

**Attitude Hospitality Ltd  
Brief Rationale**

**CRAF places the ‘CARE MAU A’ rating assigned to Bond Issue of  
Attitude Hospitality Ltd (“AHL”) under Credit Watch with Negative Implications**

**Ratings**

<b>Instrument</b>	<b>Amount (MUR Million)</b>	<b>Rating</b>	<b>Rating Action</b>
Bond Issue	1,000.00	<b>CARE MAU A; Under Credit Watch with Negative Implications [Single A; Under Credit Watch with Negative Implications]</b>	<b>Placed under Credit Watch with Negative Implications</b>

**Rating Rationale**

The rating assigned to the Bond issue of Attitude Hospitality Ltd (“AHL”) was placed under Credit watch with negative implications due to the closure of all the hotels of the company around March 20, 2020 due to the outbreak of COVID-19 pandemic. 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 September 2020. CRAF has also taken into account AHL’s management’s expectation of a phased opening of its hotels from August to October 2020. Given the current uncertainty surrounding lifting of air travel restrictions in Mauritius and tourist arrivals from Europe post resumption of air traffic, 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 August 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 (Euro 100-120 per night) among budget conscious tourists.

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 expected opening in August 2020 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.

**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

### **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 ban by Govt. of Mauritius.

AHL's management has indicated CRAF that they expect to resume operation in their hotels in a phased manner from August/September 2020. Given that re-opening is subject to lifting of air travel ban and also depends 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 with all the hotels being closed down, AHL's fixed cost (majorly employee cost) will be around Mur 45-50 million per month. Interest payment of the Bond is done on half yearly basis (Mur 25 million on June 2020 and December 2020). The capital repayment of the Bond (Mur 1,000 million) is due on June 2024 with accelerated repayment at the discretion of the management.

AHL, on consolidated level, had cash and overdraft facilities of MUR 274 million as at April 1, 2020. This would allow them to sustain a complete closure, assuming no support from the GOM, till around October 2020.

AHL's management is also in discussion with its existing bankers to avail additional loan of around Mur 200- 250 million (under the GOM financial support package to the industry at 2.5% p.a.) to tide over upcoming liquidity crisis. The rate may get revised to 1.5% in line with latest BoM announcement. Under the Government of Mauritius extended the Wage Assistance Scheme, AHL group has received Mur 7 million for the month of March 2020 and Mur 14 million for the month of April 2020.

### **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.

#### **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)

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.

#### **Disclaimer**

CARE Ratings (Africa) Private Limited (“CRAF”)’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF’s ratings do not convey suitability or price for the investor. CRAF’s ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF’s rating. CRAF’s ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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

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

BRN: C14127054

FSC License No.: CR1400001

Telephone: +230 59553060/58626551

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

**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.