Wolmar Sun Hotels Limited

February 20, 2023

Rating

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bank Facilities- Long term	MUR 1,605 million (EUR 33 million) *	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed
Total	1,605		

*#Nature of facility rated changed from proposed bond issue of EUR 35 million; * 1 EUR = MUR 48.64*

Rating Rationale

The rating assigned to the bank facilities of Wolmar Sun Hotels Limited ("WHL") continue to derive strength from its strong promoters being among the business leaders in Mauritius, experienced management team with successful track record, reputation of Sugar Beach being among the most attractive hotels to foreigners in Mauritius, healthy occupancy levels with relatively high Average Daily Rates (ADR) achieved by Sugar Beach over FY22 despite operating for only nine months, renewed profitability after two years of major losses suffered, satisfactory interest coverage and gearing levels, sustained high demand in the Mauritian tourism industry, and forward bookings level providing reasonable assurance of a continued improvement in performance of WHL over the medium to long term.

The rating is however constrained by the tourism & hotel industry being seasonal and also subject to external factors such as macroeconomic conditions or global pandemic, a clientele which is overconcentrated in the European markets which may led to severe downturn in operations in case of economic slowdown, and also the resort has been operating at below its optimum capacity given that the average occupancy level for the year was significantly lower than the pre-pandemic level.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Occupancy rate at the resort reaching back pre-pandemic level leading to higher profitability for WHL
- Sustained high ADR levels with the new repositioning post-refurbishment
- Higher profitability translating into healthier cash position for WHL and hence, enabling debt reduction and decrease in overall gearing below 1x

Negative Factors - Factors that could lead to negative rating action/downgrade:

- External factors such as another pandemic or recession causing occupancy levels to drop drastically and hence, impacting profitability
- Additional debt taken raising the gearing level

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

BACKGROUND

Incorporated in July 1988, Wolmar Sun Hotels Limited ("WHL") operates in the leisure & tourism industry and the Company's main business activity is to own and operate the Sugar Beach Hotel, a resort situated in Flic-en-Flac, Mauritius. Sugar Beach is a 5-star resort category resort comprising of 238 room keys with average room size of 50 sqm and a total of 6 restaurants & bars. The resort of Sugar Beach is situated on a combined area of 28,991 sqm of freehold land and 72,946 sqm of leasehold land.

WHL is wholly owned by Sun Limited which in turn is a 50.10% subsidiary of CIEL Limited (rated CARE MAU AA-; Stable/ CARE MAU A1+).

Sun Limited is among the leading hotels, leisure and real estate groups in the Indian Ocean, owning and/or managing six resorts in Mauritius namely, Four Seasons Resort (5-star Luxury), Shangri-La's Le Touessrok (5-star Luxury), Long Beach (5-star), Sugar Beach (5-star), La Pirogue (4-star deluxe) and Ambre (4-star).

Sugar Beach has a history of achieving a 70%-80% occupancy rate barring FY20 to FY22, where the hotel was either closed or operated for less than a complete year.

Sugar Beach	FY18	FY19	FY20*	FY21**	FY22***
Average Daily Revenue (ADR) in MUR	7,139	7,449	8,273	6,357	11,073
Occupancy (%)	84%	73%	45%	6%	44%
RevPAR (MUR)	**5,997**	**5438**	**3,723**	**382**	**4,873**

** Hotels operated only from July 2019 to March 2020 when border closed*
***No operations as border was closed for full year*
**** Hotels operated for only nine months as border reopened in October 2021*

Improved financial performance

The sentiment around the hospitality industry has improved significantly over the course of the year and the Government as well as industry players are strongly confident that the target of one million tourists for 2022 will be achieved. As an indication of this positive sentiment, Sugar Beach has been registering occupancy levels ranging from 77% to 87% for the period July to November 2022 and forward bookings for January 2023 was already at 69% at the end of November 2022. After reverting back to profitability by generating a PAT of MUR 9 million for FY22 compared to a loss of MUR 248 million in FY21, WHL began FY23 in a much more dynamic way. For Q1FY23, WHL achieved a total revenue of MUR 262 million and posted a PAT of MUR 32 million. Given that Q1FY23 is the off-peak season for the industry, such performance is deemed to be satisfactory and considering the forward bookings as well as ADR for coming months in early 2023, there is strong confidence that Sugar Beach will achieve a robust performance for FY23.

The above factors coupled with the repositioning and rebranding of Sugar Beach in the tourism sector, strong reputation and the penetration into new markets provide reasonable assurance that Sugar Beach will performance satisfactorily in the medium to long term and maintain comfortable liquidity and gearing levels.

Details of Rated Facilities

Facilities	Bank	Amount	Tenure	Repayment
Proposed Term Loan	Absa Bank	MUR 292 million (EUR 6 million)	3 years	Staggered capital repayment
Proposed Term Loan	Absa Bank	MUR 632 million (EUR 13 million)	9 years	
Proposed Term Loan	Afrasia Bank	MUR 244 million (EUR 5 million)	9 years	Capital repayment quarterly in equal instalments
Existing Term Loan	Afrasia Bank	MUR 437 million (EUR 9 million)	5 years	Staggered capital repayment

1 EUR = MUR 48.64

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. 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.

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About CARE Ratings (Africa) Private 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.