City and Beach Hotels (Mauritius) Limited

17 February 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**1,078 (EUR 22 million)**	**CARE MAU A+; Stable**	Revised from CARE MAU A; Stable

Rating Rationale

The revision in the rating assigned to the bond issue of City and Beach Hotels (Mauritius) Limited ("**CBHL**") is on account of the sustained improved financial performance of the company, the higher average daily rate (ADR) leading to a boost in the top line and improvement in the financial performance of Sun Limited whereby CBHL has significant exposure. The rating continues to derive strength from the high occupancy levels at La Pirogue Resort ("**La Pirogue**"), a comfortable gearing level, CBHL's association with Sun Limited, and the strong parentage from CIEL Limited (rated CARE MAU AA; Stable/ A1+). Additionally, the diversified revenue streams contribute to the resilience of cash flows, while efficient working capital and liquidity management further strengthen the financial position. The strong performance of the tourism and hospitality sector also supports the rating.

However, the rating is constrained by the industry's historical seasonality, increasing competition from regional destinations, and vulnerability to external factors such as macroeconomic conditions or global pandemics, which could significantly impact operations.

Rating Sensitivities:

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

- Increase in average occupancy to the range of 85%, coupled with sustained higher ADR and improved profitability margins.
- Ability to reduce exposure to the Group in a sustainable manner.
- Sustainable improvement in overall gearing level.

Negative factors that could, individually or collectively, lead to negative rating action/downgrade:

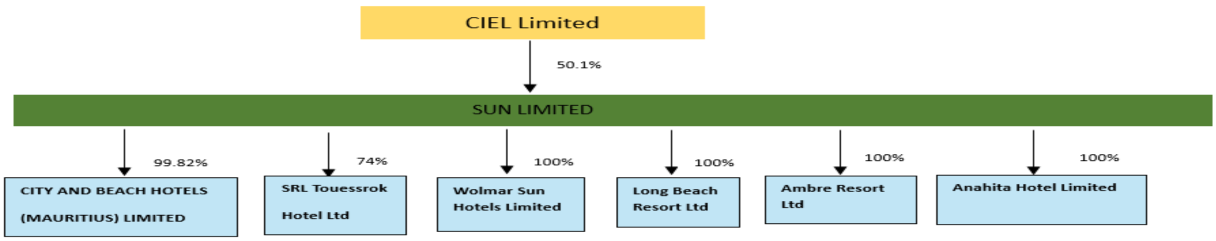
- Decline in occupancy rate below 70%, resulting in a reduction in both top-line and bottom-line performance.
- Debt funded expansion leading to overall gearing level exceeding 1x.
- Significant support to affiliated companies, increasing exposure to the Group.

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 ("**La Pirogue**") which is located in Flic en Flac on the west coast of Mauritius. La Pirogue is a 4-star deluxe resort which, as of September 30, 2024, had 248 rooms, 3 restaurants and 3 bars. Historically, the resort's occupancy rate has averaged around 80% until the Covid-19 pandemic hit Mauritius in 2020. La Pirogue made a strong recovery after the pandemic, achieving an average occupancy of 62% in FY22. Its performance continued to improve in FY23 and FY24, with average occupancies of 86% and 83%, respectively. La Pirogue is very popular among Europeans with tourists from Germany, France and

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

United Kingdom accounting for around 65% 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 pre corporate restructuring was as follows:



Improved financial performance driven by robust revenue growth and record profitability

During FY24, CBHL hosted fewer visitors than in FY23, as reflected in the reduction in occupancy from 86% to 83%. However, the company saw a 7% year-over-year growth in total income, increasing from MUR 1,253 million in FY23 to MUR 1,337 million in FY24. This growth was driven by a rise in the ADR from MUR 10,675 in FY23 to MUR 12,563 in FY24, along with the positive trend in the hotel industry. In FY24, CBHL posted an EBITDA of MUR 573 million, a 21% increase from the MUR 472 million reported in FY23. The company also reported a PAT of MUR 415 million, compared to MUR 345 million in FY23, reflecting a 20% growth. Gross cash flow (GCA) was MUR 468 million, and CBHL declared an interim dividend of MUR 150 million in September 2023, followed by a final dividend of MUR 150 million in June 2024. As of June 30, 2024, total debt stood at MUR 1,124 million, with a satisfactory overall gearing ratio of 0.58 times (unchanged from June 30, 2023). Interest coverage was also strong, at 14.81 times during FY24.

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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.

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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.