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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.