Rating Rationale
Tropical Paradise Co. Ltd. ("TPCL")

Ratings

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

Rating Rationale

The rating assigned to the term loans of Tropical Paradise Co. Ltd. ("TPCL") was put 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. 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 taken into account TPCL's management decision to reopen the Restaurants, Bars and Conference facilities of all the properties following withdrawal of the lockdown. For the time being, only LWH will remain closed in terms of accommodation. Given the current uncertainty surrounding lifting of air travel restrictions in Mauritius and business travellers arrivals post resumption of air traffic, CRAF is not in position to assess the actual date of resumption of rooms operations in LWH and occupancy in other 2 hotels. Hence, CRAF will keep monitoring the situation and will review the ratings by September 2020.

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 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, 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 budget 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 travel restrictions in Mauritius and opening of the hotels, 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 3-5 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, TPCL closed Labourdonnais Waterfront Hotel and Le Suffren Hotel & Marina while the Hennessy Park Hotel remain 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 Food & beverage section of all the 3 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 travel ban, CRAF is not in position to assess the actual date of resumption of room operations for Labourdonnais Waterfront Hotel and occupancy in 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 200 million), to take care of its fixed expenses and interest payments. The capital repayment is due in August 2021.

Management informed CRAF that MCB has agreed in principle a term loan of MUR 210 million (@1.5% p.a.) under the Special Relief Programme of GoM in order to tide over any unforeseen liquidity shortfall (due to delay in pickup of occupancy) or in case the lockdown gets extended.

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 into 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 at December 2019, TPCL has 367 rooms in Mauritius operating at around 70% occupancy level. 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 have successfully maneuvered 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 Eclosia Group and the Board of Director. The finance and accounting department is headed by Mr. David Christine. He joined Eclosia Group in 2004 and was appointed as Group Finance Manager of TPCL in 2016. They are assisted by a team of experienced professionals.

After 24 years of heading the board, the founder, Mr. Michel de Spéville resigned as the chairman of TPCL on September 27, 2018. He still provides valuable contribution as a Director. Mr. Philippe de Bragard Hardy is the Chairman.

CREDIT RISK ASSESSMENT

Experienced and resourceful promoters with long track record of operations

TPCL is a subsidiary of Indigo Hotels & Resorts Ltd. (holds 48.88% of TPCL), a subsidiary of Eclosia Group. The founder of Eclosia 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, Eclosia 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 twenty companies under its wings, the group employs over 4,000 people. Eclosia is in the Top 5 of the biggest Mauritian groups. Eclosia group has strong financial position and satisfactory 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.

ENL Limited [CARE MUA A (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 of TPCL in the business hotel sector of 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 located in Cyber City Ebene. Vivéa Business Park, another upcoming 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. With total of 600 employees and 500,000 visitors every year, TPCL is one of the leading business and city hotel chain in Mauritius. TPCL has medium to long term agreements with Airlines and Corporates.

Satisfactory performance of all the Hotels with stable occupancy

Over the last 2 years, TPCL has renovated its existing hotels, and has implemented professional hospitality services (IT, new Restaurants and Bar concepts, a Mauritian Library and a Cultural Concierge) and remodelling of public areas, restaurants, banqueting facilities and rooms.

In FY18-19, TPCL operated 367 rooms in Mauritius (4-5* category) at an average occupancy of 72% vis-a-vis 13,500 available hotel rooms in Mauritius which clocked an occupancy of 73% (71% occupancy for 9MFY20).

Strong operational parameters of Labourdonnais Waterfront, Hennessy Park Hotel and Le Suffren Hotel & Marina with moderate performance of The Address Boutique Hotel

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, fitness & wellness club and sunset cruise.

A dip in occupancy rate was recorded in FY2019, since the hotel underwent a floor by floor room refurbishment for 3 months, successfully completed by mid-October 2018. Labourdonnais Waterfront Hotel has medium-term contracts with airline companies.

Labourdonnais derives 45% of its revenue from F&B (FY 2018 - 47.1%). Income from F&B was always around 40-50% of the total revenue, arising out of quality food served by the hotel, its convenient location and its popularity as a 5* dine out option. Despite of the less room stock to sell during FY2019 (renovations in FY19), revenue generated from rooms accounted an increase of 4% compared to the last year room revenue.

Le Suffren Hotel & Marina a 4*star hotel is located 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.

In the segment of 4*Hotels, Le Suffren's RevPar and occupancy is in line with the industry's RevPar and occupancy rate. The hotel underwent a major refurbishment from mid-June 2019 and was successfully completed by mid-September 2019. This renovation will enhance the property's brand image and reinforce the company's commitment to continuously meet the expectations of the business and cultural travellers.

The hotel derives around 30-35% of its revenue from F&B, arising out of quality food served by the hotel.

Hennessy Park Hotel ("HPH") was acquired by TPCL in 2011 and in between 2011-2017, they successfully turned around the operation and financial performance of the Hotel and the property established itself as a popular business hotel in Ebene. Post profitable performance of HPH for few consecutive years, in July 2018, management of TPCL merged Triamad with and into TPCL.

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 favorites to Japanese flavors. The hotel has a lounge bar called Backstage, a popular venue for entertaining any time of the day. The hotel also provide banqueting and conference facilities, wellness and spa center and outside catering services.

The hotel completed its refurbishment program in 2017, thus getting the benefit in FY 2019 with increase in revenue of 12% (increase of 8% in FY18).

The major contribution to revenue in HPH is from the F&B section. The hotel derives around 50.7% of its revenue from F&B (FY 2018 53.7%) 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 fashion and art shows, doing stand-up comedy and live concerts, thus, attracting a lot of people. Happy hour on Friday is very popular amongst the locals.

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"). Under the management of TPCL, the performance has improved steadily and the key indicators are as under:

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. While there was improvement in EBIDTA, the hotel was still incurring losses.

In January 2018, the financing structure of HCL was reviewed with TPCL taking over the hotel. Accordingly, TPCL acquired 100% stake in HCL in January 2018. The Non-Current Assets were impaired and the existing debt was written off. The restructuration comprise of TPCL injecting Mur 40 million as equity, subscription by MCB of convertible bonds of Mur 28 million and subscription by MCB of non-convertible bonds of Mur 70 million

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

The Address 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 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 provide banqueting facilities, wedding and corporate events, wellness and spa and other leisure facilities.

In FY2019, HCL's revenue increased by 6% over FY18 mainly due to the revenue contribution of Villas Chamblynes. While the hotel is breaking even at EBIDTA level it is incurring losses at bottom line and GCA level. However, prior to the Covid-19 pandemic, management was confident that in FY20 they will be able to post positive cash accruals. The management has also stated that cash losses in HCL pre-Covid-19 are to the tune of Mur 5 million, and in case TPCL had to support the operations, same will not be a major burden given the strong cash position of TPCL.

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.

Satisfactory financials and strong debt coverage indicators

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 with significant increase in FY19, primarily due to merger of Hennessy Park Hotel with and into TPCL. While there was a dip in room revenue in FY18 due to renovations of Labourdonnais Waterfront Hotel in July – Oct 2018, same has witnessed increase in FY19 due to amalgamation of Hennessy Park Hotel (effective July 2018).

Total revenue increased by 60% in FY19 over FY18, due to the impact of the amalgamation. Similarly, both EBIDTA and PAT level also witnessed significant increase in FY19 over FY18.

Gearing ratio was also comfortable at 0.40x as on June 30, 2019. Interest coverage and Debt/EBIDTA ratio was comfortable in FY19. As on June 30, 2019, TPCL had a long-term debt of Mur 478 million, primarily used for acquisition of Hennessy Park Hotel and renovation of the properties. GCA of Mur 130 million was comfortable vis-à-vis debt repayment of Mur 20 million in FY19.

The entire long term debt of the company was refinanced through the disbursement of Mur 503 million in December 2019.

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 and represents a particular danger to the hotels located near the seafront. This in turn may affect the tourism sector of the country.

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 receipts in paying of its Euro expenses. The Euro balance amount is utilized by the group treasury to meet group's commitment, thus mitigating foreign currency fluctuation risk.

Legal Dispute: On December 16, 2019, TPCL put up a Communication in the Stock Exchange – *"A Statutory Demand was served against the Company pertaining to a commercial dispute with a supplier, Royal Marquees Ltd, for an amount of Mur 396,500 plus Mur 5,991,600 as interest. TPCL has lodged an application to set aside the said Statutory Demand and is now defending the winding up petition lodged. The matter is being treated with due attention by our legal advisors. The Board wishes to reassure its shareholders and the public at large that TPCL is a solvent Company".*

On discussion the management has informed that Le Suffren Hotel & Marina generally solicits the services of Bedouin Tents (Mauritius) Co Ltd, for setting up tents, for which a proper purchase order was issued to the vendor. Royal Marquees Ltd (another vendor providing similar type of services) claims that Le Suffren appointed them to provide the same services on the same day and issued the invoice amounting to Mur 396,500 for the services. At the time of the incident, Royal Marquees Ltd was no longer an approved supplier of Le Suffren Hotel & Marina. This apart when asked for, Royal Marquees failed to provide the purchase order for the services. TPCL has a "No purchase order no pay" policy which was communicated to all the vendors including Royal Marquees Ltd. Following meetings and various communication with Royal Marquees Ltd, the company refused to pay the amount to them. On 10th October 2019, Royal Marquees Ltd served a 'Statutory Demand' against TPCL claiming that TPCL is indebted to Royal Marquees Ltd for an amount of Mur 6,388,100 made up of the unpaid invoices of Mur 396,500 and Mur 5,991,600 as interest at 5% per day on the overdue invoices. As discussed with the management, the legal advisor will defend the case in June, 2020. The maximum obligation which could fall in this case is Mur 396,500.

Industry Risk

Tourism contributes significantly to economic growth and has been a key factor in the overall development of Mauritius. In the past two decades tourist arrivals increased at an average annual rate of 9% with a corresponding increase of about 21% in tourism receipts.

Given the high degree of dependency of the Mauritian Hotel sector on the European tourist arrivals & European economy, Mauritian Hotel & Hospitality sector is expected to be significantly affected in 2020 and in 2021. The tourism sector is expected to have a significant hit from the covid-19 pandemic through the interplay between several factors, namely, ramifications of containment measures deployed locally and internationally, restrictions on international travel, deteriorating health of the airline industry, and decline in disposable income in European markets in the wake of pay cuts and/or job losses.

It is estimated (by MCB) that even if the pandemic starts easing post June 2020 on the worldwide scale and containment efforts are gradually relaxed, with international travel restrictions lifted in late 2020, Mauritius' will experience a shortfall in tourism earnings by around MUR 40 billion in 2020, compared to 2019. However, the actual impact on the Hotel & Hospitality sector will eventually depend on how the afore-mentioned factors evolve over time and the effectiveness of support measures. It is apparent that local economic activity is expected to be restored progressively, with various sectors becoming fully operational in different stages; albeit maintaining physical distancing and taking appropriate sanitary measures.

Although the local Hotel & Hospitality is expected to benefit from a weaker MUR, some hotels are expected to reduce prices in the face of lower than usual demand, with the average tourist also reducing its spending. Accordingly, Occupancy and Avg Daily Room Rate (ADR) is expected to be low for the period August-September 2020 based on gradual lifting of travel restrictions in a controlled manner. With a further easing of air travel, occupancy & ADR is expected to increase gradually during the period Oct. – Dec. 20, and Jan. - June 2021.

The prevailing climate directly impacts the health and wellbeing of families, it is highly doubtful whether a 30% or 40% discount in the hotel rates will attract customers from Mauritius also. Post lockdown it needs to be seen whether the strategy for hotels would be to attract Mauritian residents to go to the hotels at discounted rates or keep the hotel closed.

If the situation persists, the value of the hotel properties will be impacted and this may also have a spillover effect on the loan-to-value (LTV) covenants imposed by banks.

However, Government of Mauritius introduced several measures to support economic operators across all sectors impacted by COVID-19. An amount of MUR 9 Billion has been earmarked to provide financial support at macroeconomic and cross sector level including tourism sector. A special relief fund of Mur 5 Billion to be provided from 23 March 2020 to 31 July 2020 to economic operators at a discounted interest rate of 1.5% with 6 months moratorium on capital and interest repayment.

A special Wage assistance scheme was provided by the government of Mauritius from March 2020 extended up to June 2020. Under this scheme Government provided a wage subsidy to Employers, to ensure that all employees are duly paid their salary.

While the Government is providing financing facilities to the hotel operators to ease their cash flow, it is yet to be determined whether the cash available should be applied toward payment of employees' salaries and maintaining employment thus avoiding a social crisis or on prompt settlement of the dues to the lenders.

This has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted.

Prospects

TPCL's prospects depend upon ability to maintain the current ARR and occupancy rate of its hotels and increase same. 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. The negative impact of the outbreak of the Covid-19 and uncertainty about its prolonged impact on the global tourism sector and the hotel sector of Mauritius is a key sensitive factor in near future.

Financial Performance - Tropical Paradise Co. Ltd (Standalone) **Mur Million**

For the year ended as on	Jun-17	Jun-18	Jun-19
	Audited		
Revenue	452.9	497.5	792.4
EBIDTA	85.3	100.5	162.1
Depreciation	31.5	31.8	57.9
Interest	23.8	19.5	32.9
PBT	30.0	49.2	71.3
PAT	27.2	42.0	59.3
Gross Cash Accruals (GCA)	61.5	81.0	129.2
Dividend paid/proposed	22.0	27.0	27.0
Financial Position			
Equity share capital	1153.1	1153.1	1153.1
Tangible net worth	1206.9	1208.2	1204.7
Total debt	310.8	358.8	478.7
- Long term debt	208.9	228.6	299.3
- Short term debt	101.9	130.2	179.4
Cash & Bank balances	0.7	1.5	9.7
Key Ratios			
Profitability (%)			
EBIDTA / Total income	18.05	19.49	20.39
PAT / Total income	5.76	8.14	7.46
ROCE- operating (%)	3.18	4.00	5.69
RONW (%)	2.25	3.48	4.92
Solvency			
Long Term			
Long-term debt equity ratio	0.17	0.19	0.25
Overall gearing ratio	0.26	0.30	0.40
Interest coverage (times)	3.58	5.15	4.93
Long-term Debt/EBIDTA	2.56	2.18	1.63
Total debt/EBIDTA	3.78	3.33	2.58
Total debt/GCA	5.05	4.43	3.70
Liquidity			
Current ratio	0.72	0.81	0.65
Avg. Collection Period (days)	18	17	18
Avg. Inventory (days)	22	21	23
Avg. Creditors (days)	51	54	43
Op. cycle (days)	(12)	(16)	(2)

Financial Performance - Tropical Paradise Co. Ltd (Consolidated) **Mur Million**

For the year ended as on	Jun-17	Jun-18	Jun-19
	Audited		
Revenue	700.9	809.1	888.4
EBIDTA	123.7	145.8	159.9
Depreciation & amortization	49.4	54.4	62.9
Interest	27.3	27.1	36.1
PBT	47.1	64.3	60.9
PAT	41.6	51.9	48.9
Gross Cash Accruals (GCA)	96.5	118.7	123.8
Dividend paid/proposed	22.0	27.0	27.0
Financial Position			
Equity share capital	1,153.1	1,153.1	1153.1
Tangible net worth	1,162.7	1,190.7	1212.2
Total debt	357.6	505.2	568.9
- Long term debt	208.9	336.1	369.3
- Short term debt	148.7	169.1	199.6
Cash & Bank balances	1.2	5.8	12.0
Key Ratios (Profitability %)			
EBIDTA / Total income	17.66	18.02	18.00
PAT / Total income	5.94	6.41	5.50
ROCE- operating (%)	4.36	5.03	4.94
RONW (%)	3.60	4.41	4.07
Long term debt to equity ratio	0.18	0.28	0.30
Overall gearing ratio	0.31	0.42	0.47
Interest coverage (times)	4.54	5.38	4.43
Total debt/EBIDTA	2.89	3.47	3.56
Total Debt/GCA	3.71	4.26	4.60

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	November 2030	1 year moratorium and repayment in 40 quarterly installment starting from February 2021
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.

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.