

## Rating Rationale

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

### **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.

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

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

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**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 commenced operations in 2008 with two hotels: Coin de Mire Attitude and Blumarine Attitude which, combined, have 210 rooms. From 2010 to 2014, the company acquired 7 hotels (3-4 stars) and did renovation and expansion in existing and new hotels.

AHL currently owns and manages 8 properties along the north and east coast of Mauritius with around 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.



AHL was initially promoted by Pitot family. In October 2010, United Investment Limited acquired 39.4% stake in AHL. At present, 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).

Mr. Jean-Michel Pitot has more than 30 years of experience in hotel industry. He was Managing Director in Veranda Resorts before venturing into setting up AHL in 2008. He is assisted by Mr Vincent Desvaux De Marigny (Executive Director and Chief Operating officer) and Mr. Deenesh Seedoyal (Executive Director and Chief Financial Officer) and a team of experienced and qualified professionals for managing day-to-day affairs. Both Mr. Vincent and Mr. Seedoyal have been looking after the marketing and finance function of the group for more than 9 years.

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## CREDIT RISK ASSESSMENT

### Long track record of the group & experienced promoters

Incorporated in 2008, AHL is the investment & holding company of Attitude hotels group. The promoters, Pitot family was engaged in managing one of the biggest and finest hotel chains of Mauritius – New Mauritius Hotels and later Veranda Resorts Limited for more than 50 years, before setting up AHL. The other promoter, United Investment Limited (39.4% stake in AHL) is an investment firm. AHL derives its entire revenue as dividends from the various group companies (owning the 8 hotels and engaged in managing these hotels). During FY18 and FY19, dividend received by AHL was MUR 93 million and MUR 160 million respectively.

### Professional and qualified management team

AHL has qualified employee pool having experience in the hotel Sector. The Group follows centralized decision making. The Group employs around 1,600 people and has a quite low attrition level, with key professionals having long association with the group.

### Established group owning 8 operational hotels & 1 hotel under management agreement

AHL owns and manages 9 hotels through different group companies (6 subsidiary, 2 associate and 1 under a 10-year management agreement). In addition, AHL also owns Attitude Hospitality Management Ltd (“AHML”), which manages all hotels of the group, and Attitude Property Ltd, which is the only listed company (Stock Exchange of Mauritius) of the group. APL is a real estate income-driven company, holding properties of Ravenala, Recif and Tropical hotels, which has been leased back to the respective group companies (Rivière Citron Ltée, Pointe Aux Piments Hotel Ltd and Tropical Hotel Ltd. which are running the hotels) against rentals. The financials of major group companies of AHL for FY19 are as under:

*MUR Million*

Companies (FY19) (Hotels)	Stake (%)	Revenue	PAT	EBITDA	Dividend Pay out	Total Debt	Net worth	Overall gearing	Total debt /EBITDA
Compagnie Marmites Des Iles (Emeraude Beach Attitude)	100.00%	98	12	29	0	86*	91	0.95	2.97
Pointe Aux Piments Hotel Ltd (Récif Attitude)	100.00%	122	2	6	0	0	38	0.00	0.00
Tropical Hotel Ltd (Tropical Attitude)	100.00%	103	-2	-0.3	0	0	15	0.00	0.00
East Water Ltd (Friday Attitude)	100.00%	94	6	16	0	21*	27	0.79	1.30
Rivière Citron Ltée (Ravenala Attitude)	100.00%	690	21	43	0	0	90	0.00	0.00
Marina Village Hotel Limited (Blumarine Attitude)	88.75%	401	68	136	50	279*	315	0.89	2.05
Attitude Hospitality Management	80.00%	181	42	55	66	0.6	63	0.01	0.01
Attitude Property Ltd	48.74%	202	121	200	110	840**	1,848	0.45	4.20
<b>Associates</b>									
Water Sports Village Limited (Paradise Cove Boutique Hotel)	24.50%	205	13	33	0	166	196	0.85	5.10
Zilwa Resort Ltd	24.00%	625	141	242	40	236	698	0.34	0.97

*\*From AHL and repayment of the loans are in line with Bond repayment \*\* Loan refinanced with bullet repayment for 10 years in March 2030 (FY30)*

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### Investment in group companies

As on June 30, 2019; AHL had a total investment of MUR 2,460 million (MUR 2,225 million in subsidiaries and MUR 234 million in associates) in group companies.

### Flow of dividends from various group companies

AHL's entire revenue is generated in the form of dividends received from various group companies engaged in the Hotel sector:

*MUR Million*

Companies	Business Verticals	% Holding	MUR Million		
			FY17	FY18	FY19
<b>Marina Village Hotel Limited (Blumarine Attitude)</b>	<b>Hotel</b>	<b>88.8%</b>	<b>0.0</b>	<b>0.0</b>	<b>44.4</b>
Compagnie Marmites Des Iles Limitée (Emeraude Beach Attitude)	Hotel	100.0%	0.0	0.0	0.0
Pointe Aux Piments Hotel Ltd (Récif Attitude)	Hotel	100.0%	0.0	0.0	0.0
Tropical Hotel Ltd (Tropical Attitude)	Hotel	100.0%	0.0	0.0	0.0
East Water Ltd (Friday Attitude)	Hotel	100.0%	0.0	0.0	0.0
Rivière Citron Ltée (Ravenala Attitude)	Hotel	100.0%	0.0	0.0	0.0
<b>Water Sports Village Limited (Paradise Cove Boutique Hotel)</b>	<b>Hotel</b>	<b>24.5%</b>	<b>3.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Zilwa Resort Ltd (Zilwa Attitude)</b>	<b>Hotel</b>	<b>24.0%</b>	<b>6.5</b>	<b>14.4</b>	<b>9.6</b>
<b>Attitude Property Ltd (Revenue: Lease Rentals for 3 properties - Ravenala, Recif and Tropical)</b>	<b>Investment</b>	<b>48.7%</b>	<b>53.8</b>	<b>50.7</b>	<b>53.8</b>
<b>Attitude Hospitality Management Ltd (Revenue: Management Fees)</b>	<b>Managing Co.</b>	<b>80.0%</b>	<b>0.0</b>	<b>28.1</b>	<b>52.6</b>
<b>Total</b>			<b>63.5</b>	<b>93.2</b>	<b>160.3</b>

**Debt servicing of the Bond in AHL:** 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).

**Prepayment option available to AHL management** - Given possibility of excess cashflow in various group companies, AHL management had kept an option to make early repayment [Repayment 20% in FY21, 30% in FY22 and 50% in FY23]. AHL management has now ruled out possibility of early repayment given the developments regarding COVID-19 and has stated that the Bond will be repaid on June 2024 (FY24), with a possibility of 50% prepayment in June 2023 (FY23).

**Projected dividends from group companies**

Companies	Business Verticals	% Holding	Amount of dividend proposed to be received				
			FY20*	FY21	FY22	FY23	FY24
Marina Village Hotel Limited	Hotel	88.8%	0.0	17.8	35.5	35.5	44.4
Compagnie Marmites Des Iles Limitée	Hotel	100.0%	20.0	0.0	0.0	0.0	0.0
East Water Ltd	Hotel	100.0%	0.0	0.0	0.0	30.0	0.0
Water Sports Village Limited	Hotel	24.5%	0.0	0.0	8.6	8.6	8.6
Zilwa Resort Ltd	Hotel	24.0%	0.0	9.6	19.2	36.0	36.0
Rivière Citron Ltée	Hotel	100.0%	0.0	0.0	0.0	50.0	50.0
Attitude Property Ltd	SPV	48.7%	58.5	38.0	63.0	63.0	63.0
Attitude Hospitality Management Ltd	Hotel Management	80.0%	17.7	27.2	48.0	41.6	48.8
<b>Total</b>			<b>96.2</b>	<b>92.6</b>	<b>174.3</b>	<b>264.7</b>	<b>250.7</b>

**Stable performance of major dividend paying hotels; albeit exposed to risk of successful capacity addition within envisaged cost and ability to achieve projected occupancy level and profitability**

**COVID-19 Impact and assumptions for all the hotels for FY20-21:** Due to air-travel restrictions related to COVID-19 pandemic and based on discussion with the management, CRAF has understood that the hotels will remain closed from March 20, 2020 to July 31, 2020 and will earn no revenue over that period. As per the company management, the hotels are expected to resume operations in a phased manner from August to October 2020 and projected Occupancy and Avg Daily Room Rate (ADR) is expected to be low based on gradual lifting of travel restrictions in a controlled manner (Testing & quarantine). With a further easing of air travel, occupancy & ADR is expected to increase during the period Oct. – Dec. 20, and Jan. - June 2021. Accordingly, CRAF has assumed avg. occupancy for all the hotels to be around 51% for FY20-21.

**Marina Village Hotel Limited: -**

The company owns a 4-star property with 182 rooms trading as Sensimar Lagoon Mauritius in the Northern part of Mauritius in the countryside of Anse La Raie. The hotel provides full range of facilities, like outdoor pool, outdoor tennis courts, Turkish steam bath and a private beach. The hotel has a small restaurant serving Asian meals. The café bar has karaoke and a terrace to offer and also serves coffee, tea and cocktails. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	227.9	371.3	400.8
EBITDA	47.9	127.5	136.0
Interest	20.3	21.5	18.7
PAT	-4.7	57.2	68.4
GCA	27.6	93.5	103.3
Total Debt:	353.3	311.0	279.3
Tangible Net worth	225.8	283.5	314.6
EBITDA margin (%)	21.01	34.34	33.93
Gearing (X)	1.56	1.10	0.89
Total Debt/EBITDA	7.38	2.44	2.05
Interest coverage (EBITDA/Interest)	2.36	5.93	7.27

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The performance of the hotel has improved in FY19, with improvement in ADR and stabilization in operations. In FY19, the company borrowed Mur 279.7 million from AHL and repaid its entire long-term debt and short-term debt. The hotel's performance was also in line in FY20, till the hotel was closed down in March 2020. The hotel is expected to incur a maximum cash loss of around MUR 35 million in April-September 2020. The same will be funded by existing cash balance in AHL and additional loan to be availed by AHL. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy.

### Compagnie Marmites Des Iles Limitée

The company owns Emeraude Beach Attitude Hotel (acquired in 2010) a 3-star property with 61 rooms, located on the island's east coast facing the magnificent Belle Mare beach which is famous for its kilometers of white sand and its turquoise- emerald lagoon. The rooms are set up as four-room bungalows, built with wood, stone and thatch amidst a lush tropical garden, offering all standard facilities. Activities and facilities include Spa, swimming pools, indoor and outdoor games, beach-volley, glass bottom boat trips, kayaks and pedal boats. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	80.2	90.0	98.3
EBIDTA	22.2	26.8	29.1
PAT	0.4	11.9	11.5
GCA	11.1	22.1	21.1
Total Debt:	109.0	97.6	86.3
Cash & cash equivalents	1.6	2.4	5.1
Tangible Net worth	64.3	76.8	91.3
EBIDTA margin (%)	27.65	29.78	29.61
PAT margin (%)	0.48	13.24	11.72
Gearing (X)	1.69	1.27	0.95
Total Debt/EBITDA	4.92	3.64	2.97
Interest coverage (EBITDA/Interest)	3.07	4.35	5.40

Compagnie Marmites Des Iles Limitée is a profitable company with the hotel having a stable occupancy level of 81-85%. In FY19 the company borrowed MUR 86.3 million from AHL and fully repaid its long-term debt. The hotel's performance was also in line in FY20, till the hotel was closed down in March 2020. The hotel is expected to incur a maximum cash loss of around MUR 15 million in April-September 2020. The same will be funded by existing cash balance in AHL and additional loan to be availed by AHL. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy.

The hotels had plans to add another 92 rooms (on lease) in FY21, which has been postponed due to the pandemic till FY22.

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### East Water Ltd.

The company owns Friday Attitude Hotel (acquired in 2011), a 3-star property located in Trou d'Eau Douce, in east coast. The Hotel offers two type of rooms: Standard and Family. Other facilities include Spa and water sport. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	Audited		
Revenue	83.5	92.2	93.8
EBIDTA	13.6	19.0	16.1
Interest	2.5	2.2	1.9
PAT	5.1	9.8	6.1
GCA	11.0	16.5	12.9
Total Debt:	30.1	31.6	21.0
Cash & cash equivalents	2.1	2.5	7.2
Tangible Net worth	-9.3	0.6	26.7
EBIDTA margin (%)	16.25	20.63	17.17
PAT margin (%)	6.05	10.68	6.52
Gearing (X)	-3.25	55.75	0.79
Total Debt/EBITDA	2.22	1.66	1.30
Interest coverage (EBITDA/Interest)	5.34	8.72	8.56

East Water Ltd is a profitable company and has achieved a high occupancy rate of 88% and 84% in FY18 and FY19 respectively. In FY19 the company borrowed MUR 21 million from AHL and repaid its entire long-term debt and part of short-term debt. The hotel's performance was also in line in FY20, till the hotel was closed in March 2020. The hotel is expected to incur a maximum cash loss of around MUR 15 million in April-September 2020. The same will be funded by existing cash balance in AHL and additional loan to be availed by AHL. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy.

### Rivière Citron Ltée

The company only manages the operations of Ravenala Attitude (acquired in 2014) a 4-star hotel with 272 rooms, located on the north-west of Mauritius, in Balaclava, in the heart of a huge exotic garden between sea and river (river Citron). The hotel property is owned by Attitude Property Limited ("APL"), has been leased to AHL and its rental is assigned to Rivière Citron Ltée. The hotel has 10 restaurants of various International cuisines. There are also several bars for cocktails, and for relaxation, there is a spa and wellness center with massage rooms, hammam and beauty salon. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	Audited		
Revenue	610.1	705.7	690.2
EBIDTA	31.9	63.7	42.7
Interest	3.0	3.1	2.5
PAT	47.6	42.2	21.2
GCA	51.2	48.9	31.8

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(MUR Million)	FY17	FY18	FY19
Total Debt:	53.5	55.4	0.0
Cash & cash equivalents	8.5	7.4	3.2
Tangible Net worth	-148.8	-106.6	89.7
EBIDTA margin (%)	5.24	9.02	6.18
PAT margin (%)	7.81	5.98	3.07
Gearing (X)	-0.36	-0.52	0.00
Total Debt/EBITDA	1.67	0.87	0.00
Interest coverage (EBITDA/Interest)	10.68	20.47	17.07

In FY14, AHL incorporated Attitude Property Limited, which acquired Ravenala Attitude (loss-making hotel with negative net worth) at an aggregate cost of Mur 1,800 million financed by mix of equity (Mur 960 million) and debt (Mur 840 million). The hotel was operated for 9 months and was closed for renovation in FY15-16. It became operational in FY16 and achieved high occupancy in FY17- FY19. The hotel's performance was also in line in FY20, till the hotel was closed in March 2020. The hotel is expected to incur a maximum cash loss of around Mur 90 million in April-September 2020. The same will be funded by existing cash balance in AHL and additional loan to be availed by AHL. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy. Rivière Citron Ltée is a profitable company and expected to remain so in future years. The company has no capex plan in near future.

#### **Water Sports Village Limited:**

AHL owns 24.5% of Water Sports Village Limited (acquired in 2012), which in turn owns Paradise Cove Boutique Hotel a 5-star property with 75 rooms located in the north of Mauritius near Anse La Raie public beach. The hotel has been in existence for the last 25 years and currently has 75 rooms segmented into Deluxe, Deluxe Premium, Club Junior Suite and Club Senior Suite. It offers fitness, land & nautical activities, live music, swimming pool, excursions and spa. The hotel has also won several awards from TripAdvisor and World Travel Award for its quality of service. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	260.3	272.2	204.5
EBIDTA	72.3	87.8	32.5
Interest	2.0	0.3	0.0
PAT	44.1	58.9	12.9
GCA	60.1	75.8	26.7
Total Debt:	26.4	4.5	166.0
Cash & cash equivalents	7.7	6.8	80.1
Tangible Net worth	138.8	197.7	195.6
EBIDTA margin (%)	27.76	32.25	15.90
PAT margin (%)	16.94	21.66	6.30
Gearing (X)	0.19	0.02	0.85
Total Debt/EBITDA	0.37	0.05	5.10
Interest coverage (EBITDA/Interest)	35.60	256.68	1,161.43

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Water Sports Village Limited is a low-g geared profitable company. However, the company borrowed EUR 10 million (MUR 423 million) in FY20 for renovation and adding new rooms, and hence, is expected to resume dividend payments as from FY22. FY19 results were impacted by the 2-months closure of the hotel in May-August 2019 for the renovation and extension. The hotel’s performance was improving in FY20, till the hotel was closed in March 2020. The hotel is expected to incur a maximum cash loss of around Mur 20 million in April-September 2020. The same will be funded by existing cash balance in the hotel. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy.

**Zilwa Resort Ltd:**

AHL holds 24% stake in Zilwa Resort Ltd (acquired in 2013), which owns Zilwa Attitude Hotel a 4-star hotel with 214 rooms situated on the north coast of Mauritius in Kalodyne. The hotel has mix of superior rooms, family rooms couple deluxe rooms, family deluxe rooms and couple privilege suite. Zilwa offers a blend of different tastes from all over the world with its 5 restaurants, provides land & water activities, spa, a kid’s club and local tradition inspired experiences. The operational and financial performance of the Hotel for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	552.1	594.6	625.3
EBIDTA	200.2	227.4	241.9
Interest	30.0	21.9	14.3
PAT	98.8	130.2	141.3
GCA	148.3	178.6	194.1
Total Debt:	469.9	322.7	235.6
Cash & cash equivalents	27.0	9.8	14.8
Tangible Net worth	539.5	604.6	698.0
EBIDTA margin (%)	36.26	38.25	38.69
PAT margin (%)	17.90	21.90	22.60
Gearing (X)	0.87	0.53	0.34
Total Debt/EBITDA	2.35	1.42	0.97
Interest coverage (EBITDA/Interest)	6.67	10.40	16.96

Zilwa’s high occupancy allowed it to remain profitable over the years. PAT grew by 8% from FY18 to FY19 due to higher room rates. Occupancy also remained stable in FY19 at around 90%. The hotel’s performance was also in line in FY20, till the hotel was closed in March 2020. The hotel is expected to incur a maximum cash loss of around Mur 40 million in April-September 2020. The same will be funded by existing cash balance in the hotel. For FY21, avg. occupancy is expected to be around 51%. Post FY21, the company is expected to operate on a stable basis, with a gradual increase in occupancy. The company has a gearing of 0.34 and is expected to fully repay its debt by FY22. Considering its strong cash accruals in future years, the company is expected to comfortably pay regular dividends.

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**Attitude Property Ltd: -**

Attitude Property Ltd holds the following properties (Ravenala, Recif and Tropical) and has leased it back to AHL, however the rentals have been assigned to the 3 hotels namely Rivière Citron Ltée, Pointe Aux Piments Hotel Ltd and Tropical Hotel Ltd. In September 2015, APL has entered into 20 years leasing agreement with AHL and assigned the rentals to the following companies namely Rivière Citron Ltée, Pointe Aux Piments Hotel Ltd and Tropical Hotel Ltd for the 3 properties. In FY19, rental income from Récif Attitude, The Ravenala Attitude and Topical Attitude was MUR 29.2 million, MUR 147.3 million and MUR 25.8 million respectively (FY18: Mur 27.5 million, Mur 138.8 million and Mur 24.4 million respectively). As per the Agreement, the rentals are expected to increase every 3 years based on cumulative headline inflation rate from FY19. The company redistributes rentals net of expenses, taxes and exceptional items to shareholders in the form of dividends twice a year; in October and in March. The operational and financial performance of Attitude Property Ltd for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	186.0	190.7	202.3
EBIDTA	183.1	187.9	200.0
Interest	55.3	53.4	53.7
PBT	127.9	297.5	146.4
PAT	105.3	274.6	121.5
GCA	105.3	112.6	121.5
Dividend Paid/Proposed	110.4	104.0	110.4
Total Debt:	776.2	840.0	840.0
Cash & cash equivalents	0.4	0.6	2.6
Tangible Net worth	1,666.9	1,837.5	1,848.4
EBIDTA margin (%)	98.47	98.56	98.87
PAT margin (%)	56.62	144.03	60.03
Gearing (X)	0.47	0.46	0.45
Total Debt/EBITDA	4.24	4.47	4.20
Interest coverage (EBITDA/Interest)	3.31	3.52	3.73

APL is a profitable company. The properties get revalued every three years; hence APL recorded a gain on revaluation of its investment properties of Mur 162.9 million in FY18. APL has a long-term loan of MUR 840 million (@6.35% & bullet repayment after 5 years) from SBM. However, company has finalized with MCB and SBM to refinance this loan for 10 years at a cheaper rate. The company has already paid Mur 120 million dividend in FY20. It is moderately geared and is expected to pay dividends of over MUR 100 million annually.

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**Attitude Hospitality Management Ltd: -**

Attitude Hospitality Management Ltd operates all 9 hotels of the group (including Coin de Mire Attitude which is not under AHL) and receives management fees from each company. The company is responsible for the day-to-day running of the hotels. This includes hiring employees and conducting the marketing and promotion activities of the hotels. The financial performance of Attitude Hospitality Management Ltd for last 3 years is as under:

(MUR Million)	FY17	FY18	FY19
	<b>Audited</b>		
Revenue	149.9	175.6	181.1
EBIDTA	43.6	58.6	54.6
Interest	0.5	0.5	0.4
PAT	32.5	45.5	41.8
GCA	36.1	49.0	44.8
Total Debt:	7.4	5.1	0.6
Cash & cash equivalents	0.1	11.6	32.5
Tangible Net worth	69.2	86.8	62.8
EBIDTA margin (%)	29.10	33.35	30.13
PAT margin (%)	21.67	25.92	23.08
Gearing (X)	0.11	0.06	0.01
Total Debt/EBITDA	0.17	0.09	0.01
Interest coverage (EBITDA/Interest)	96.90	122.03	143.60

In FY19, Rivière Citron Ltée, Zilwa Resort Ltd, Marina Village Hotel Limited and Water Sports Village Limited paid management fees of MUR 50.4 million, MUR 47.6 million, MUR 30.8 million and MUR 10.7 million respectively (FY18: Mur 52.1 million, Mur 42.8 million, Mur 28.4 million and Mur 16.2 million respectively), accounting for over 75% of management fees received by Attitude Hospitality Management Ltd. Attitude Hospitality Management Ltd witnessed a slight fall in PBT from FY18 to FY19 due to higher administrative expenses. The company has negligible debt and is expected to pay dividends annually

Given that all the hotels are closed due to COVID-19 pandemic and travel restrictions in Mauritius, for the last 3 months (April-June 20) of FY20 and first 3 months (July-Sept 20) of FY21, no management has been assumed and hence Attitude Hospitality Management Ltd's revenue is expected to be lower to that extent.

### **Industry Risk**

Tourism contributes significantly to economic growth and has been a key factor in the overall development of Mauritius. In the past two decades tourist arrivals increased at an average annual rate of 9% with a corresponding increase of about 21% in tourism receipts.

Given the high degree of dependency of the Mauritian Hotel sector on the European tourist arrivals & European economy, Mauritian Hotel & Hospitality sector is expected to be significantly affected in 2020 and partly in 2021. The tourism sector is expected to have a significant hit from the Covid-19 pandemic through the interplay between several factors, namely, ramifications of containment measures deployed locally and internationally, restrictions on international travel, deteriorating health of the airline industry, and decline in disposable income in European markets in the wake of pay cuts and/or job losses.

It is estimated (by MCB) that even if the pandemic starts easing post June 2020 on the worldwide scale and containment efforts are gradually relaxed, with international travel restrictions lifted in late 2020, Mauritius' will experience a shortfall in tourism earnings by around MUR 40 billion in 2020, compared to 2019. However, the actual impact on the Hotel & Hospitality sector will eventually depend on how the afore-mentioned factors evolve over time and the effectiveness of support measures. It is apparent that local economic activity is expected to be restored progressively, with various sectors becoming fully operational in different stages; albeit maintaining physical distancing and taking appropriate sanitary measures.

Although the local Hotel & Hospitality is expected to benefit from a weaker MUR, some hotels are expected to reduce prices in the face of lower than usual demand, with the average tourist also reducing its spending. Accordingly, Occupancy and Avg Daily Room Rate (ADR) is expected to be low for the period August-September 2020 based on gradual lifting of travel restrictions in a controlled manner. With a further easing of air travel, occupancy & ADR is expected to increase gradually during the period Oct. – Dec. 20, and Jan. - June 2021.

The prevailing climate directly impacts the health and wellbeing of families, it is highly doubtful whether a 30% or 40% discount in the hotel rates will attract customers from Mauritius. Post lockdown it needs to be seen whether the strategy for hotels would be to attract Mauritian residents to go to the hotels at discounted rates or keep the hotel closed.

If the situation persists, the value of the hotel properties will be impacted and this may also have a spillover effect on the loan-to-value (LTV) covenants imposed by banks.

However, Government of Mauritius introduced several measures to support economic operators across all sectors impacted by COVID-19. An amount of MUR 9 Billion has been earmarked to provide financial support at macroeconomic and cross sector level including tourism sector. A special relief fund of Mur 5 Billion to be provided from 23 March 2020 to 31 July 2020 to economic operators at a discounted interest rate of 1.5% with 6 months moratorium on capital and interest repayment.

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A special Wage assistance scheme was provided by the government of Mauritius from March 2020 extended up to May 2020. Under this scheme Government provided a wage subsidy to Employers, to ensure that all employees are duly paid their salary. This will effectively reduce the fixed cost for the hotels.

While the Government is providing financing facilities to the hotel operators to ease their cash flow, it is yet to be determined whether the cash available should be applied toward payment of employees' salaries and maintaining employment thus avoiding a social crisis or on prompt settlement of the dues to the lenders.

This has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted.

### **Prospects**

The prospects of AHL depends on operational & financial performance of dividend paying hotels/companies, ability to reopen the hotels by August/September 2020 if air travel restrictions are lifted and steady increase in occupancy level over next 18 months in line with projections. The rating is also sensitive to any new debt funded acquisition & renovations and dividend payout over next 5 years.

## FINANCIAL PERFORMANCE

### Standalone Financial performance of AHL

MUR Million

For the year ended as on	Jun-16	Jun-17	Jun-18	Jun-19
	Audited			
	12M	12M	12M	12M
Revenue	23.8	63.5	93.2	160.3
Interest income from loans extended to subsidiaries		0.0	0.0	1.3
Total Income	24.2	63.9	93.2	161.7
EBITDA	1.9	39.8	34.5	153.0
Depreciation	0.0	0.0	0.0	0.0
Interest	64.3	49.8	30.9	27.4
PBT	-62.3	-1.8	65.0	138.7
PAT	-62.3	-1.8	65.0	139.0
Gross Cash Accruals (GCA)	-62.3	-1.8	65.0	139.0
Dividend paid	0.0	0.0	76.0	136.0
<b>Financial Position</b>				
Equity share capital	1256.2	1256.2	1296.6	1296.6
Tangible net worth	1393.6	1391.8	1418.9	1424.1
Total debt	692.5	625.1	516.3	1000.0
- Long term debt	692.5	605.1	516.3	1000.0
- Short term debt	0.0	20.0	0.0	0.0
Cash & Bank balances	1.3	0.1	0.7	1.4
<b>Key Ratios</b>				
<b>Profitability (%)</b>				
EBITDA / Total income	7.70	62.35	37.07	94.62
PAT / Total income	NM	NM	69.69	86.00
ROCE- operating (%)	-	1.91	1.74	6.93
RONW (%)	NM	NM	4.62	9.78
<b>Solvency</b>				
Long-term debt to equity ratio	0.50	0.43	0.36	0.70
Overall gearing ratio	0.50	0.45	0.36	0.70
Interest coverage (times)	0.03	0.80	1.12	5.58
Long-term Debt/EBITDA	371.70	16.30	16.23	4.96
Total debt/EBITDA	371.70	16.55	16.52	4.96
<b>Liquidity</b>				
Current ratio	1.69	0.81	0.63	0.24

AHL is an investment company and its only source of revenue is dividend received from its subsidiary and associate companies. In FY18 and FY19 the company has received dividend from APL, Attitude Hospitality Management Ltd., Zilwa Resort and Marina Village Hotel. This is because other subsidiary and associate companies are either too small or has debt repayment (interest & principal) liability.

Till 9MFY20, (July 1-March 31), AHL has achieved a revenue of MUR 96 million (dividend received from APL, Attitude Hospitality Management Ltd., Zilwa Resort and Marina Village Hotel). The company is also receiving interest payment from the subsidiaries. Total debt as on March 31, 2020 was MUR 1,000 million. As stated by the management, the company will not be paying any dividend over the next five years.

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**Consolidated financial performance of AHL group**

For the year ended as on	Jun-16	Jun-17	Jun-18	Jun-19
	12M	12M	12M	12M
<b>Audited</b>				
Total Income	1,003.6	1,374.5	1,683.8	1,754.2
EBITDA	166.4	340.1	416.6	494.3
Depreciation & amortisation	118.9	135.6	147.5	154.4
Interest	152.8	148.2	122.4	117.2
PAT	-67.5	122.9	294.9	232.0
Gross Cash Accruals (GCA)	51.4	258.5	442.5	386.4
<b>Financial Position</b>				
Equity share capital	1,256.2	1,256.2	1,296.6	1,296.6
Tangible net worth	2,012.4	2,064.5	2,257.0	2,300.3
Total debt	2,069.0	2,081.6	1,986.2	1,938.5
- Long term debt	1,901.9	1,941.3	1,854.8	1,931.7
- Short term debt	167.1	140.3	131.4	6.8
Cash & Bank balances	54.2	45.5	66.5	129.0
<b>Key Ratios</b>				
<b>Profitability (%)</b>				
EBIDTA / Total income	16.58	24.74	24.74	28.18
PAT / Total income	-6.73	8.94	17.52	13.22
ROCE- operating (%)	0.99	4.51	5.86	7.15
RONW (%)	-3.35	6.03	13.65	10.18
<b>Solvency</b>				
Long term debt to equity ratio	0.95	0.94	0.82	0.84
Overall gearing ratio	1.03	1.01	0.88	0.84
Interest coverage (times)	1.09	2.29	3.40	4.22
Long term Debt/EBITDA	11.43	5.71	4.45	3.91
Total debt/EBITDA	12.44	6.12	4.77	3.92
Total Debt/GCA	40.23	8.05	4.49	5.02
<b>Liquidity</b>				
Current ratio	0.37	0.32	0.52	1.02

At the consolidated level, the performance has remained stable in FY19 in line with occupancy and Average daily room rate in all the hotels. Gearing was 0.84x as on June 30, 2019 and the same is expected to remain below unity during the projected period. MCB has put a covenant of debt: equity of 1.25:1 at the group level. Debt/EBIDTA and interest coverage are expected to remain stable at the projected period.

In H1FY20, (July1-December 31), AHL group has achieved a revenue of Mur 814.5 million and PAT of Mur 104.7 million. Total debt at the group level as on March 31, 2020 was Mur 1,910 million.

**Adjustments**

1. Tangible network is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Network.
4. Total Income includes revenue from others (Management fees/Interest Income, rental income, etc.)

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**Details of Instrument**

**Proposed Long-term Bond**

Particulars	Amount (MUR Million)	Repayment (MUR Million)
Long term Bond	1,000	5 <sup>th</sup> year – 1,000 <u>Put option with AHL:</u> FY 23 - 500 (4 <sup>th</sup> Anniversary) FY 24 - 500 (5 <sup>th</sup> Anniversary)

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## Annexure I

### *Long /Medium-term Instruments*

<i>Symbols</i>	<i>Rating Definition</i>
<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