New Mauritius Hotels Limited

03 July 2024

Ratings

Facility	Amount (MUR Million)	Rating[1]	Rating Action
Bank Facilities	5,000 (Enhanced from MUR 2,000 million)	CARE MAU A-; Stable	Reaffirmed
Total	5,000		

Ratings Rationale

The rating assigned to the bank facilities of New Mauritius Hotels Limited ("NMH") derives strength from its strong promoter groups comprising of ENL Limited, Rogers and Company Limited and Swan Life Ltd being among the business leaders in Mauritius and an experienced management team, the track record of operations for more than 70 years in the hospitality industry, market leadership position with an established chain of hotels serving the mid to upscale market segment and its international presence in Seychelles and Morrocco.

The rating also factors in the strong operating performance post reopening of the hospitality sector which was shut down during the COVID-19 pandemic marked by a comfortable occupancy rate of 74% with a relatively higher average daily rate (ADR) compared to the pre-covid-19 levels resulting in healthy revenue and profitability during FY23 and 9MFY24, consistent retention of strong clientele base mainly from Europe and South Africa, sustained high demand in the Mauritius tourism industry and forward bookings levels providing reasonable visibility of a continued improvement in performance of NMH over the medium term.

The rating is however constrained by the leveraged capital structure affecting the debt coverage ratios of NMH, the seasonal nature of the tourism and hospitality industry, rigid competition from regional destinations, vulnerability to external factors such as macroeconomic conditions or a global pandemic which may adversely influence the operations of the hotel.

Rating Sensitivities

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

- Sustained occupancy rate over 70% and maintain high ADR
- Significant reduction in the debt level with improvement in the debt coverage ratios
- Maintaining the existing profitability margins cashflow amidst inflationary environment

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

- Decline in occupancy level below 60% impacting both profitability and cash generation
- Additional debt for CAPEX thus increasing the overall gearing above current level
- Higher dividend payments weakening the networth and debt servicing capability of the company

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

BACKGROUND

Incorporated in December 1964, the New Mauritius Hotels Limited ("NMH"), operating under the brand 'Beachcomber Resorts and Hotels' in Mauritius. The history of NMH dates back to 1952 with its first property, Park hotel, to a collection of 8 resorts in Mauritius over the years including the Royal Palm Beachcomber Luxury Mauritius which is considered as a benchmark property for luxury holidays in Mauritius.

History: NMH was set up in the year 1952 following the acquisition of the Chateau Mallac in Curepipe. The hotel group constructed its first beach hotel, Le Chaland Hotel (now known as the Shandrani Beachcomber Resort & Spa) in the year 1960. During its 70 years of track record, NMH has grown marginally achieving key milestones including the construction and opening of Royal Palm Mauritius in 1985, acquisition of Mauricia Beachcomber Resort & Spa and Victoria Beachcomber Resort & Spa, renovation and expansion of its hotels, construction of Dinarobin Hotel Golf & Spa in the year 2000, the opening of Sainte Anne Resort & Spa in Seychelles in the year 2002, opening of the Royal Palm Marrakech in 2013 and the signing of a lease agreement with Club Med for the redevelopment of Sainte Anne Resort in 2020.

NMH serves the mid to upscale market segments in Mauritius comprising of one 5-star luxury hotel (Royal Palm Beachcomber Luxury), three 5-star hotels (Dinarobin Beachcomber Golf Resort & Spa, Paradis Beachcomber Golf Resort & Spa, Trou aux Biches Beachcomber Golf Resort & Spa) and four 4-star hotels (Shandrani Beach Resort & Spa, Victoria Beachcomber Resort & Spa, Mauricia Beachcomber Resort & Spa and Canonnier Beachcomber Resort & Spa) having approximately 2,014 rooms with prime locations in the northern, western, and southern coasts of Mauritius. The company also owns one hotel property in Seychelles which is leased to Club Med (295 keys) and one in Morrocco operated by Fairmont (134 keys). While all the hotels in Mauritius are operated by NMH, the NMH Group has a separate entity, Beachcomber Hospitality Investments Ltd ("BHI") which holds selected hotel properties in Mauritius and Seychelles.

BHI (wholly owned subsidiary of NMH Group) is a property holding company that initially started as a joint venture between NMH and Grit Estate Income Group ("GRIT"). Following the exit of GRIT, BHI now acts as a vehicle, owning yielding assets of NMH Group in the 4-star and 5-star categories. It owns the properties of Mauricia Beachcomber Resort & Spa, Canonnier Beachcomber Golf Resort & Spa and Victoria Beachcomber Resort & Spa in Mauritius and the Ste Anne Resort Limited through its subsidiary Kingfisher Ltd.

The revenue of NMH Group is primarily generated from its hotel operations segment, but it also has other business lines including tour operations, flight & inland catering, and property lease rental (comprising of BHI). The hotel has experienced high demands in the erstwhile years barring the years 2020 and 2021 with an average number of guests of 140,000 per year and occupancy rate of 76%. Its main target markets are the European regions (France, UK, Germany, Italy, Switzerland), South Africa, Mauritius, and Reunion Island.

The major shareholders of NMH are Rogers and Company Limited (22.93%), ENL Limited (15.25%), Swan Life Ltd (10.58%) and Joseph René Herbert Maingard COUACAUD (6.35%).

Shareholders	Ratings	Shareholding %
ENL Limited	CARE MAU A+; Stable	15.25
Swan Life Ltd	CARE MAU AA+ (Is); Stable	10.58
Rogers and Company Limited	Unrated	22.93
Mr. Joseph René Herbert Maingard COUACAUD	Unrated	6.35
Total		**55.11**
Others		44.89

NMH is a publicly traded company listed on the Stock Exchange of Mauritius since 1994 with market capitalization of MUR 6,012 million at March 2024. NMH has both ordinary and preference shares listed on the official market of the Stock Exchange of Mauritius.

Management: NMH is headed by a board comprising of 10 members, with Mr. Gilbert Espitalier-Noël acting as Chairman. The day-to-day operations of the company are conferred to the executive director, Mr. Stéphane Poupinel de Valencé. All members of the board have long-standing experience in business and financial matters.

Performance of NMH Company: In the year 2023, the hospitality industry in Mauritius regained momentum. The occupancy rate of NMH reached 74% (FY22: 41%) with a higher ADR which led to an increase in total revenue to MUR 11,216 million (FY22: MUR 5,958 million). Room revenue remains the prime source of income at 62% followed by the food and beverage segment at 32%. The improvement in the performance of the hotels were supported by the favourable Euro and pound sterling appreciation compared to Mauritian Rupee, and the influx of tourist arrivals in Mauritius. EBITDA was at MUR 3,873 million (FY22: MUR 1,147m) with a record PAT of MUR 2,581 million (FY22: loss of MUR 623m) in FY23. EBITDA and PAT margins stood at 34.5% and 23.0%, respectively in FY23. The GCA was at MUR 2,382 million in FY23. The performance of each hotel of NMH has seen an improvement with occupancy rate ranging between 54% and 81%, with higher ADR and a rise in the room revenue. On the solvency front, the long-term debt equity ratio and overall gearing were at 0.7 x and 1.1x, respectively as on June 30, 2023. The interest coverage ratio has improved to 2.8x in FY23 (FY22: 1.0x).

Performance of NMH Consolidated: The tourism sector demonstrated a steady recovery in FY23, marked by improved air connectivity, and the urge of travelling among foreigners. With the growth in the travel demand, the group operations have improved with revenue attaining MUR 14,442 million in FY23 against MUR 9,750 million in FY19 (pre-COVID period). The revenue derived from tour operation and in-flight catering has increased from MUR 1,440 million in FY22 to MUR 2,511 million in FY23. The group reported a commendable result for FY23 with EBITDA and PAT of MUR 4,525 million and MUR 2,282 million, respectively. The EBITDA margin and PAT margin stood at 31.3% and 15.8%, respectively. The gearing ratio was at 1.7x (2.3x as on June 30, 2022) as on June 30, 2023. The interest coverage ratio remained comfortable at 3.1x in FY23 (FY22: 1.3x). All group subsidiaries were profitable.

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Annexure II

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.

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CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.
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