

**Brief Rationale**  
**CRAF downgrades the rating assigned to Bond Issue of**  
**Attitude Hospitality Ltd (“AHL”) to ‘CARE MAU A-’ and continues Credit Watch**  
**with Negative Implications**

**Ratings**

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	1,000	CARE MAU A-; Under Credit Watch with Negative Implications [Single A Minus; Under Credit Watch with Negative Implications]	Downgraded from CARE MAU A; and continues Under Credit Watch with Negative Implications

**Rating Rationale**

The rating assigned to the Bond issue of Attitude Hospitality Ltd (“AHL”) was downgraded from CARE MAU A to CARE MAU A- and continues under credit watch with negative implications because of the closure of all hotels of the company since around March 20, 2020 due to the outbreak of COVID-19 pandemic and because of the uncertainty regarding tourist arrivals in Mauritius post phased reopening of borders.

CARE Ratings (Africa) Private Limited (“CRAF”), based on discussion with AHL management, understands that AHL has adequate liquidity to meet its scheduled debt servicing obligations (interest payment on Bonds) and other fixed expenses till November 2020 (without additional debt). CRAF has also taken into account Attitude Group’s funding requirements approved by The Mauritius Commercial Bank Ltd (“MCB”) and the Mauritius Investment Corporation Ltd (“MIC”; Special Purpose Vehicle set up by the Bank of Mauritius to provide support through a range of equity/quasi-equity instruments in view of ensuring that domestic systemic economic operators are kept afloat during challenging times and that jobs are preserved). Deferment of interest on the Bond and plans to undergo renovations and light refurbishments in some of the hotels have also been considered. Given the current uncertainty surrounding tourist arrivals from Europe post reopening of borders, CRAF will keep monitoring the situation with respect to the impact of the pandemic and will take a view on the ratings of the company by December 2020 by when the exact implications of this event on the credit risk profile of the company are likely to become clear.

The rating continues to derive strength from the satisfactory track record of Attitude Hospitality Ltd (AHL), vast experience of the promoters in the hotel sector, professional and qualified management team, established track record of the promoters in acquiring loss-making hotels and successfully turning them profitable, stable performance of major dividend paying group companies, low gearing in subsidiary companies & at consolidated level and popularity of 3/4-star hotels (EUR 100-120 per night) among budget conscious tourists.

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The rating is, however, constrained by project risk associated with capacity addition programme in some hotels, direct competition from local budget accommodation, foreign exchange risks and sensitivity of the Mauritian hotel industry to air access, more so in post COVID-19 era. The uncertainty surrounding lifting of air travel restrictions in Mauritius and opening of the hotels, ability to attract European tourist post opening of international borders, improvement in occupancy rate post opening and improvement in operational & financial performance of dividend-paying companies are the key rating sensitivities. The rating is also sensitive to any new debt funded acquisition & renovations and dividend payout over next 5 years.

### **Impact of COVID -19 on the liquidity of AHL**

Since March 20, 2020, Government of Mauritius has restricted the country's air access and has imposed a national lockdown till June 1, 2020 to limit spreading of the novel Coronavirus. As a result, most hotels have suspended their operations for an indeterminate period (until air access restrictions are lifted) to cut down variable costs. Likewise, AHL also closed all its hotels around March 20, 2020. The re-opening of the hotels is subject to lifting of air travel restrictions by Govt. of Mauritius and also depends on bookings from European tourists. Phase 2 of border reopening plan started on October 1, 2020- there are flights from and to specific countries (France, Reunion Island and Dubai) whereby visitors are able to book their tickets and hotels online. Priority is being given to Mauritian Citizens, Residents and those who work in Mauritius. However, there is still poor visibility regarding the countries to which the Mauritian borders will gradually open and whether tourists will still come given that there might be restrictions imposed on their movements across the Island for an initial period of 14 days (compulsory quarantine); also tourism and travel activities are amongst the most affected sectors by the COVID-19 pandemic and generally people would like to avoid travel unless unavoidable.

Given that re-opening of the Hotels also depend on bookings from European tourists, CRAF is not in position to assess the actual date of resumption of the hotels.

During discussion, AHL's management has stated that out of the 8 hotels from which AHL derives its revenue, 2 have been rented to the Government as quarantine centres (Emeraude Beach Attitude Hotel and Recif Attitude Hotel), 1 hotel (Tropical Attitude- 70 rooms) is operating only on weekends, 2 hotels (Zilwa and Ravenala Attitude) are under renovation and the other 3 hotels are undergoing light refurbishments. AHL shall be self-sufficient up to End-November 2020 and then proposes to utilise the facilities approved by MCB. MCB has approved a facility which is equivalent to the amount of cash requirement during the hotel closure, based on a re-opening on the January 1, 2021. In addition, AHL has obtained the approval from the MIC for an equivalent amount and a term sheet has been signed between AHL and MIC in October 2020. Interest payment of the Bond was scheduled on half yearly basis (MUR 25 million on June 2020 and December 2020). However, given the current scenario, the subscriber (MCB) agreed to defer the 06 June 2020 payment to 31 December 2020. The capital

#### **CARE Ratings (Africa) Private Limited**

Registered Office: 5<sup>th</sup> Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

[www.careratingsafrica.com](http://www.careratingsafrica.com)

repayment of the Bond (MUR 1,000 million) is due on June 2024 with accelerated repayment at the discretion of the management.

## **BACKGROUND**

Attitude Hospitality Ltd (“AHL”) was incorporated, as Jason Hotels Company Ltd in May 2008, by Mr. Marie Adrien Robert and his son Mr. Jean Michel Pitot. In July 2010, the company was renamed as Attitude Resorts Ltd. and subsequently rechristened as Attitude Hospitality Ltd in July 2014. Since inception, AHL’s focus has been to position itself as a mid-market (3/4-star category) hotel player in the Mauritian tourism sector.

AHL currently owns 8 operational hotels along the north and east coast of Mauritius with 974 rooms. It has also established itself as a leading brand in the mid-market segment (3/4-star category) hotels in Mauritius within a price range of Mur 3,000- 6,000 per night. All the 8 hotels, are partly owned, some fully owned whilst remaining are leased to subsidiaries and associates.

Pitot family through various companies owns majority share (59%) of AHL. The balance 39.4% is held by United Investment Limited and 1.6% by directors.

AHL is a professionally managed company. It is governed by a 9-member Board of Directors comprising of 2 members from the Pitot family, 2 Executive Directors and a number of eminent industrialists and professionals. The strategic affairs of the company are looked after by the Chief Executive officer - Mr. Jean-Michel Pitot (57 years).

In June 2019, AHL issued a fixed-rate Bond of MUR 1,000 million (subscribed by The Mauritius Commercial Bank Ltd (“MCB”)) for a period of 5 years. Bond proceeds were used to prepay the bank debt of AHL (MUR 515 million from MCB) and lend to the following subsidiaries for repayment of their existing debt: Marina Village Hotel Limited (MUR 280 million), Compagnie Marmites Des Iles Limitée (MUR 86 million) and East Water Ltd (MUR 21 million). The balance MUR 98 million is being used by AHL to manage its liquidity.

As per the Term Sheet of MCB, the Bond is proposed to be repaid at maturity (bullet repayment at the end of 5 years. i.e. June 2024).

In FY19 (July 1 – June 30), AHL on a standalone level posted a PAT of MUR 139 million on a revenue of MUR 160 million. Interest coverage was 5.58x during FY19. Overall gearing was 0.70x as on June 30, 2019.

At a consolidated level, AHL posted a PAT of MUR 232 million on a turnover of MUR 1,743 million in FY19. Interest coverage was 4.22x during FY19. Overall gearing was 0.84x as on June 30, 2019.

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**Annexure I**

*Long /Medium-term Instruments*

<b><i>Symbols</i></b>	<b><i>Rating Definition</i></b>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.***

**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.