

Rating Rationale
Tropical Paradise Co. Ltd. (“TPCL”)

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 - Eclasia group holding 53.38% of TPCL (Eclasia 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.

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BACKGROUND

Tropical Paradise Co. Ltd. ("TPCL") was incorporated in 1994 by Eclasia Group, to develop and operate business and city hotels in business districts of Mauritius. Eclasia 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. The journey started with setting up of a 5-star business property - Labourdonnais Waterfront Hotel in 1996, at Caudan Waterfront, Port Louis, which is the main business district of Mauritius. Following the success of the first hotel, TPCL opened the second hotel in 2004, the 4-star Le Suffren Hotel & Marina on the prime waterfront location at Caudan, Port Louis.

In 2011, TPCL acquired and re-branded Hennessy Park Hotel (previously known as The Link Hotel), a 4-star business hotel in the hub of Ebene Cyber City, through its 100% subsidiary Triamad Co. Ltd, which was later amalgamated with and into TPCL on 1st July 2018.

In 2012, TPCL opened Le Suffren Apart'hotel, Mauritius's first executive apartments designed for the business travellers on a longer stay. TPCL also develop I Spa Fitness and Wellness Club in its various hotels, to become a unique "under one roof" beauty, wellness, and fitness centre for guests.

In 2013, TPCL renovated and refurbished The Address Boutique Hotel ("The Address"), a property of Hotel Chambly Limited ("HCL") in the residential village of Port Chambly and launched it as a 4-star hotel. Till December 2017, HCL was managed by TPCL. In January 2018, TPCL acquired 100% stake in HCL. In 2018, TPCL through HCL, acquired the business assets of Les Chamblynes Villas, involved in property rental and management of Villas, that offers short holiday lets and long-term stays in Port Chambly.

As on December 2021 TPCL has 367 hotel rooms in Mauritius. Since inception, TPCL has positioned itself as one of the leading business hotel chain of Mauritius. The properties of TPCL are extremely popular among business travellers, given their location, amenities provided and attractive price range.

TPCL is a professionally managed company governed by a Board of 11 directors, comprising of 2 Executive Director and 9 Non-executive Directors. TPCL has a team of experienced professionals who successfully have maneuverer through the entire hospitality cycle.

The day-to-day operations of the company are looked after by Mr. Rolph Schmid, the Managing Director, and assisted by a team of experienced professionals. He joined TPCL in 2004 and was initially appointed as the General Manager of Labourdonnais Waterfront Hotel and Le Suffren Hotel & Marina. He assumes the responsibilities of all operational functions and has dual reporting with the Chief Executive Officer of Eclasia Group and the Board of Director. The finance and accounting department is headed by Mr. David Christine. He joined Eclasia Group in 2004 and was appointed as Group Finance Manager of TPCL in 2016. They are assisted by a team of experienced professionals. Mr. Philippe de Bragard Hardy is the Chairman.

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CREDIT RISK ASSESSMENT

Experienced and resourceful promoters with long track record of operations

TPCL is a subsidiary of Indigo Hotels & Resorts Ltd. (holds 53.39% of TPCL), a subsidiary of Eclasia Group. The founder of Eclasia Group, Michel De Speville, have been engaged in hotel industry of Mauritius since 1994, through TPCL, under the brand name of Indigo Hotels. Incorporated in 1966, Eclasia Group evolved in a few decades from a start-up into a diversified and robust group in the Mauritian economic landscape. The company's activities are in six sectors: Food, Commerce, Logistics, Business Services, Education, and Hotels & Leisure.

In 1990's, the group expanded its operations in Africa and in the Indian Ocean region, mostly in Madagascar. With more than 20 companies under its wings, the group employs over 4,000 people. Eclasia is in the Top 5 of the biggest Mauritian groups. Eclasia group has satisfactory financial position and liquidity.

The other major shareholders of TPCL are Swan Life Ltd., ENL Limited, Promotion and Development Ltd. Swan Life Ltd, incorporated in 1951, is one of the leading players in the life insurance business in Mauritius with 24% market share in Life Insurance business of Mauritius (No. 2 player in Life Insurance market of Mauritius). On the criteria of Gross Written Premium, Swan life dominate the segment with 35% market share. Currently the company had a network of 5 branches Mauritius.

ENL Limited [CARE MUA; Stable] incorporated in 1985, is one of the large conglomerates in Mauritius, developing and managing a portfolio of more than 100 operating companies engaged in diverse industries from agriculture, land, real estate, hospitality, logistics, fintech, commerce and manufacturing. Agriculture, land, and property are the major business segments of ENL.

Incorporated in 1984, Promotion and Development Ltd ("PAD") is an investment company that specializes primarily in owning real estate assets. It holds the majority stake in Caudan Development Limited (70.6%) and as the manager of that company, the company is closely involved with the Caudan Waterfront project.

Strong presence in the business hotel sector in Mauritius with popularity of the 3 hotels among the business travellers

In last 25 years of operations, TPCL has established itself as the leader in the business and city hotel categories in Mauritius. Labourdonnais Waterfront Hotel (5* property), Le Suffren Hotel & Marina (4* property) and Le Suffren Apart' Hotel are strategically located at Caudan waterfront Port Louis, which is the primary business district of Mauritius hosting the Parliament & Embassy's, offices of most of the Banks, Insurance companies, Economic Development Board, Central Bank and Supreme Court. All these are within close vicinity from the hotel. Most of the international business travellers prefer to stay in these 2 hotels for easy access to Port Louis. These are the 2 most popular and renowned business hotels in Port Louis with no major competition in 5-4-star category.

Hennessy Park Hotel (4* property) is located at Ebene, a developing commercial technological hub. The offices of most of the audit houses, corporates, financial companies, telecom companies, IT companies, GBC companies, banks and management schools are in Cyber City Ebene. Vivéa Business Park, another upcoming

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business district of Mauritius, is also located within 2 km from Hennessy Park Hotel. Currently, Hennessy Park Hotel is the only 4* category hotel in Ebene. However, over the next 3-5 years, around 2-3 hotels properties are expected to be operational with total of around 300-350 room keys in aggregate.

The Address Boutique Hotel is located at Port Chambly in Baie du Tombeau, near the Jingfei project, an industrial area developed by the Chinese. TPCL is one of the leading business and city hotel chain in Mauritius. TPCL has medium to long term agreements with Airlines and Corporates.

Impact of COVID -19 on the liquidity of TPCL

Since March 20, 2020, Government of Mauritius has restricted the country's air and sea access and has imposed a national lockdown till June 1, 2020 to limit spreading of the novel Coronavirus. As a result, most hotels suspended their operations for an indeterminate period (until air and sea access restrictions are lifted) to cut down variable costs because air travel restrictions meant that there would be no tourist arrival and hence minimal revenue to the hotels until normal air access is restored.

From October 2021, the borders were reopened fully, thereby allowing only vaccinated tourists with a negative PCR test without quarantine on the Mauritian territory. The successful acceleration of the country's vaccination program has allowed Mauritius to progress with the full reopening and welcome visitors in a safe and secure environment.

TPCL's operations were also directly impacted with the imposed conditions. The company primary focus remained stringent liquidity management, reduction of fixed expenses and continuous evaluation of further saving measures. The entire senior executive team took voluntary pay cut throughout the financial year to assist the company.

Financial performance and debt coverage indicators impacted by COVID-19 in FY21 & Q1FY22

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 270 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 program (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.

TPCL borrowed funds amounting to Mur 503 million from MCB Bank in December 2019 and utilized same for repayment of existing loan of MUR 335 million from MCB, refurbishment of Le Suffren Hotel & Marina and the land acquisition of Labourdonnais Waterfront Hotel Hotel from Caudan Development Ltd.

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During discussion, TPCL's management stated that the company has unutilized overdraft facility of Mur 64 million (total overdraft facility – Mur 207 million), to take care of 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'. The purpose is to finance the short-term impact of COVID-19 on TPCL and allow the company to cover essential cash flow and working capital requirements till June 2021. The company has utilized only MUR 110 million as at November 2021. With the Mauritian borders opened recently in October 2021, without quarantine protocol, management is expecting its financial situation to improve despite the challenging economic environment.

Performance of Labourdonnais Waterfront, Hennessy Park Hotel and Le Suffren Hotel & Marina impacted by COVID-19 (From October 2021, all the hotels are operating at satisfactory occupancy)

Labourdonnais Waterfront Hotel ("LWH") is one of the leading 5* hotel in Mauritius. It is strategically located in the heart of Mauritius capital city, on the waterfront of Port Louis. Just 45 minutes from the airport, the Labourdonnais' proximity to shops, restaurants, market, Champs de Mars, the Caudan Waterfront complex, museums and business area. The hotel has a mix of classic room, deluxe room, executive club room, junior suite, luxury suite, and penthouse and prestige suite. The hotel offers a blend of Asian fusion of Thai, Vietnamese, Chinese and Japanese signature dishes in Yuzu restaurant, one of the popular restaurants in Mauritius. This hotel also provides banqueting and conference facilities and fitness & wellness club.

LWH was closed for accommodation from March 2021 till September 2021. The property remained focused on capitalising the food and beverage operations thus culinary promotions and new menu concepts were launched successfully. Recently in October 2021, the Hotel has resumed its accommodation activities and as that date has already reached an encouraging occupancy rate.

LWH has contracts with the airlines (i.e., British Airways and Condor), and same were renewed following reopening of borders. Under the contract fixed number of rooms are booked for which the company earns an assured revenue. In October 2021 with the opening of the borders, British Airways and Condor have resumed their operation accordingly.

Le Suffren Hotel & Marina a 4*star hotel is located in Caudan at Port Louis (5 minutes' drive from Labourdonnais Waterfront Hotel). The hotel has a mix of classic rooms, superior rooms, junior suites and apart hotel. Guest can enjoy Sushi, seafood, Mauritian and international cuisine in its restaurants and 2 bars. The hotel offers a wide variety of events and leisure facilities. The hotel is also popular with crews & guests of the cruises stopping at Port Louis. The hotel derives around 30-35% of its revenue from F&B, arising out of quality food served by the hotel. The hotel was reopened on June 4, 2020 for accommodation, food & beverages, and other services. As that November 2021, Le Suffren's occupancy rate was encouraging.

Hennessy Park Hotel (“HPH”) is one of the leading 4-star business hotel. It is conveniently located where more than 300 companies operate in the hi-tech business park of Ebene Cyber city. It is just 15 minutes away from the capital city of Port Louis and 35 minutes from the international airport. The hotel has a mix of classic room and junior suite. With 2 restaurants and 2 bars HPH offers a choice of contemporary and eclectic restaurants serving up diverse cuisines from local favourites to Japanese flavours. The hotel has a lounge bar called Backstage, a popular venue for entertaining any time of the day. The hotel also provides banqueting and conference facilities, Spa and wellness, and outside catering services.

The major contribution to revenue in HPH is from the F&B section. The hotel derives around 50% of its revenue from F&B on account of higher sale of food and beverages, arising out of quality food served by the hotel and its convenient location. Backstage lounge is a platform for local artists, promoting art and fashion shows, doing stand-up comedy and live concerts, thus, attracting a lot of people.

The hotel was operational during the lockdown for food & beverages services. The hotel is now open for accommodation, food & beverages, and other services.

The Address Boutique Hotel was built by Clifton group in 2007. The village comprises of 240 individual villas, 30 villas RES, and a 42-room hotel with 12 suites. The Hotel, since inception was incurring losses and was unable to make timely repayment of debts. In April 2013, the hotel property and the operations of the hotel were separated from the residential villas and put under Hotel Chambly Limited (“HCL”).

In FY13-14, TPCL took over the management and the operations of the hotel. The hotel was renovated and refurbished in 2013 and was relaunched as a 4-star hotel as The Address Boutique Hotel (“The Address”).

The major contribution to revenue in The Address is from the F&B section. The attractive location (viewing the sea) of the hotel attracts lot of corporates, individual to conduct their meetings, conferences and celebrations making an increase in F&B revenue and contributing in overall revenue increase.

The main activity of HCL is to own and operate The Address Boutique Hotel and to manage rental, provide housekeeping and maintenance services through Les Chamblynes Villas to a group of homeowners of villas and apartments located within the village.

The Address Boutique Hotel is 45km from the airport and is centrally located just 10 minutes from the capital, Port Louis, and 15 minutes from the beaches and attractions of the north of the island. The Address Boutique Hotel has a mix of classic rooms, superior rooms, and junior suites. The hotel offers Japanese and Mediterranean food in its 2 restaurants and bar. This hotel also provides banqueting facilities, wedding and corporate events, wellness and spa and other leisure facilities.

During FY21, the hotel underwent a major repairs and maintenance program which uplifted the rooms and specific sections of the public areas.

Agreements with leading Online Travel Agents (OTAs)

TPCL has marketing and selling arrangement with various online travel agents namely, Booking.com, Expedia, TripAdvisor instant booking, Infinite hotels, Goibibo, Orbitz, Late rooms, Odigeo connect, Infinite hotel etc.

The company has a well operated internal sales and marketing team, headed by the Sales and Revenue Manager, Banquet Manager and Reservation Manager. The team reports directly to Mrs. Stéphanie Fischhoff, Group Sales and Marketing Manager.

Environmental risk

The properties of Labourdonnais Waterfront Hotel and Le Suffren Hotel & Marina are located on the seafront, making it be potentially vulnerable to changing climatic conditions, namely through sea level rise, amongst others. As reported in Special Investing Report of Mauritius by Financial Times, Sea levels in Mauritius are increasing at an average rate of 5.6 mm a year, are a particular danger to the hotels located near the seafront. This in turn may affect the tourism sector of the country. The company has taken insurance cover from Swan Insurance.

Foreign exchange risk

As per the management, TPCL receives approximately 15% of its revenue in Euro, exposing its profits to adverse MUR/EUR movements. The company uses around 30% of its Euro revenue in paying of its Euro expenses. The balance Euro amount is utilized by the group treasury to meet group's commitment on Euro debt, thus mitigating foreign currency fluctuation risk.

Hotel Industry in Mauritius

Mauritius has a relatively diversified economy with the tourism and hospitality industry being one of the main economic pillars. The country welcomed 1.3 million tourists in 2019 with a total tourism earnings of MUR 63, 107 billion the same year. At the end of 2019, Mauritius had 112 hotels in operation with a total of 73% room occupancy rate.

Impact of Covid-19 pandemic

The tourism and hospitality industry has been facing severe hardship since the beginning of the COVID-19 pandemic, with reduced international travel, closure of borders and lockdown periods. Tourist arrivals decreased with only 308,908 arrivals in 2020 compared to 1.3 million in 2019.

In order to support the industry, Government of Mauritius introduced several measures to support economic operators across all sectors impacted by COVID-19. An amount of MUR 5 billion was earmarked to provide financial support at macroeconomic and cross sector level including tourism sector. A special relief fund of Mur 5 billion has been extended till June 2022 to economic operators at a discounted interest rate of 1.5% with 6 months moratorium on capital and interest repayment. Until December 2021, a special Wage assistance scheme was provided by the government of Mauritius, whereby Government provided a wage subsidy to Employers, to ensure that all employees are duly paid their salary. Following the outbreak of the

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Covid-19 pandemic, the national borders of Mauritius were closed to control the propagation of the virus. In October 2021 Mauritius re-opened its borders to all vaccinated travellers and welcomed 170,000 tourists in the month of October -December 21.

Outlook on the tourism

- MUR 420 million is being allocated to the Mauritius Tourism Ports Authority (MTPA) for the Promotion and destination marketing in France, Reunion, UK, Germany, Italy, South Africa and China. Several cultural tourism events are being organised locally and internationally and E-promotion through e-marketing, online events and virtual road shows.
- Strong demand to travel to Mauritius is prompting Air Mauritius to increase its flights. Air Mauritius is operating a daily flight from Paris to Mauritius since November 2021 and three weekly flights to and from London, which is likely to increase to five weekly flights during Christmas and New Year period.

Prospects

TPCL's prospects depend upon ability to maintain the pre-Covid ARR and occupancy rate of its hotels post opening of the international borders and restoring the pre-covid business performance for all the hotels. The rating is sensitive to any new debt funded acquisition & renovations and any new business hotel constructed in the nearby vicinity of the existing properties.

Financial Performance - Tropical Paradise Co. Ltd (Standalone)

Mur Million

For the year ended as on	Jun-18	Jun-19	Jun-20	Jun-21
	Audited			
Revenue	497.5	792.4	576.0	199.5
EBIDTA	100.5	162.1	29.5	(132.6)
Depreciation	31.8	64.3	68.8	31.8
Interest	19.5	25.5	32.2	35.4
PBT	49.2	58.9	(71.4)	(199.8)
PAT	42.0	47.9	(60.0)	(163.8)
Gross Cash Accruals (GCA)	81.0	123.2	(2.6)	(168.0)
Financial Position				
Equity share capital	1153.1	1153.1	1115.6	1,115.6
Tangible net worth	1208.2	1204.7	1162.1	1,006.5
Total debt	358.8	478.7	699.5	841.8
- Long term debt	228.6	299.3	546.3	629.3
- Short term debt	130.2	179.4	153.2	212.4
Cash & Bank balances	1.5	9.7	9.9	2.90
Key Ratios				
Profitability (%)				
EBIDTA / Total income	19.49	20.39	NM	NM
PAT / Total income	8.14	7.46	NM	NM
ROCE- operating (%)	4.00	5.69	NM	NM
RONW (%)	3.48	4.92	NM	NM
Solvency				
Long Term				
Long-term debt equity ratio	0.19	0.25	0.47	0.60
Overall gearing ratio	0.30	0.40	0.60	0.80
Interest coverage (times)	5.15	4.93	NM	NM
Long-term Debt/EBIDTA	2.18	1.63	NM	NM
Total debt/EBIDTA	3.33	2.58	NM	NM
Total debt/GCA	4.43	3.70	NM	NM

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For the year ended as on	Jun-18	Jun-19	Jun-20	Jun-21
	Audited			
Liquidity				
Current ratio	0.81	0.65	0.93	0.60
Avg. Collection Period (days)	17	18	35	79
Avg. Inventory (days)	21	23	35	53
Avg. Creditors (days)	54	43	72	108
Op. cycle (days)	(16)	(2)	(2)	24

#NM- Not Meaningful

Financial Performance - Tropical Paradise Co. Ltd (Consolidated)			Mur Million	
For the year ended as on	Jun-18	Jun-19	Jun-20	Jun-21
	Audited			
Revenue	809	888	658	322
EBITDA	146	103	23	(163)
Depreciation & amortisation	54	26	75	34
Interest	27	30	37	41
PBT	64	46	(89)	(164)
PAT	52	35	(78)	(128)
Gross Cash Accruals (GCA)	119	72	(14)	(131)
Financial Position				
Equity share capital	1153	1116	1116	1,116
Tangible net worth	1191	1129	1127	1,008
Total debt	505	597	802	951
- Long term debt	336	428	639	700
- Short term debt	169	168	163	251
Cash & Bank balances	6	12	10	3
Key Ratios				
EBIDTA / Total income	18	12	NM	NM
PAT / Total income	6	4	NM	NM
ROCE- operating (%)	5	4	NM	NM
RONW (%)	4	3	NM	NM
Overall gearing ratio	0	1	1	1
Long term Debt/EBITDA	2	4	NM	NM
Total debt/EBITDA	3	6	NM	NM
Total Debt/GCA	4	8	NM	NM

#NM- Not Meaningful

Adjustments

1. GCA is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
2. Overall Gearing ratio is calculated as total debt (long and short-term debt)/Tangible Net worth.

Details of Instrument

1. Details of Term Loan

Name of Bank	Amount (MUR million)	Tenure	Final repayment date	Debt Repayment Term
The Mauritius Commercial Bank Ltd	500	11 years	April 2032	Repayment in 40 quarterly installments starting from February 2022
The Mauritius Commercial Bank Ltd	3	7 years	November 2026	84 monthly installments starting from December 2019
Total	503			

Purpose of the Term Loan

TPCL borrowed a term loan of Mur 503 Million from Mauritius Commercial Bank in December 2019. Mur 500 Million has been utilized for refinancing of existing loan of Mur 335 Million from MCB, financing refurbishment of Le Suffren Hotel & Marina and financing of land acquisition of Labourdonnais Waterfront Hotel. The Mur 3 Million is utilized for the acquisition of an Electric Water Shuttle.

Disclaimer

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