Kingfisher Ltd
4 October 2024

Ratings

Instrument	Amount	Rating[1]	Rating Action
Proposed Notes Issue	**MUR 2,750 million (EUR 55 million)**	**CARE MAU A-; Stable**	Assigned

**** Applicable exchange rate: EUR 1 = MUR 50***

Rating Rationale

The rating assigned to the proposed notes issue of Kingfisher Ltd ("**Kingfisher**") derives strength from the robust ultimate parentage from the New Mauritius Hotels Limited ("**NMH Limited**" - rated CARE MAU A-; Stable) providing assurance of promoter support, established triple net lease agreement of 12 years (9 years remaining) till 2033 with Club Med SAS which is a global reputed and experienced operator in the hospitality sector, the corporate guarantee from Club Med SAS, history of timely settlement of rental obligations, stable normalized profitability of Kingfisher (group level) and the property holding company Ste Anne Resort Limited ("**SARL**") for the past 2 years and comfortable loan to value ratio of 45% (June 30, 2024).

The rating is however constrained by the refinancing risk due to maturity mismatch, by the performance of Kingfisher, though improved, reporting losses in its first years of operations, short track record of operations, the seasonal and cyclical nature of the hospitality industry, rising competition from other luxury hotels in Seychelles and regional islands (Mauritius and Maldives), and external factors such as major global economic downturn and climatic conditions also weigh in on the prospects of Kingfisher over the long term.

Rating Sensitivities:

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

- Continued parentage support from NMH Limited
- Reduction in debt with improved operating cash flow
- Improvement in the financial performance of the company

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

- Deterioration in the financial performance of Kingfisher
- Deterioration in the operational and financial performance of the hotel affecting receipt of rentals
- Non-renewal of the lease agreement after 9 years
- Increase in debt to fund CAPEX affecting the repayment capability of Kingfisher

BACKGROUND

Incorporated in 2019, Kingfisher Ltd is wholly owned by Beachcomber Hospitality Investments Ltd ("**BHI**") which in turn is 100% held by New Mauritius Hotels Limited ("**NMH Limited**" rated CARE MAU A-; Stable). Kingfisher Ltd ("**Kingfisher**") is an investment holding company to its subsidiary Ste Anne Resort Limited ("**SARL**") which operated a hotel resort on Ste Anne Island in Seychelles up to September 2017. The hotel started its operations in 2002, comprising of 87 private villas on a leasehold area of around 25 hectares in the south and southwest area of Ste Anne private island in Seychelles. The land lease agreement covers a period of 99 years from July 2001.

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

In October 2017, the hotel went through refurbishment and extension works which were completed in January 2021. In November 2017, NMH Limited, through SARL signed an agreement with Club Med SAS ("**Club Med**"), a French-based company specialized in all-inclusive premium holidays and operating 80 properties across the world, for the redevelopment and subsequent rental of the hotel to Club Med. SARL entered into a 12-year lease agreement with Club Med via its operating company Société Des Villages De Vacances (Des Seychelles) Limited in February 2021.

The newly renovated hotel targets an upscale market and forms part of the exclusive luxury collection of 5 Tridents Resorts under the Club Med brand. The hotel has 295 accommodations comprising 190 rooms, 102 suites (including 21 pools) and 3 villas. There are 2 restaurants (all day dining and gourmet lounge) and 3 bars onsite. The facilities of the hotel include room service, personalized excursions, Spa by Clarins, a conference centre, 3 swimming pools, sauna & hammam and hotel boutiques.

Management: Kingfisher is a professionally managed company led by a team of experienced professionals in the hospitality industry. It is currently governed by a board comprising of 3 directors. As at June 30, 2023, the directors of the company were Mr. Stephane Poupinel de Valence, Ms. Pauline Seeyave and Mr. Jean Pismont. Mr. Stephane Poupinel de Valence is the Chief Executive Officer of Beachcomber Resorts & Hotels. Ms Pauline Seeyave is currently the Group Chief Financial Officer of NMH Limited. She has 20 years of working experience in the UK and Mauritius. Mr. Jean Pismont has extensive experience in the hospitality sector both locally and internationally. He joined NMH Limited in 1996 and managed several Beachcomber hotels.

Financial performance of Kingfisher (Company): Kingfisher derives interest income from SARL. In FY22, the company reported a total income of MUR 92 million which increased to MUR 96 million in FY23. EBITDA was at MUR 93 million in FY23 (FY22: MUR 91 million). The company was loss making since start of operations in FY21. The company issued notes of MUR 2,000 million in FY21 for the renovation of the hotel which was pushed down as a shareholder loan to SARL. Overall gearing was 0.81x as at June 30, 2023.

Financial performance of Kingfisher (Group): At the group level, Kingfisher derives rental income. The rental income increased from MUR 379 million in FY22 to MUR 401 million in FY23. A total income of MUR 418 million and EBITDA of MUR 404 million were reported in FY23. The group renewed profitability in FY22 at MUR 164 million. In FY23, PAT reached MUR 405 million on the back of an extraordinary income from the recognition of an indemnity asset of MUR 181 million. The group had debt of MUR 2,893 million as at June 30, 2023 from the notes issue and MCB Bank loan. The overall gearing was at 1.07 as at June 30, 2023 (As at June 30, 2022 -1.27x).

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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.
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.
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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.