

Brief Rationale
CRAF reaffirmed CRAE MAU BBB+ rating assigned to Bond Issue of Attitude Hospitality Ltd with removal of Credit watch

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	1,000	CARE MAU BBB+; Negative [Triple B Plus; Outlook: Negative]	Rating reaffirmed with removal of Credit Watch

Rating Rationale

The rating assigned to the Bond Issue of MUR 1,000 million of Attitude Hospitality Ltd (AHL) has been reaffirmed with the removal of credit watch due to re-opening of the international borders as from October 01, 2021 and increase in arrival of tourists in Mauritius between October - December 21.

The rating continues to derive strength from the satisfactory track record of Attitude Hospitality Ltd (AHL), 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, low gearing in subsidiary companies & at consolidated level and popularity of 3/4-star hotels (pre covid - 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 in respect of air access, more so in post COVID-19 era.

Rating Sensitivities:

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

- Ability to maintain the pre-Covid ADR and ARR and occupancy rate post opening of the international borders & pickups in reservation that matches pre-covid level
- Restoring the pre-covid business performance
- Higher than projected revenue and PAT

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

- Any new debt funded acquisition or renovations
- Higher than projected debt level and lower than projected profitability at Consolidated level.
- Lower than projected dividend receivables from the subsidiaries, post resumption of profitability in hotels.

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.

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AHL currently owns 9 operational hotels along the north and east coast of Mauritius with 1,207 rooms. It has also established itself as a leading brand in the mid-market segment (3/4-star category) hotels in Mauritius. All the 9 hotels are partly owned, some fully owned whilst remaining are leased to subsidiaries and associates. In 2021, AHL through its 100% owned subsidiaries Cie Marmites des Iles Limitee has entered into a long-term lease agreement of 15 years with Lavastone to lease its hotel complex next to existing Emeraude Beach Attitude. The hotel was rebranded as Sunrise Attitude 4* (153 rooms) which was opened last year in October 2021.

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.

In FY21 (July 1 – June 30), AHL on a standalone level posted a Loss after Tax of MUR 120 million on nil revenue (Total income of MUR 19 million). Interest coverage was 0.07x during FY21. Overall gearing deteriorated from 0.72x as on June 30, 2020, to 1.01x as on June 30, 2021. At a consolidated level, AHL posted a Loss after Tax of MUR 663 million on a turnover of MUR 154 million in FY21. Overall gearing deteriorated from 1.28x as on June 30, 2020, to 2.11x as on June, 2021.

Prospects

The prospects of AHL depends on operational & financial performance of dividend paying hotels/companies, ability to maintain the pre-Covid occupancy rate of its hotel post opening of the international borders and restoring the pre-covid business performance for the hotels.

The rating is also sensitive to any new debt funded acquisition & renovations and dividend pay-out over next 3 years.

Disclaimer

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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.

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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. 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.

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