

Report for the month of September 2011

CARE Ratings Maldives (CARE) released its first research report on Maldives Tourism Industry¹. The Tourism industry is the leading contributor to the Maldivian economy, both in terms of revenues and employment. The industry has grown at a CAGR of 10.2% between CY 2006-10. It is closely linked with the global economy and had witnessed a negative growth in CY2009 due to global economic meltdown. Tourism industry did recover strongly in CY2010 and registered a growth of 21% yoy due to low base effect.

The report discusses about the characteristics of the industry, the role of tourism in Maldives, key growth drivers, the business model for tourism in Maldives, various hotel concepts, foreign tourist arrivals, major markets, atoll-wise inventory, foreign direct investment in tourism, regulations governing the tourism industry, impact of tourism master plans and the tax structure applicable to the tourism in Maldives. The report also analyzes the upcoming projects over the next five years and its impact on the growth rate, average room revenue (ARR) and impact of the European debt crisis on the Maldives tourism industry.

According to Ms. Revati Kasture, Head - CARE Research, *“The industry is expected to face pressure on average room revenue and occupancy rate due to the expected surge in the bed capacity by 47% in the next three to five years. The recovery of occupancy rate and ARR depends on how the economic recovery happens in the European countries, which are a major contributor of tourists for the Maldives tourism”*. According to CARE Research estimates, the revenues of the tourism industry are expected to grow by 10% in CY2011 and at a CAGR of 6.5% till CY2015.

CARE has prepared a concept paper on setting up of bureau for foreign currency exchange and the same has been submitted to Capital Market Development Authority (CMDA). The concept paper attempts to bring out the advantages of having a bureau monitored by the regulatory

¹ Executive summary of the report is available at the following link
<http://www.careratingsmaldives.com/scripts/IndustryReport.aspx>

body by drawing parallel from neighbouring countries like India, Sri Lanka and tourism driven economy like Mauritius.

CARE has published its IPO (Initial Public Offer) grading methodology for the companies in Maldives. CARE would assess the overall fundamentals of the company's IPO on a five point scale. Highest grade to be assigned by CARE Ratings Maldives to any IPO would be 5 and the lowest would be 1.

CARE's IPO grading would help the investors, particularly the retail investors, better appreciate the impact of the disclosures made by the issuer in the offer document to the extent of their impact on its fundamentals. Moreover, such a service would be useful for assessing the offerings of companies accessing the equity markets for the first time where there is no track record of their market performance. IPO grading is expected to be one of the key inputs in the investor's decision-making process. Issuers would also benefit from CARE's IPO grading as it would help them in benchmarking themselves in the market place irrespective of the Board (Main or Second) on which it plans to list itself.

CARE is in the process of preparing a rating methodology for sub-sovereign rating for city councils and the atoll councils. With regard to that, CARE's Chief Economist, Mr. Madan Sabnavis met the Honourable Minister of Home Affairs, Mr. Hassan Afeef and his team to understand the administrative structure and discuss the benefits of sub-sovereign rating to raise funds by the atolls and city councils on their own. The CARE team also met the Male' City Council Mayor, Mr. Maizan Ali Maniku, to discuss the rating opportunities for Male' City Council.