The Mauritian Tourism Industry
June 2014

INDUSTRY OVERVIEW

Since our last paper on the tourism sector in H2-12, little has changed: the industry remains at cross-roads and is reacting slowly to an evolving business model. The pace at which business models change in present times is much faster and disruptive innovation can kill mature businesses swiftly. Fortunately, Mauritian economic pillars are not among these swiftly changing sectors. Nevertheless, at national level, the Mauritian model remained complacent, and has inevitably been eclipsed by a more proactive competition. In the absence of a concrete medium to long term strategic plan, stagnation has set while other Indian Ocean islands have grown. In process, Mauritius has been relegated from the top spot to 3rd last. In terms of arrivals, the Chinese market vaulted into the Top 10 in 2013, and is cementing its place as a Top 5 this year. At the micro level, it is only a matter of time before the market sifts the evolutionaries from the traditionalists. We therefore argue that a technocratic high level steering committee is required to bring direction and concrete objectives back to the aimlessly drifting industry. Tourism industry stakeholders – large, small, public, & private – need to temporarily set differences aside and come together to get the sector back on-track.

I. Arrivals

The tourist arrivals figure in 2013 increased to to 993k (+2.9%); however the more realistic figure - excluding transit and cruise passengers - improved to 963k (+3.5%) [931k in 2012]. Indian Ocean islands clocked decelerating growth rates between 2010 and 2012 followed by an acceleration in 2013. However, Mauritius lagged far behind with a pale 3% annualised growth rate [2009 to 2013]. By contrast Seychelles grew by 10%, Maldives by 14% and Sri Lanka - albeit from a low base - by an astounding 30%.

Market Share

In four (4) short years of complacency, Mauritius was relegated from being the dominant market leader [40% Market share] in the Indian Ocean to third. The Mauritian decline has been a consequence of the very low domestic growth rates which resulted in Maldives, Sri Lanka and Mauritius all hosting a little fewer than 1M guests in 2012. Solid double-digit growth figures thereafter easily propelled the former two well ahead of Mauritius.

1. Blackberry has been relegated to the back of the queue in terms of phone desirability, and who would have thought that the maker of the mighty 3310, Nokia, would stop making handsets altogether?

2. i.e. excluding cruise and transit passengers
Ideally, a client base diversification would proceed without the unnerving rapid decline in traditional core markets. The only island which managed to achieve this was post-war Sri Lanka - albeit from a low base - which resulted in quasi-unchanged clientèle spread in spite of the rapid growth. In Mauritius the diversification process truly kick-started in 2013. Prior to that, we attribute the ‘diversification’ principally to the up-surge (+56k) in visitors from Africa (of which ¾ were from neighbouring Reunion Island) who more than offset the drop from Europe (-53k). We believe, Africans - like their European counterparts - favoured short-haul destinations in times of crisis.

![Fig 4. Tourist provenance & regional growth](image)

For the Seychelles, diversification stemmed principally from the Middle East (+26%) after Air Seychelles was taken over by Etihad Airways, being able to grow non-core European markets (+11%) and of course China (+56%). In Maldives, while European tourist growth stagnated (+1%), arrivals were bolstered by the massive influx of Chinese visitors (+51%) that somersaulted from 6th with a 6% market share in 2008 to a dominant 29% in 2013. In the process, the UK was demoted from 1st to 3rd and Italy from 2nd to 5th.

![Fig 5. Tourist arrivals in Mauritius by region](image)

Although Europe emerged from an 18Mth-long recession in last year, forward growth prospects remain tepid and fragile. Conversely, emerging markets and Australia have recently experienced their slowest growth rates in a decade. Consequently future growth rates remain fragile; however, we do expect a non-negligible increase in UK arrivals in 2014 buoyed by the start of regular flights to Mauritius by TUI which started this May.

## II. Receipts

We find it alarming that authorities are reacting slowly to a dramatic plunge in tourism receipts as calculated by the Bank of Mauritius (BoM) from a record high Rs44.4bn in 2012 to Rs40.6bn (-8.6%). In nominal terms, BoM Receipts per Visitor (RpV) at its lowest since 2006; however, in real terms, RpV it at its lowest since 1986! Receipts per Visitor per Day (RpVD) stood below Rs4,000 for the first time since 2005; and in EUR terms, RpVD is at its lowest in a decade! In real terms, RpVD both in MUR and EUR, is at its lowest since at least 1991! The contrarian fact that, listed hoteliers experienced decreasing profitability and margins in 2012 in spite of record RpV, and improving margins and profitability in Q4-13 despite RpV standing at its lowest in almost a decade, leads us to believe that increased coordination is

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5 All changes discussed in this section are annualised between 2008 and 2013 unless stated otherwise.
6 Even with the Reunionnais v/s French visitor mix-up sorted out
7 AXYS does not have Tourist Nights data prior to 1991
required between Statistics Mauritius, the Central Bank, and commercial banks so as to accurately flag receipts.

We were unable to pinpoint the exact cause for this drastic decline in RpV, however were able to conclude that the constructive interference of a combination of factors must be the cause for the RpV drop. We know the fall does not stem from a change in receipts computation methods, because the Central Bank has assured us they have not altered their calculations. We have also concluded that the phenomenon that has led to a slide in RpV in the Maldives, may not apply to Mauritius. In the Maldives, RpVD levelled-off onwards of 2008, however, because Asians stay for shorter periods of time than Europeans, RpV slid.

~Rs700M which is well below the actual figure of Rs3.8bn. In fact, according to the SIT, the Chinese tourist spends Rs50.5k per stay against the European tourist’s Rs49.6k per stay. This could be explained by the fact that while an Asian clientele spends less on extras at the hotel, they spend much more on site seeing and excursions. However, we do believe that the innate sampling error \(^7\) in the SIT is non-negligible. Those that do take it are likely to be fluent in English and possibly part of a higher income group which could in turn skew the survey results upwards. That said, should the survey’s innate sampling and statistical errors be at an acceptable level, we are in a position to conclude that the Chinese market is revenue neutral at worst.

The fall in RpV therefore stems from a real and substantial drop in tourist spending. Below is a list of factors we could not rule out:

- Tourists are more careful with expenditure in the post-crisis era
- Hotels have further lowered room rates directly or indirectly (free extra nights or complimentary upgrades to full-board/all-inclusive formulae)
- An increasing fraction of guests are opting for the all-inclusive option

For a change hoteliers did not blame a “strong Rupee” a.k.a. weak Euro which rebounded from a 6Yr-Low in 2012 to trade higher by about 5% in 2013. In fact, while RpV in MUR tumbled 11% YoY, RpV in EUR plunged by a steeper 15% to €990.

\(^7\) The language barrier would automatically eliminate a substantial fraction from taking the SIT.
Against Peers

Fig 9. Revenue per Visitor per Day (RpVD) in USD rebased to 1 in 2004

Most Indian Ocean islands have experienced a drop in receipts since the crisis. On an annualised basis since 2008, RpV [in USD] in Mauritius has declined by 3.4%, Maldives by 3.8%, and Seychelles by 6.4%. Sri Lanka - albeit from a low base - was the only island to register a drop in RpV in 2012 followed by an even sharper slide in 2013. We are concerned that Mauritius has not only been left behind by rivals in terms of arrivals but also in terms of receipts, as it was the only island to register a drop in RpVD in 2012 followed by an even sharper slide in 2013. We are concerned that Mauritius has not only been unable to maintain RpV on a sustained monotonic growth path. Should this metric not return to an upwards track, we fear for the destination’s positioning as a luxury destination and the sustainability of up-market hotels.

III. Visitor expenditure

In Statistics Mauritius’ (SM) survey of outbound visitors, we noted a substantial increase in expenditure on transport at 8% up from 7% of total expenditure in 2009 to 10% in 2013. Having confirmed with the authors of the survey that airfare is NOT included, we conclude that the post-crisis tourist is increasingly renting a car to get around or hiring taxis for a more personalised visit.

While spending on transport more than doubled between 2009 and 2010, expenditure on accommodation increased by less than 5%; which is in stark contrast to the 10.6% increase per year registered during the preceding decade. The juxtaposition of these two trends in the present context, is in our opinion a clear indication that visitors are increasingly opting for self-service beach apartments, or luxury IRS/RES villas. Given the self-catering nature of the above options, the tourist would be compelled to rent a car or hire a taxi or the duration of his/her stay to move about, tour the island, buy groceries, shop, and travel to restaurants. Therefore we believe that hotel groups have in part seen their profitability slide because they are also competing with the growing world of “informal” accommodation.

IV. Hotel market share

Hotels in Mauritius have collectively lost market share to alternative forms of accommodation at an annualised rate of 3.6% since 2008. The haemorrhaging has led to the collective market share of hoteliers sliding to under 55% for the first time this century. Conversely, Guest Nights Spent
(GNS) in Mauritius pursued along a steady (3% annualised) growth path.

![Surplus/Deficit of available guest nights to actual guest nights](image)

Despite the upsurge in hotel room park – +8% between 2008 and 2013 – the supply of hotel room nights remains in deficit position\(^\text{11}\) compared to GNS. By contrast, the other Indian Ocean islands are in the opposite situation. The lower room rates practiced in recent years compared to the pre-crisis boom years, can be attributed to two factors: Greater choice in terms of type of accommodation\(^\text{12}\), and Greater selection\(^\text{13}\) of hotels to choose from.

Smith’s invisible hand normalised hotel rack rates in the post-crisis era and will also lead to the demise of the hotels which will be incapable of adapting their traditional business models. Although one could think that the above has already been observed with the number of hotels in operation at the end of 2013 dropping from 117 to 107, the explanation is that small hotels have given up their hotel licenses in favour of guest house licenses.

**AIR ACCESS TAKE TWO**

I. Airline Seats

Air Mauritius (MK) drastically reduced its seat capacity towards Europe in 2012 (~125k fewer seats offered than in 2011) which it re-distributed within the region, Africa, and Asia. The above capacity re-distribution is part of MK’s business re-structuring exercise aimed at renewing with profits in FY14. MK has moved away from the “point-to-point” model to a “hub-and-spoke” model. As a publicly listed company it is but natural that the market expects MK to, year after year, deliver increasing earnings. If fewer seats on Europe is the required pill for improved profitability, this is preferable to the alternative: a bankrupt airline bailed out by taxpayers. However, MK has been able to do so, ie decrease capacity in Europe, because Emirates (EK) has been steadily increasing its seating capacity on Mauritius which has more than offset MK’s shortfall.

![Available seat capacity compared to arrivals](image)

We argued last year that route profitability was an integral part of the Mauritian air connectivity conundrum, ie the absence of seats on desirable routes. We trust that the brand new airport terminal\(^\text{14}\) will help partially alleviate the issue. Actually, it already has: in Dec-13, Emirates swapped a 777 for the A380\(^\text{15}\). The Dubai-Mauritius route has been the only one to have experienced substantial capacity\(^\text{16}\) growth over recent years. Further, starting May this year, TUI – the German travel multinational – commenced regular 787 flights from the UK. In spite of these improving signs, the number of available seats to Mauritius remains deficient. Given that the direct flights to China have resulted in the market’s substantial increase, it is clear that adding more seats would further boost the market. Given MK’s limited fleet, perhaps Government should further

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\(^\text{11}\) Should all (100%) visitors opt to stay in hotels, they would not be able to as there exists insufficient available room nights to accommodate them all

\(^\text{12}\) ie loss of market share

\(^\text{13}\) ie increased competition

\(^\text{14}\) Capable of handling ~4.5M passengers per year

\(^\text{15}\) The old terminal was not capable of handling the super jumbo

\(^\text{16}\) Having commenced with three flights per week over a decade ago, EK currently flies double dailies to Mauritius
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incentivise the China-MRU route to bring in new carriers. Government should then take the incentives a step further to encourage new links on traditional routes as well. This lack of adequate connectivity remains not only a hindrance for the Tourism sector, but also to the overall development of Mauritius which aspires to become the bridge between Asia and Africa. The inevitable bottom-line is that we require more flights in and out of Mauritius.

II. Airfare & Taxes

This year we upgraded our exercise of looking up airfares to Indian Ocean islands by including results from Paris, London, Frankfurt, and Shanghai; as well as exploring other destinations the world over. We used airfare per km as the key metric to measure the “priceyness” of a given route/destination.

Based on our sampling – albeit limited in size – we observe that Mauritius, at 10.4 US cents/km, is an average destination to fly to from Europe. However, when we include government/airport taxes/fees – given that flying to SSR International Airport is nearly as expensive as Heathrow – we find that the actual ticket price to Mauritius is 12% more expensive than the average and among the priciest.

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Table 1. Direct route average flying cost from LHR, CDG & FRA.

Emirates plays a substantial role in ferrying tourists to Mauritius, hence we also investigated flying costs via Dubai. We observe instantly that both the Seychelles and Maldives are more expensive than Mauritius as destinations. However, given the greater distance and the much higher airport taxes (+39%), the actual ticket price remains the most expensive and 30% above average. Emirates prices itself marginally below its competition such that – on average – its rate per distance is 20% cheaper than on a non-stop route from Europe to a destination.

Table 2. Dubai route average flying cost from LHR, CDG & FRA.

In our opinion, based on the gathered data, we do believe there exists room for airlines to lower their rates to under 10cts/km; however given existing oligopoly, this is unlikely to happen until a new carrier decides to trigger a rate discounting (also unlikely). Assuming airfare could be

17 We hope the recently announced arrival of China Eastern Airlines will concretise
18 Airline ticket prices are computed in a black box and each destination includes its specificities. Hence, AXYS ensured that prices were sought for the exact same departure/arrival dates, and length of stay. We conducted the entire data search/collection process on the same day and within minutes. In theory, we did exactly what a potential traveller would.
19 Europe here means the average from CDG, LHR and FRA.

Fare xT + ticket price + self-imposed airline “surcharges” but excluding airport & government imposed charges
21 Tax = airport & government charges, fees, and taxes but excludes airline “surcharges”
22 Estimated cost of fuel per seat on a fully occupied 777-300 in a 3-class configuration fitted with Rolls Royce engines
lowered to the average 9.5 ¢/km and taxes dropped to $180, air ticket prices to Mauritius would drop by 12%, ie $150 per ticket which in today’s post-crisis era is a substantial saving. In our opinion, Government should lower airport and passenger taxes, but given that it has to pay-off the Rs10bn cost of the new terminal, lower charges are unfortunately unlikely.

HIGH LEVEL STEERING

In our previous edition, under the section entitled “Drifting to the Impasse” we examined the multiple factors afflicting the tourism industry. Troubles began when industry players and authorities alike assumed the 2006-08 boom would last forever. Having set incredible visitor targets (2M by 2015), hotel groups borrowed lavishly to build luxurious 5-Star resorts. Within five years, 20 new hotels added 1,700 additional rooms mainly in the up-market segment. However, during that period, most advanced economies faced the most difficult economic conditions since WWII. Thus demand shifted from the up-segment to the mid-segment; and from long-haul to short-haul destinations. Occupancies dropped, finance costs soared, and rooms had to be filled. Rates were revised downwards and profits evaporated. During this period, the big-picture view was missed, and therefore no alarm bells were raised. Mauritius requires a strategic all-seeing eye that can foster constructive collaboration between stakeholders, establish forward medium and long strategies and set milestones that have to be attained. Mauritius needs an apolitical joint public-private high level steering committee to provide top down guidance and objectives, establish proactive business culture, and bring the industry back onto a sustainable growth path.

When the sugar industry was faced with the 37% cut in sugar prices, the industry’s players cohesively came together to create the Multi-Annual Adaptation Strategy (MAAS) to re-invent the industry. The tourism industry’s stakeholders (public, private & multinationals), however form a less cohesive unit which means it is more difficult to find common agreement on issues troubling the sector. Most alarming is the absence of a well-defined short, medium and long term strategy for Tourism. In stark contrast, under MAAS sugar conglomerates knew that they had to consolidate (merge mills), move up the ladder (raw to refined), as well as find a new buyer (Sudzucker) for their refined sugar. No such plan exists for the tourism industry. Sure, we are copying the Maldives and targeting Asia; but what are the targets? Have we defined the type of clientele we seek? How do we attract and bring them? Have we adapted our hotels to accommodate them? Do we have enough translators for tours and shopping? There is desperate need for a technocratic high level steering committee to give direction to this headless industry.

I. Marketing

Marketing the Mauritian destination is a highly fragmented affair. As competitors, hoteliers do not necessarily come together to market the destination, but understandably go to market directly. This is why Government needs to step in to first and foremost re-glamorise the Mauritian destination; and also get behind a single brand – whatever it be – to sell it! This is the job of the Mauritius Tourism Promotion Authority (MTPA) under the aegis of the Ministry of Tourism. This organ was founded decades ago on a business model which no longer exists. The organ is need of a major rethink. It flip-flopped on the “Mauritius C’est un Plaisir” brand which is barely prominent on the island; it operates with a puny budget; and its ‘roadshows’ are an insufficient and probably outdated tool to keep attracting visitors. In today’s age of social web, micro blogging, and plethora of travel sites, MTPA needs to exploit the digital space. The organ thus requires more digital natives among its staff than digital migrants.

The branding also needs to evolve away from just Sea, Sun and Sand, but also include other unique Mauritian traits:

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23 The tourism industry is today reactive and slow to change
24 Who came up with the 2M visitor target in the first place?
25 According to the 2013 tenders for Public Relations Consultancy Services in France, UK, and Germany, the budgeted amounted were Rs20M, Rs14M and Rs12M respectively excluding special assignments.
our unique cultural heritage which includes a hotchpotch culture, and our blend of French & British colonial history. It is a pity that these are not shared in a structured manner. It is a pity that no city tour\textsuperscript{26} of Port-Louis exist to discover landmarks. Another poorly exploited niche includes the Well-Being/Detox clientele for the many resorts and spas including a few mountain retreats on the island. Mauritius could also do more to promote Golf; and why not even become a key stop over on one of the many international tours/circuits? This absence of proactivity further enforces our view that Mauritius needs a technocratic steering committee to re-imagine the Mauritian destination, then drive its promotion in a manner appropriate for the 21\textsuperscript{st} century.

II. Demand/Supply Management

Some hoteliers shifted blame for their woes on the demand side, i.e. on to the national airline and air access. However, did they not realise that in the event of a crisis, demand would stagnate or drop? Could they not have helped constrain supply by not increasing the hotel park or re-positioning themselves within the mid-market? Of course, hindsight is 20/20 and no one (or very few) saw the crisis coming. That said, could a technocratic apolitical committee have perhaps seen early signs of potential trouble? We will never know. Had such a committee existed and suggested either segment re-positioning of select hotels or scaling back construction of new establishments, perhaps the industry’s profits might have stood higher.

III. Connectivity Management

When the highly touted 2M visitor target was put forth, a simple back of the envelope calculation would have shown that Mauritius would require 22 jumbo jets operating at 75% capacity landing daily to achieve that figure. With fewer than 15 medium to long haul aircraft (excluding intra-Mascarene flights) landing daily, the number of long haul arrivals needs to jump by at least 50%.

The fact the authorities do not appear to have asked the following questions:

- How do we add these additional flights?
- Who can transport this many additional visitors?

illustrates the absence of forward thinking and concrete plan to achieve the 2M visitor target. It should thus not be a surprise that Mauritius is stumbling\textsuperscript{27} to cross the One-million visitor mark. Who is supposed to address this connectivity conundrum anyway? This poses not only a hindrance to tourism but to the broader economy of a State aspiring to become the bridge between Asia and Africa. The technocratic committee, in our opinion should also be allowed to steer and address this issue.

IV. Resource & Environment

Assuming the 2M tourist target is achieved, are local resources (Water, Electricity, Food) sufficient and being exploited in a sustainable manner? Holiday makers come for the white sandy beaches, vibrant coral reefs, and the exotic appeal of an island. It is thus crucial that resources be well managed, the lagoons not overfished, beaches maintained to counter erosion, and our coral reefs preserved. Visitors would simply choose more vibrant alternatives should the beauty of the island and its lagoons lose their appeal. It is thus primordial to adequately plan developments and simultaneously preserve the environment. Irking the local populace by squeezing them onto fewer and narrower beaches does not bode well either. The steering committee should become this additional layer of checks and balances to ensure that the disjointed Local Governments, Beach Authority, Tourism Authority, Ministry of Environment, and other organs work together to enforce sound and sustainable practices.

IV. Exchange Rate Volatility Management

Too often have we heard hoteliers speak of “favourable” and “unfavourable” exchange rates. The deficit caused by a slide in the Euro is usually pointed out while the upside typically goes unmentioned. In a not so distant past,

\textsuperscript{26} Like in any major city across the world with hop-on hop-off buses amongst others

\textsuperscript{27} 1\textsuperscript{st} trimester arrivals figures declined by 0.2% excluding the Chinese, but overall improved by 2.8%
increased costs were inflated away through a dependence on MUR depreciation, a phenomenon which has rarified since the crisis. Hotels have thus only recently begun borrowing in foreign currency or partially converting their MUR loans into EUR terms. Up to now, a little more than €40M have been used from the Special Line of Credit the Central Bank made available to the industry. A high level committee could perhaps also facilitate the creation of additional mechanisms to dampen the effects of currency fluctuations.

While a technocratic high level steering committee with a mandate to cohesively coordinate and guide the industry onto a sustainable growth path is not the ultimate solution; it would constitute a step in the right direction to bring a drifting industry back on track.

FORWARD PROSPECTS

Our conservative projections place arrivals for 2014 at 984k (+2%) excluding transit & cruise passengers; and receipts at Rs42.5bn (+5%). 2013 was harsher than 2012 given the plunge in RpV to its lowest in years; astounding however, Q1-14 showed promising signs: revenue and margins improved for all of LUX, CHSL and TPL. Some gained market share, while the absence of currency hedging practice would have led to a more ‘favourable’ MUR/EUR rate. The collective loss of market share to informal accommodation is likely to taper off, but the increasing hotel park will continue to exert pressure on occupancy, and thus room rates. Visitor demographics is shifting in-line with the diversification path which is gaining traction. Those unwilling to adapt will be left watching from the side-lines.

2014 in principle is poised to be a better year for tourism operators: the substitution by Emirates of a 777 for the A380 will add 58k additional seats. Further, TUI has started flying its 787 from London to Mauritius this May. TUI had already reached agreements with a select few hotels to ensure rooms for its vacationers; and is said to have acquired a couple of distressed entry-level hotels on the Le Morne peninsula. A turnaround in receipts trends will be essential to ensure that the improvements witnessed in Q1-14 continue to bolster earnings.

Although it would seem that the worst is behind, the industry’s largest players will continue to feel the pinch for a while longer because of:

1. High debt levels
2. Sustained pressure on rates
3. Limited access to Mauritius
4. Inability to adapt to shifting demand/clientèle

I. A Property Bubble

Having constructed 5-Star hotels at over-budgeted costs, hotels are highly indebted. The industry’s debt stands at just under Rs49bn while the sum of the debt of the five (5) hotel groups previously rated by AXYS stands greater than Rs30bn. With Debt:Equity ratios in excess of 100%, debt servicing is bound to gobble up operating profits (if any). Cash strapped hoteliers will find it harder to conduct the required periodic refurbishments. An option consists of selling walls to repay loans; but can they even dispose of the resorts at a fair price? Apavou hotels were recently liquidated at just over Rs4M per room; while recent construction of up-segment hotels have cost well over Rs10M per room. We believe the time has arrived for hotels to split their businesses into two segments28: property owner and resort operator. This would bring their model in-line with that of major multi-nationals, and closer to DEM

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28 SUN’s move in this direction under its new CEO is encouraging
listed COVI which receives rental for its buildings operated by Club Med. Hoteliers are likely to continue feeling constricted until their gearing levels are drastically reduced.

**Threats**
- Increased regional competition
- Expensive airport taxes
- Environmental degradation

**Opportunities**
- Re-engineered marketing
- Re-modelled modus operandi
- Balanced diversification

**CONCLUSIONS**
Although tourist arrivals figures have stagnated, although receipts per visitor stands at its lowest in years, although the industry’s stakeholders constitute a disjointed cohort with different objectives, although other regional destinations have overtaken Mauritius in terms of raw growth, none of the above are insurmountable set-backs. The present model has served its time and purpose and is now obsolete. The time has thus come to re-draw a new model for the 21st century, and take concrete steps in realising milestones in a manner similar to the sugar industry’s transformation into a sugarcane industry. What is required is much coordination and goodwill among stakeholders to bring the industry onto a sustainable growth trajectory. We hope that a recently announced Joint Private-Public tourism committee will form the basis for the idealised technocratic apolitical high-level steering committee we have argued this industry needs. We are genuinely concerned for the future should concrete actions and strategy not materialise. Today future growth prospects for Mauritian hotel group are not domestic but overseas: NMHL in Morocco, LUX in UAE & China, and CHSL in Maldives.
APPENDIX A

I. Main Domestic Players

The largest hotel groups (in terms of revenue) although not fully sourced from Mauritius are: New Mauritius Hotels Ltd (NMHL) which operate under the Beachcomber Brand, Sun Resorts Ltd (SUN), LUX* Island Resorts Ltd (LUX), and Constance Hotel Services Ltd (CHSL).

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<td>345</td>
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<tr>
<td><strong>Occupancy [%]</strong></td>
<td>61.0</td>
<td>68.0</td>
<td>61.0</td>
<td>66.6</td>
</tr>
<tr>
<td><strong>Turnover (TO) [Rs M]</strong></td>
<td>7,819</td>
<td>3,771</td>
<td>4,080</td>
<td>2,564</td>
</tr>
<tr>
<td><strong>TO per Room [Rs]</strong></td>
<td>10,300</td>
<td>8,500</td>
<td>8,200</td>
<td>14,100</td>
</tr>
<tr>
<td><strong>Debt per Share [Rs]</strong></td>
<td>93.54</td>
<td>43.83</td>
<td>60.64</td>
<td>94.40</td>
</tr>
</tbody>
</table>

Table 3. Key hotel group indicators

II. Share Performance

Listed hoteliers experienced a very strong 2013 on the Stock Exchange of Mauritius (SEM). They collectively rebounded from multi-year lows buoyed by positive sentiment which prevailed during H2-13. The Travel & Leisure (T&L) experienced the strongest CY-13 gains (+57%) with LUX (+143%) being 2013’s top performer. NMHL rocketed by 59%, SUN by 51% and CHSL by 61%.

On a YTD basis however, Travel & Leisure sector has declined by 2.1%: NMHL (-4.9%), SUN (-2.6%), LUX (+9.4%) and CHSL (-19%). This tepid trend is in-line with the broader market which was thrown off-balance by the Crimean crisis and pull-outs in the days leading up to LOTO’s IPO, as well as the RpV contraction. Over the same period, the traditional All-Share index lost 0.9%, while the Liquid 20 index edged up by 1.2%, and our Capped Composite 12 Index gained 2.2%.

III. Foreign Investments

Foreign investor participation on hotels has fallen by over 60% since the start of the crisis somewhat in-line with the industry’s sub-par performance since. NMHL which has historically been the 3rd most sought after counter by foreign investors has remained so, while trades on SUN and LUX tapered. In 2013, FI participation on hotel stocks was dominated by NMHL to the tune of 80% and experienced a net inflow of Rs312M, and LUX registered small NFP worth Rs15M, while SUN experienced a slight divestment amounting to Rs18M.

29 The only sectors in positive territory include Financials and Investment Holdings
APPENDIX B

I. Price to Earnings Growth (PEG) Ratio

\[
\text{PEG Ratio} = \frac{\text{Price/Earnings}}{\text{EPS Growth}}
\]

<table>
<thead>
<tr>
<th>PEG Ratio</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 ≤ PEG &lt; 1</td>
<td>Under-valued</td>
</tr>
<tr>
<td>PEG = 1</td>
<td>Fair-Valued</td>
</tr>
<tr>
<td>PEG &gt; 1</td>
<td>Over-valued</td>
</tr>
</tbody>
</table>

II. Turnover per Room

\[
\text{TO per Room} = \frac{\sum \text{Hotel Revenue}}{\sum \text{Rooms}}
\]

III. Revenue per Occupied Room

\[
\text{Rev. per Occ. Room} = \frac{\sum \text{Hotel Revenue}}{\sum \text{Rooms} \times \text{Occ. Rate}}
\]

IV. Enterprise Value per Room

\[
\text{EV/Room} = \frac{(\sum \text{Shares} \times \text{LCP}) + \sum \text{Debt} - \text{Cash}}{\sum \text{Rooms}}
\]

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