Tropical Paradise Co. Ltd ("TPCL")

28 December 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Term Loan I	**458 (Reduced from 485)**	**CARE MAU A-; Stable [Single A minus; Outlook: Stable]**	**Reaffirmed with Change in Outlook from Negative to Stable**
Term Loan II	**2**	**CARE MAU A-; Stable [Single A minus; Outlook: Stable]**	**Reaffirmed with Change in Outlook from Negative to Stable**
Total	**460 (Reduced from MUR 487 million)**		

The rating outlook has been revised from Negative to Stable with the recovery in the tourism industry in Mauritius, along with the increase in the occupancy rate and improved performance across TPCL's hotels.

Ratings Rationale

The rating assigned to the bank facilities of Tropical Paradise Co. Ltd ("TPCL"), continues to derive strength from the recovery of the hospitality sector in Mauritius and continuous increase of tourists' arrivals and business travellers to Mauritius. The rating also derives strength from its experienced and resourceful promoters- Eclosia group, having a controlling interest of 53.39% in TPCL, directly and through its subsidiary Indigo Hotels & Resorts Ltd, the long track record and strong presence of TPCL in the hotel business segment in Mauritius, established brand name of its 4 hotels (Labourdonnais Waterfront Hotel, Le Suffren Hotel & Marina, Hennessy Park Hotel and The Address Boutique Hotel) among business travellers given their favourable locations, commercial agreements with airlines and corporates, comfortable average room revenue (ARR), satisfactory occupancy rate of 62% and diversified source of revenue with significant contribution from the Food & Beverage (F&B) segment and agreements with leading Online Travel Agents (OTAs).

The rating is however constrained by the continued losses despite of the improved operational performance, seasonal nature of tourism & hotel industry and exposure to external factors such as macroeconomic conditions or global pandemic, environmental risk and foreign exchange risk.

Rating Sensitivities

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

- Ability to maintain a comfortable ARR and occupancy rate above 70%
- 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 and ARR/RevPAR of the hotels
- Continued loss of the hotels

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

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

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 Group 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 comprising Labourdonnais Waterfront Hotel, Hennessy Park Hotel and Le Suffren Hotel and Marina, (directly under TPCL) and The Address Boutique Hotel (under the subsidiary; Hotel Chambly Limited). As at November 2023, TPCL had 367 rooms and 26 villas in Mauritius. Since its inception, TPCL has positioned itself as one of the leading business hotel chains in Mauritius. The hotel properties of TPCL are well-known among business travellers, given its location, its attractive price range and various amenities provided.

The journey of TPCL started with the setting up of the 5-star hotel property - Labourdonnais Waterfront Hotel in 1996, at the Caudan Waterfront, Port Louis, which is the main business hub of Mauritius. Following the successful opening of the hotel, TPCL launched 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 financial hub of Ebene Cyber City, through its 100% subsidiary Triamad Co. Ltd, which was then amalgamated into TPCL in July 2018. In 2013, TPCL started Le Suffren Aparthotel, Mauritius's first executive apartments designed for business travellers on a long-term stay. TPCL also developed I Spa Fitness and Wellness Club across its 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. HCL was owned by MCB Group Limited and managed by TPCL till December 2017. In January 2018, TPCL acquired 100% stake in HCL from MCB Group Limited. In the same year, 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 11 directors, comprising of 2 Executive Directors and 9 Non-executive Directors. 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. He joined TPCL in 2004 and was promoted as Managing Director over the last 17 years, where he brought his highly engaging vision of management to the team. He has played an active role in the development of TPCL's operations in Mauritius. He assumes the responsibilities of all operational functions. 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 FY23: The financial performance of TPCL in FY23 has improved significantly. The growth in the occupancy rate from 35% to 62% coupled with the increase in the ADR have led to a considerable rise in the total revenue to reach MUR 833 million in FY23 against MUR 507 million in FY22. The hotel focuses on two main sources of revenue: room and food & beverages which accounted for 48% and 45% of the revenue respectively in FY23. TPCL capitalizes heavily on its food and beverage line through corporate and cultural events at its various hotel venues. While the total expenses of TPCL have suffered from inflationary effects, EBITDA has improved significantly to MUR 173 million in FY23 following three consecutive loss-making years. PBT has recovered to MUR 34 million (FY22: loss of MUR 89 million) showing a pickup in the hotel operations.

The hotel's total debt stood at MUR 890 million at 30 June 2023 with an overall gearing of 0.9x.

At group level, although a rise in the revenue figure from MUR 549 million in FY22 to MUR 940 million in FY23 has been witnessed, a loss of MUR 12 million was incurred in FY23. The loss has however been significantly reduced when compared to the loss of MUR 114 million in FY22. An EBITDA of MUR 147 million was achieved with the EBITDA margin attaining 15%. The overall adjusted gearing ratio remains comfortable at 0.7x.

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.

Contact us

Chief Executive Officer
Name : Mr. Saurav Chatterjee
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact
Chief Rating Officer
Name : Mr. Vidhyasagar Lingesan
Phone : +230 5273 1406
E-mail : Vidhya.sagar@careratingsafrica.com

Group Head (Rating)
Name : Ms. Pooja Appadoo
Phone : +230 5955 3060
E-mail : pooja.appadoo@careratingsafrica.com

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.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

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