

Tropical Paradise Co. Ltd ("TPCL")
18 February 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bank Facility – Term Loans	560.5 (enhanced from 459.2)	CARE MAU A-; Stable	Reaffirmed

Rating 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- Eclasia 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 63% 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 seasonal nature of tourism and hotel industry and exposure to external factors such as macroeconomic conditions or global pandemic, environmental risk and foreign exchange risk and incoming competition from new business hotel properties expected to be operational in the coming years.

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
- Sharp decline in ARR/RevPAR of the hotels below current levels

BACKGROUND

Tropical Paradise Co. Ltd. ("TPCL") was incorporated in 1994 by Eclasia Group, to develop and operate business hotels in business districts of Mauritius. Eclasia 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 2024, 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

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

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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 (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, 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 Chamblines, 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 3 Executive Directors, 5 Non-executive Directors and 3 Independent Directors. TPCL has a team of experienced professionals who have successfully maneuvered 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. Mr. Philippe de Bragard Hardy is the Chairman.

Improved financial performance

Standalone: The financial performance of TPCL in FY24 has improved significantly. The growth in the occupancy rate from 59% to 65% coupled with the increase in the ADR have led to a considerable rise in the total revenue to reach MUR 954 million in FY23 against MUR 815 million in FY22. The hotel focuses on two main sources of revenue: room and food & beverages which accounted for 54% and 42% of the revenue respectively in FY24. 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 227 in FY24, a 21% as compared to the prior year. PAT for the year 2024 witnessed a 300% increase to reach MUR 84 million (FY23: MUR 21 million) showing TPCL's positively growing performance. Overall gearing slightly improved to 1.1x as on June 30, 2024, with interest coverage comfortable at 4.8x for FY24.

Group: With the healthy momentum in tourism activities post the pandemic, revenue has increased from MUR 940 million in FY23 to MUR 1,095 million in FY24, with the Address Boutique hotel's improved performance in FY24 also contributing to this growth. EBITDA has improved to MUR 221 million, yielding a margin of 19.9% as compared to 15.9% in FY23. Following 4 consecutive loss-making years from FY20 to FY23, the group achieved a net profit of MUR 74 million in FY24, with much lower losses being incurred at Hotel Chambly Limited as compared to preceding years. Interest coverage was comfortable at 4.8x for the same period with overall gearing slightly improved to 1.1x as on June 30, 2024.

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Annexure I**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.

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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.

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