Brief Rationale

CRAF reaffirmed CARE MAU A- rating assigned to the term loans of Tropical Paradise Co. Ltd with removal of Credit watch.

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Term Loan I	500	CARE MAU A-; Negative [Single A minus; Outlook Negative]	Rating reaffirmed with removal of Credit Watch
Term Loan II	3	CARE MAU A-; Negative [Single A minus; Outlook Negative]	Rating reaffirmed with removal of Credit Watch

Rating Rationale

The rating assigned to the term loans of MUR 503 million of Tropical Paradise Co. Ltd. ("TPCL") has been reaffirmed with removal of credit watch due to re-opening of the international borders as from October 01, 2021 and increase in arrival of tourists and business travellers in Mauritius between October – December 21. The rating derives strength from its experienced and resourceful promoters - Eclosia group holding 53.38% of TPCL (Eclosia Group through Indigo Hotels & Resorts Ltd. holds 48.88% of TPCL and through Management and Development Co Limited holds 4.50% of TPCL) having long track record of operations, strong presence of TPCL in the business hotel sector of Mauritius, popularity of the 4 hotels (Labourdonnais Waterfront Hotel, Le Suffren Hotel & Marina, Hennessy Park Hotel and The Address Boutique Hotel) among the business travellers due their favourable locations, commercial agreements with airlines and corporates, satisfactory average room revenue (ARR) and occupancy rate up to March 2020 and between Oct-Dec 21, diversified source of revenue with significant contribution from Food & Beverage (F&B) segment and agreements with leading Online Travel Agents (OTAs).

The rating strengths are, however, tempered by uncertainty of tourist arrival in Mauritius over next few months amidst rising COVID cases internationally, performance of all 3 hotels 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 and regular capital expenditure in the industry, market & political risks associated with the operations as well as event risk (natural disasters), competition from upcoming Hotel Projects in Ebene and budget hotels and accommodation available through websites (like Airbnb, Oyo etc.) and sensitivity of the Mauritian hotel industry to 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 of its hotels post opening of the international borders
- Restoring the pre-covid business performance for all the hotels

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

- Any new debt funded expansion or acquisition
- Expected to have 300-350 new keys in the nearby vicinity of Hennessy Park Hotel in the next 2-3 years, increasing the competition and thus making it challenging to maintain the current ARR and occupancy level.

BACKGROUND

Tropical Paradise Co. Ltd. ("TPCL") was incorporated in 1994 by Eclosia Group, to develop and operate business and city hotels in business districts of Mauritius. Eclosia through its subsidiary companies Indigo Hotels & Resorts Ltd. (48.88%) and Management and Development Co Limited (4.50%) holds controlling stake in TPCL. The other shareholders are Swan Life Ltd. (11.76%), ENL Limited (13.37%), Promotion and Development Ltd. (12.00%) and others (14.01%). TPCL is listed in the Stock Exchange of Mauritius.

TPCL currently owns and manages 4 properties in Mauritius. As on December 2021, TPCL has 367 hotel rooms in Mauritius. The properties of TPCL are extremely popular among business travellers, given their location, amenities provided and attractive price range.

FY20 & FY21 was clouded by the unprecedented situation deriving from COVID-19. The COVID-19 impact started in February 2020 with significant booking cancellations in addition to all the bookings that did not materialize due to the pandemic. The situation continued in FY21 with a second lockdown in March 2021. During FY21, TPCL posted a revenue of MUR 199 million and loss of MUR 164 million. Major revenue generation is through its Food & Beverages section, including Banqueting and conferences (80%) and the balance contribution of revenue mainly from its rooms division and Spa and Wellness club. TPCL has paid all interest that were initially deferred on the term loan till date. Gearing was at 0.84x as on June 30, 2021, with the Covid-19 Special Relief Programme (0.60x as on June 30, 2019).

During last year, TPCL Group has been able to reduce its operational cost significantly. For Q1FY22, TPCL Group posted a revenue of MUR 70 million and has incurred a loss before tax of MUR 56 million.

During discussion, TPCL's management explained that the company has unutilized overdraft facility of MUR 64 million (overdraft facility – MUR 207 million), to meet its fixed expenses and interest payments. TPCL's management has informed CRAF that MCB has sanctioned a banking facility of MUR 210 million (@1.5% p.a.) under the 'Bank of Mauritius Covid-19 Support Programme'. TPCL has availed MUR 110 million and have a balance of MUR 100 million unutilised.

With the Mauritian borders opened recently in October 2021, without quarantine protocol, the management is expecting its financial situation to improve despite the challenging economic environment.

Disclaimer

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<u>**Annexure I**</u>

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.