City and Beach Hotels (Mauritius) Limited
9 November 2023

Rating

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Long-Term Bond Issue	**1,078 (EUR 22 million)***	**CARE MAU A; Stable [Single A; Outlook: Stable]**	Revised from CARE MAU A-; Stable [Single A Minus; Outlook: Stable]
Total	**1,078**		

** 1 EUR = MUR 49.00*

Rating Rationale

The revision in rating for the long-term bond issue of City and Beach Hotels (Mauritius) Limited ("CBHL") primarily derives strength from the significant increase in occupancy level and average daily rate (ADR) during FY23 (FY refers to the period ending June 30) at La Pirogue resort translating into improved profitability for CBHL. The rating also factors in the association of La Pirogue with Sun Limited and the ultimate robust parentage from CIEL Limited (CARE MAU AA-; Stable/ A1+), the satisfactory revenue mix contributing to resilience of cash flows, efficient liquidity management leading, build-up of forex reserves which enabled part of debt repayment resulting into a more comfortable gearing level and improved across the tourism & hospitality in general.

The rating is however constrained by the historical seasonality of the industry, growing competition from regional destinations and also the vulnerability to external factors such as macroeconomic conditions or global pandemic which may significantly impact operations of the industry adversely.

Rating Sensitivities:

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

- Sustained high occupancy levels and ADR translating into higher profitability
- Reduction of debt from cash flow generated leading to improvement in the overall gearing position on a sustained basis

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

- Decline in occupancy level, impacting profitability and cashflow generation
- Debt funded expansion increasing the overall gearing beyond 1.5x
- Excessive dividend payments weakening the networth of the Company

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

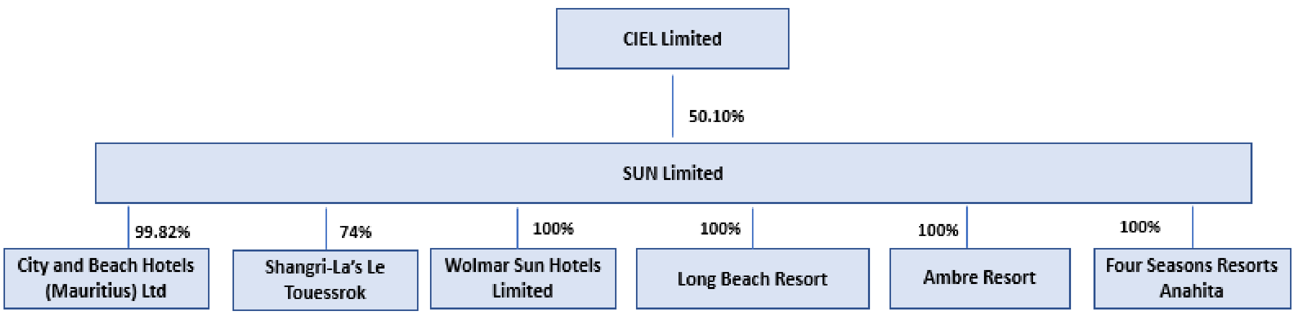
BACKGROUND

City and Beach Hotels (Mauritius) Limited ("CBHL") was incorporated on 09 June 1971 by Medine Group in Mauritius as Investeco Hotels (Mauritius) Limited, to develop and manage the property of the hotel La Pirogue Resort and Spa (La Pirogue) which is located in Flic en Flac on the west coast of Mauritius.

La Pirogue is a 4-star deluxe resort, which at 30 June 2023, had 248 rooms and 3 restaurants. Historically, the resort's occupancy rate has averaged around 80% until the Covid-19 pandemic hit Mauritius in March 2020. La Pirogue rebounded smoothly after the pandemic registering a 62% average occupancy in FY22 for 9 months of operations and its activities were further boosted during FY23 translating into an average occupancy of 86% for the year.

La Pirogue hotel is very popular among Europeans with tourists from Germany, France and U.K accounting for around 60% of the hotel's occupancy. South Africa and regional markets such as the Middle East, Eastern Europe, India and Australia make up the rest.

The ultimate parent company of CHBL is CIEL Limited as from 2014. The structure of the group is as follows:



CIEL Limited (CARE MAU AA-; Stable/CARE MAU A1+) owns 50.10% of Sun Limited which in turn holds 99.82% stake in CBHL. Among the other group companies of Sun Limited, Wolmar Sun Hotels Limited which owns and operates the Sugar Beach resort, is also rated CARE MAU A-; Stable.

Improved financial performance with strong profitability

The jump in occupancy level from 62% to 86% and sustained high ADR at La Pirogue led to a substantial 76.73% increase in revenue for CBHL for FY23 while PAT increased by more than two-fold to reach MUR 345 million from MUR 109 million a year earlier. While the elevated inflationary environment has led to higher operating costs for all categories of corporates & businesses, the established position of CBHL in the industry has allowed the Company to pass on these cost increases onto its clients, hence contributing to the significantly higher PAT. For FY23, the Company generated GCA of MUR 391 million against MUR 154 million in FY22. The mass inflow of arrivals at La Pirogue enabled the Company to build up healthy forex reserves and consequently, in October 2022, CBHL made an early repayment of MUR 336 million (EUR 7 million) on the first tranche of the bond issue which was due in January 2023. The remaining of the tranche was repaid on the due date. This resulted in a decrease in the overall gearing ratio of CBHL to 0.58x at end of FY23 from 0.83x at end of FY22.

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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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.

Short term Instruments

Symbols	**Rating Definition**
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.

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