Attitude Hospitality Ltd ("AHL")

15 August 2023

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**1,000 (One Thousand Only)**	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Revised from CARE MAU BBB+; Stable [Triple B Plus; Outlook: Stable]**

Ratings Rationale

The revision of rating assigned to the Bond Issue of Attitude Hospitality Ltd (AHL) primarily factors in the improved operational and financial performance with occupancy levels reaching pre-covid levels, improved average room revenue and comfortable cashflow of the major dividend paying companies and popularity of 3/4-star hotels among budget conscious tourists. The rating further derives strength from the satisfactory track record and experience of the promoters in the hotel sector, the professional and qualified management team, established track record of the promoters in acquiring loss-making hotels and successfully turning them profitable, improved tourism industry and strong demand for hotel rooms since re-opening of international borders and a pent-up tourists' arrivals to Mauritius. Given that the company has already in principle approval to refinance the existing debt from the lenders, CARE believes that the refinancing is unlikely to be a major concern from rating perspective. 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 with respect to tourists' arrivals.

Rating Sensitivities:

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Ability to maintain occupancy rate above 80% and projected ARR
- Improvement in operational & financial performance of the dividend paying companies
- Successful completion of renovation in different hotels within the envisaged cost and timeline

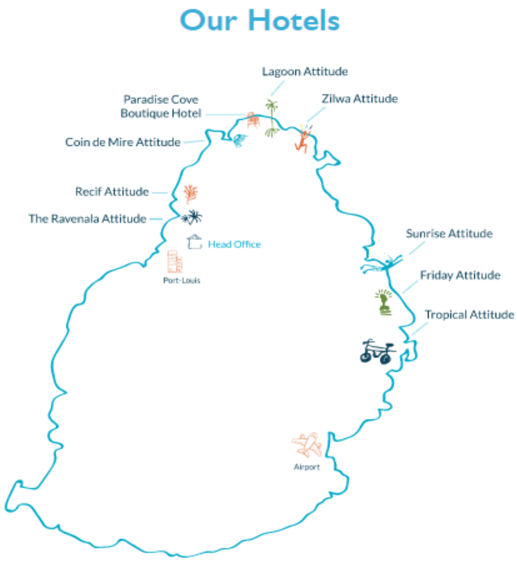
Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- Significant addition to debt to fund expansion or acquisition increasing the gearing level
- Decline in ARR and occupancy level
- Higher than projected dividend or any support extended to the subsidiary companies

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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 2014, the company was renamed as AHL. Since inception, AHL's focus has been to position itself as a mid-market (3/4-star category) hotel player in the tourism sector of Mauritius. AHL commenced operation in 2008 with two hotels: Coin de Mire Attitude and Blumarine Attitude which, combined, have 210 rooms. In between, 2010-2014, the company acquired 6 hotels (3-4 stars) and did renovation and expansion in existing and new hotels. AHL currently owns 8 operational hotels along the north and east coast of Mauritius with 1,085 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 6,000- 11,000 per night. All the 8 hotels are partly owned, some fully owned whilst remaining are leased to subsidiaries and associates. There is huge demand for Attitude hotels among the African, Asian, European and South African tourists given its attractive price range (Euro 100-300 per night). AHL was initially promoted by Pitot family. In October 2010, United Investment Limited acquired 39.4% stake in AHL. At present, the Pitot family through various companies owns the majority share (59%) of AHL. The balance 38.91% is held by United Investment Limited and 2.09% by directors.



Management: AHL is a professionally managed company. It is governed by a 11-member Board of Directors comprising of 3 members from the Pitot family, 3 Executive Directors, 3 Non-Executives (including 1 nominated by the Mauritius Investment Corporation "MIC"), 2 Independent 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. He is assisted by Mr Vincent Desvaux De Marigny (Executive Director and Deputy CEO) and Mr. Deenesh Seedoyal (Executive Director and Chief Financial Officer) and a team of 6 Executive experienced and qualified officers for managing day-to-day affairs of the Group.

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 has been engaged in managing one of the biggest hotel chains of Mauritius – New Mauritius Hotels and subsequently Veranda Resorts Limited for more than 50 years, before setting up AHL. The other partner, United Investments Ltd (holding 38.91% stake in AHL) is an investment firm offering large scale financing (Leasing) to clients and investment opportunities to its shareholders. AHL derives its entire revenue as dividends from the various group companies (owning or partly owned the 9 hotels and engaged in managing these hotels). During FY21 and FY22, AHL received dividend of MUR 19 million and MUR 63 million respectively.

Professional and qualified management team

AHL has a highly qualified and experienced employee pool having large experience in the Hotel Sector. The Group has centralized decision making for the whole group. The attrition level is quite low with key professionals having long association with the group.

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

AHL owns 8 operational hotels through different group companies (6 subsidiaries and 2 associates). In addition, AHL also owns 80% of 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 3 hotels (Ravenala, Récif 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.

Flow of dividends from various group companies

AHL's revenue is generated in the from the dividends received from group companies engaged in hotel sector:

Companies	Business Verticals	Holding	*Actual dividend received MUR Million*		
			FY20	FY21	FY22
Water Sports Village Limited (Paradise Cove Boutique Hotel)	Hotel	100%	*20*	-	-
Attitude Property Ltd (Revenue: Lease Rentals for 3 properties - Ravenala, Recif and Tropical)	Investment	49%	*59*	-	29
Attitude Hospitality Management Ltd (Revenue: Management Fees)	Managing Company	80%	*12*	-	-
East Water Ltd	Hotel	100%		-	0.7
Others (AHTL)	Training	100%	*6*	-	-
Interest Income	Loan to group companies		*19*	*19*	*34*
Total			**116**	**19**	**63**

Liquidity Risk

The MUR 1,000 million bond availed by AHL in June 2019 shall come to maturity by FY24 with bullet repayment of MUR 1,000 million. The management of AHL has decided to rollover an amount of MUR 800 million of the bond for an additional 5 years and repay the balance of MUR 200 million in May 2024. As on June 30, 2023, AHL and its subsidiaries had a positive cash balance of MUR 446 million excluding an approved overdraft facility of MUR 170 million. As stated by the management and based on the current trend in occupancy and profitability of its subsidiary companies, AHL's cashflow will be comfortable to repay its debt obligations when they fall due.

Hotel Industry in Mauritius

Tourism contributes significantly to economic growth and has been the essence in the overall development of Mauritius. In the last two decades, the hotel industry has contributed on average, to 8% and 10% of the country's GDP and total employment respectively. The country reported around 1.3 million tourist arrivals in 2019. In 2020 and 2021, the lowest number of tourists were recorded as international borders were closed due to the COVID-19 Pandemic. The tourist sector witnessed recovery in the year of 2022-23 with a total tourist arrival of 997,290 vis-a-vis 179,780 in 2021. Economic indicators such as GDP at market prices witnessed a growth of 19.2% to MUR 570 million and unemployment rate fell from record high of 9.1% to 7.7% in 2022 portray the upswing and the contribution of the tourist sector to the Mauritian economy.

As at June 2023 (January 2023 – June 2023), Mauritius registered 596,466 arrivals with earnings of MUR 35,813 million representing around 60% and 55% respectively of the total in 2019.

As of end of December 2022, there were 105 operating hotels in Mauritius with 13,017 available rooms and 30,145 beds. During the same period, the average occupancy level for all 105 hotels was at 62% (21% in 2021). The occupancy level for Q12023 averaged 73% higher than 45% in Q12022.

Month	2021		2022		2023	
	Arrivals	Gross Earnings (MUR million)	Arrivals	Gross Earnings (MUR	Arrivals	Gross Earnings (MUR Million)
Jan	1,232	243	40,028	4,343	107,684	8,441
Feb	1,229	176	52,724	3,556	91,850	6,452
Mar	311	103	66,066	4,640	105,663	7,388
Apr	58	90	84,268	4,296	109,031	6,632
May	115	124	70,462	4,309	100,030	6,900
June	280	171	63,008	4,128	82,208	n/a
Jul	1,242	370	93,084	5,128		
Aug	2,499	757	86,605	5,892		
Sept	2,494	757	81,807	5,315		
Oct	54,434	3,044	117,323	6,676		
Nov	65,922	4,962	106,905	7,834		
Dec	49,964	4,636	134,730	8,728		
Total	**179,780**	**15,253**	**997,290**	**64,845**	**596,466**	**35,813**

Recovery of the tourism sector and assumptions for FY22-23

Mauritius has registered 997,290 arrivals in 2022 with MUR 64,845 million as tourism earnings for the same period. In the post pandemic era, the Accommodation & Food Service sector including hotels businesses showed resilience due to government support policies and the launch of Mauritius Investment Corporation (MIC) which provided further assistance to failing hotels. Consequently, in 2023, tourist's arrivals and earnings are now at pre covid levels. The average occupancy of the tourist sector stood at 62% in 2022 (21% in 2021).

Financial performance for AHL in FY23

AHL Standalone: AHL is an investment company, and its only source of revenue is dividend received from its subsidiary and associate companies. The company received MUR 68 million of dividend from Attitude Property Ltd in FY23 vis a vis MUR 29 million in FY22 and Interest income amounted to MUR 40 million in FY23. In FY23, AHL posted positive EBITDA and PAT of MUR 103 million and MUR 23 million respectively (EBITDA of MUR 59 million and negative PAT of MUR 2 million respectively in FY22). The company will not pay any dividend over bond tenure expiring in May 2024.

Consolidated Performance: AHL's total income surged by 85% to MUR 2,243 million in FY23 compared to MUR 1,211 million in FY22. The group achieved EBITDA margin of 31% in FY23 vis a vis 14% in FY22. In consequence, AHL posted a consolidated PAT of MUR 310 million compared to negative PAT of MUR 41 million in FY23. The overall gearing ratio moderated to 2.54 times in FY23, and interest coverage increased to a comfortable level of 3.67 times. As of June 2023, the company achieved overall, a satisfactory performance and was operating at pre-covid levels with a combined average occupancy and ARR of 80% and MUR 5,250 respectively.

Financial performance of AHL (Standalone) **MUR million**

For the year ended as on	Jun-20	Jun-21	Jun-22	Jun-23
		Audited, 12M		Unaudited, 12M
Revenue	96	-	29	68
Total Income	116	19	63	108
EBITDA	109	13	59	103
Depreciation	0	0	0	0
Interest	51	56	61	80
PBT	30	(120)	(2)	23
PAT	30	(120)	(2)	23
Gross Cash Accruals (GCA)	30	(120)	(2)	23
Dividend paid/proposed	70	1	13	-
Equity share capital	1,297	1,297	1,297	1,297
Redeemable Convertible Ordinary Shares	9	9	8	8
Quasi Equity from MIC	-	201	508	508
Tangible networth	1,393	1,473	1,765	1,788
Total debt	1,000	1,275	1,275	1,235
- Long term debt	1,000	1,275	1,275	1,035
- Short term debt	-	-	-	200
Cash & Bank balances	1	7	12	8
Key Ratios				
EBITDA / Total operating income	94.27	69.14	93.68	95.33
PAT / Total income	26.28	NM*	(2.97)	21.44
ROCE- operating (%)	3.71	(0.23)	0.87	2.07
RONW (%)	2.16	(8.35)	(0.12)	1.30
Long-term debt to equity ratio	0.72	0.87	0.72	0.58
Overall gearing ratio	0.72	0.87	0.72	0.69
Interest coverage (times)	2.12	0.24	0.97	1.29
Long-term Debt/EBITDA	9.18	85.13	21.55	11.25
Total debt/EBITDA	9.18	85.13	21.55	12.23

***NM= Not Meaningful**.

Financial Performance of AHL (Consolidated) **Mur million**

For the year ended as on	Jun-20	Jun-21	Jun-22	Jun-23
		Audited, 12M		Unaudited, 12M
No. of Rooms	**989**	**993**	**993**	**1,065**
Avg. Occupancy	**65%**	**15%**	**67%**	**80%**
Revenue	1,346	154	1,103	2,191
Total Income	1,371	381	1,211	2,243
EBITDA	294	(157)	167	697
Depreciation & amortisation	226	194	228	238
Interest	133	127	148	190
PBT	(83)	(716)	(28)	368
PAT	(104)	(689)	(41)	310
Gross Cash Accruals (GCA)	121	(428)	111	547
Dividend paid/proposed	135	1	8	72
Equity share capital	1,297	1,297	1,297	1,297
Redeemable Convertible Ordinary Shares	9	9	8	8
Quasi Equity from MIC	-	201	508	500
Tangible networth	894	470	696	944

For the year ended as on	Jun-20	Jun-21	Jun-22	Jun-23
	Audited, 12M			Unaudited, 12M
Total debt	2,077	2,466	2,456	2,402
- Long term debt	1,967	2,393	2,391	2,340
- Short term debt	110	73	65	62
Cash & Bank balances	125	73	238	446
Key Ratios				
EBITDA/Total income (%)	21.48	(41.17)	13.82	31.08
PAT/Total income (%)	(7.62)	(173.98)	(4.50)	13.80
ROCE- operating (%)	1.22	(15.36)	(3.91)	8.45
RONW (%)	(10.41)	(97.15)	(9.35)	37.75
Long Term				
Long term debt to equity ratio	2.20	5.09	3.43	2.48
Overall gearing ratio	2.32	5.24	4.26	2.54
Adjusted gearing ratio	1.00	1.55	1.36	1.18
Interest coverage (times)	2.21	NM*	1.13	3.67
Total debt/EBITDA	7.06	NM	14.67	3.45
Total Debt/GCA	17.11	NM	22.14	4.39

NM= Not Meaningful

Adjustments

1. Tangible networth 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 Networth.
4. Total Income includes revenue from others (Management fees/Interest Income, rental income, etc.)
5. Adjusted gearing ratio is calculated without deducting for Goodwill and acquisition of properties, which have been factored in the calculation of the debt-to-equity covenant ratio of the bank.

Details of Instrument

Long-term Bond

Bank	Facility	Amount (MUR Million)	Tenor	Interest Rate
MCB bank	Bond	1,000	5 Years	Fixed rate @ 5.35% p.a.
Total (MUR million)		**1,000**		

Annexure I

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	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.
CARE MAU AA	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.
CARE MAU A	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.
CARE MAU BBB	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.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	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.

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.

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.