Brief Rationale

CRAF downgrades the rating assigned to the term loan of MUR 503 Million of Tropical Paradise Co. Ltd from CARE MAU A+ to CARE MAU A and continues the rating Under Credit Watch with Negative Implications

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Term Loan I	500	CARE MAU A; Under Credit Watch with Negative Implications [Single A; Under Credit Watch with Negative Implications]	Downgraded from CARE MAU A+; and continues under Credit Watch with Negative Implications
Term Loan II	3	CARE MAU A; Under Credit Watch with Negative Implications [Single A; Under Credit Watch with Negative Implications]	Downgraded from CARE MAU A+; and continues under Credit Watch with Negative Implications

Rating Rationale

The rating assigned to the term loans of Mur 503 Million of Tropical Paradise Co. Ltd. ("TPCL") was downgraded from CARE MAU A+ to CARE MAU A and continues under Credit watch with negative implications in relation to the outbreak of Covid-19 pandemic. Following the Curfew Order in force on the 23rd March 2020, TPCL closed Labourdonnais Waterfront Hotel (LWH) on the same date. Le Suffren Hotel & Marina (LSH) was subsequently closed on the 25th March 2020 while the Hennessy Park Hotel (HPH) was operational.

For the time being, only LWH remains closed in terms of accommodation. Given the current uncertainty surrounding the full lifting of air and sea travel restrictions in Mauritius and business travellers' arrivals post resumption of air traffic, CRAF is not in a position to assess the actual date of resumption of rooms operations in LWH and occupancy in the other 2 hotels. Hence, CRAF will keep monitoring the situation and will review the ratings by May 2021.

CRAF, based on discussion with TPCL management, understands that TPCL has adequate liquidity to meet its short-term scheduled debt servicing obligations and other fixed expenses. CRAF has also considered TPCL's management decision to reopen the Restaurants, Bars and Conference facilities of all the properties following withdrawal of the lockdown. Revenue generated locally post confinement from food and beverage operations is stable. This combined with the Government Wage Assistance Scheme is encouraging and more and less adequate to cover the company's operating expenses and management is expecting a similar trend for the coming months.

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 and strong financial position, 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 for last three years up to March 2020, diversified source of revenue with significant contribution from Food & Beverage (F&B) segment, agreements with leading Online Travel Agents (OTAs) and satisfactory financials & debt coverage indicators.

The rating strengths are, however, tempered by 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.

The uncertainty surrounding lifting of air and sea travel restrictions in Mauritius and ability to attract tourist and business travellers post opening of international borders, improvement in occupancy rate and maintaining current ARR are the key rating sensitivities. The rating is also sensitive to any new debt funded expansion or acquisition and expected competition for Hennessy Park Hotel due to upcoming hotel projects in vicinity in next 5 years.

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. As mentioned earlier, Labourdonnais Waterfront Hotel accommodation is still closed while all the other hotels are open.

TPCL's management has indicated CRAF that they expect to resume the rooms operations of Labourdonnais Waterfront Hotel as soon as Mauritius reopen its borders, while the Food & beverage section of all the hotels are fully operational. Depending on the sanitary measures that will be potentially required to support the return to business in the hospitality and restaurant industry, combined with the lifting of air and sea travel ban, CRAF is not in position to assess the actual date of resumption of room operations for Labourdonnais Waterfront Hotel and occupancy in the other 2 hotels.

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.

During discussion, TPCL's management stated that the company has unutilized overdraft facility of Mur 130 million (total overdraft facility – Mur 210 million), to take care of its fixed expenses and interest payments.

In October 2020, MCB granted a second moratorium to TPCL for interest and principal repayment. The interest payment is now due in May 2021 and principal repayment is due in February 2022.

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', in order to tide over any unforeseen liquidity shortfall (due to delay in pickup of occupancy) or in case of another lockdown. This facility is available in one or more drawdowns (each drawdown being a loan) and at the time of writing, TPCL has availed MUR 65 Million and have a balance of MUR 145 Million unutilised. Any further disbursement will be done as and when required.

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. 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 entered a Management Contract with Hotel Chambly Ltd ("HCL") to manage The Address Boutique Hotel situated in the residential village of Port Chambly. The property underwent a major refurbishment and was launched as a 4-star boutique hotel. Till December 2017, HCL was managed by TPCL. In January 2018, TPCL acquired 100% stake in HCL from Clifton Holdings Ltd. In February 2018, HCL acquired the business assets of Les Villas Chamblynes, a property rental business that also provide housekeeping and maintenance services to a group of homeowners of villas and apartments within Port Chambly.

As on December 2020, TPCL has 367 rooms in Mauritius. For last 4-5 years, TPCL has undergone various developments & renovations with latest being at Le Suffren Hotel & Marina in July to September 2019, when the hotel was closed for 3 months. 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 one Executive Director and ten Non-executive Directors. TPCL has a team of experienced professionals who successfully have maneuverer through the entire hospitality cycle.

Pre COVID-19 crisis, Room revenue and F&B revenue contributes almost equally to the revenue of TPCL, followed by income from other sources. Revenue has increased steadily over last 3 years, primarily due to merger of Hennessy Park Hotel with and into TPCL.

Total revenue declined by 27% in FY20 over FY19, due to the impact of global lockdown because of the pandemic. Similarly, both EBITDA and PAT level also witnessed significant decline in FY20 over FY19. Gearing was comfortable at 0.60 as on June 30, 2020 (0.40 as on June 30, 2019). As on June 30, 2020, TPCL had a long-term debt of Mur 546 million, primarily used for renovation of the existing hotels.

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.

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.