Tropical Paradise Co. Ltd ("TPCL")

December 21, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Term Loan I	485 (Reduced from 500)	**CARE MAU A-; Negative [Single A minus; Outlook: Negative]**	**Reaffirmed**
Term Loan II	2 (Reduced from 3)		
Total	**484**		

Rating Rationale

The rating assigned to the term loans of Tropical Paradise Co. Ltd ("TPCL"), continues to derive strength from re-opening of international borders and the continuous increase of tourist's arrivals and business travellers in Mauritius. The rating also derives strength from its experienced and resourceful promoters- Eclosia group, having a controlling interest of 53.39% in TPCL, through its subsidiary's companies Indigo Hotels & Resorts Ltd and Management & Development Company Limited, which has a long track record, of operations and 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 to their favourable locations, commercial agreements with airlines and corporates, satisfactory average room revenue (ARR) and occupancy rate and 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 constrained by the financial risk and in response with the cash flow impact of COVID 19 pandemic, environmental risk and foreign exchange risk.

Outlook: Negative: The outlook is 'Negative' based on the current economic slowdown of European countries and losses posted during Q1FY23. The outlook will be revised to stable on improvement in financial performance during FY23 turning from loss to net profit.

Rating Sensitivities

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

- Ability to regain the pre-Covid ARR and occupancy rate of its hotels
- Restoring the pre-covid business performance for all the hotels.
- Reduction in debt levels on consistent basis.

Negative Factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Any new debt funded expansion or acquisition
- Inability to increase occupancy rate of the hotels
- Sharp decline in ARR/RevPAR of the hotels

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

BACKGROUND
Tropical Paradise Co. Ltd. ("TPCL") was incorporated in 1994 by Eclosia Group, to develop and operate business hotels in business districts of Mauritius. Eclosia through its subsidiary companies, Indigo Hotels & Resorts Ltd and Management & Development Company Limited has a controlling interest of 53.39% in TPCL. The Company's ultimate beneficial owner is Mr Michel de Spéville.

TPCL currently owns and manages 4 properties in Mauritius (3 properties directly under TPCL and one under subsidiary; Hotel Chambly Limited). As at December 2022, TPCL has 367 rooms in Mauritius. Since inception, TPCL has positioned itself as one of the leading business hotel chains of Mauritius. Various properties of TPCL are extremely popular among the business traveller, given its location, its attractive price range and various amenities provided. 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 created for such acquisition. Triamad was then amalgamated into TPCL on 1st July 2018. In 2013, TPCL opened Le Suffren Aparthotel, Mauritius's first executive apartments designed for the business traveller on a longer stay. TPCL also developed I Spa Fitness and Wellness Club in its various hotels, to become a unique "under one roof" beauty, wellness, and fitness center for guests. In 2014, 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 owned by MCB group and managed by TPCL. In January 2018, TPCL acquired 100% stake in HCL from MCB. In 2018, TPCL, through HCL, acquired Les Villas Chamblynes, a property rental company that offers short holiday lets and long-term stays in Port Chambly.

Management: TPCL is a professionally managed company governed by a Board of 13 directors, comprising of 2 Executive Directors and 11 Non-executive Director. TPCL has a team of experienced professionals who have successfully maneuverer through the entire hospitality cycle. The day-to-day operations of the company are looked after by Mr. Rolph Schmid and assisted by a team of experienced professionals. The financial department is headed by Mr. Warren Leung who joined TPCL in November 2022 to replace Mr. David Christine (was appointed Manager in 2016). Mr. Philippe de Bragard Hardy is the Chairman.

Performance in FY22: The performance was impacted in FY21 due to the pandemic and the various measures taken by the authorities to curb the spread of the virus. As such the focus over the last financial year was geared towards the optimization of food and beverages activities with local clients. In FY22, total revenue of TPCL company increased by 55% over FY21 with the recovery of international travelling since borders reopened and restrictions were lifted. There was an improvement in EBITDA from a loss of MUR 89 million in FY21 to a gain of MUR 29 million in FY22. PAT losses were also reduced from MUR 165 million in FY21 to MUR 77 million in FY22. As on June 30, 2022, TPCL had a long-term debt of MUR 616 million and overall gearing as per CRAF's calculation was at 0.97x as on June 30, 2022, with the covid 19 support loan program (0.84x as on June 30, 2021). The management is expecting its financial situation to improve despite the challenging economic environment. For the quarter Q1FY23, TPCL incurred a loss of MUR 25 million however FY23 is expected to be profitable. At group level we note that in FY22, total income recorded a steady rise of 131%. EBIDTA recorded progress from MUR 112 million negative in FY21 to MUR 9 million positive in FY22. Loss after tax also decreased from MUR 202 million to MUR 114 million. Gearing as per CRAF's calculation was 1.30 times.

Disclaimer

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Annexure II

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".

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.
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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.