

Rating Rationale
Attitude Hospitality Ltd (“AHL”)

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	1,000.00	CARE MAU A; Stable [Single A; Outlook: Stable]	Assigned

Rating Rationale

The rating derives 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, high occupancy and stable Average Room Rate (ARR) in most of the hotel properties, comfortable cash flow along with 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 & interest rate risks and sensitivity of the Mauritian hotel industry to air access.

Ability to maintain occupancy rate over 80% & projected ARR in hotels, improvement in operational & financial performance of dividend-paying companies, successful completion of renovation in different hotels within the envisaged cost & timelines and reduction of debt at group level are the key rating sensitivities. The rating is also sensitive to any new debt funded acquisition and renovations.

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.



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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. There is huge demand for Attitude hotels among the African, Asian, European and South African tourists given its attractive price range (Euro 70-120 per night).

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 its 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, 3 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 (56 years).

Mr. Marie Adrien Robert Michel Pitot (85 years) is among the pioneers of the Mauritian tourism industry. He contributed to the development of travel agencies, inbound ground handling as well as local tour operating since 1956. He is one of the founder members of New Mauritius Hotels and Veranda Resorts, both belonging to ENL-Rogers group. His son, 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 8 years.

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 (holding 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 FY17 and FY18, dividend received by AHL was MUR 64 million and MUR 93 million respectively.

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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 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 FY18 are as under:

MUR Million

Companies (Hotels) (FY18)	AHL's Stake (%)	Revenue	PAT	GCA	Dividend Pay out	Total Debt	Net worth	Overall gearing	Total Debt /GCA
Compagnie Marmites Des Iles Limitée (Emeraude Beach Attitude)	100.00%	90	12	22	0	98	77	1.27	4.42
Pointe Aux Piments Hotel Ltd (Récif Attitude)	100.00%	117	2	5	0	13	-89	NM	2.67
Tropical Hotel Ltd (Tropical Attitude)	100.00%	80	-12	-11	0	13	-13	NM	-ve
East Water Ltd (Friday Attitude)	100.00%	92	10	16	0	32	1	55.75	2.00
Rivière Citron Ltée (Ravenala Attitude)	100.00%	706	42	49	0	55	-107	NM	1.13
Marina Village Hotel Limited (Blumarine Attitude)	88.75%	371	57	93	0	311	284	1.10	3.33
Attitude Hospitality Management Ltd (Hotel management services)	80.00%	176	46	49	35	5	87	0.06	0.10
Attitude Property Ltd	48.74%	191	275	113	104	840	1,837	0.46	7.43
Associates									
Water Sports Village Limited (Paradise Cove Boutique Hotel)	24.50%	272	59	76	0	5	198	0.02	0.06
Zilwa Resort Ltd (Zilwa Attitude)	24.00%	595	130	179	60	323	605	0.53	1.81

Investment in group companies

As on June 30, 2018; AHL had a total investment of MUR 2,046 million (Mur 1,811 million in subsidiaries and Mur 234 million in associates) in group companies.

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Flow of dividends from various group companies

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

MUR Million

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

Purpose of the proposed Bond issue: AHL currently has a long-term debt of Mur 515 million from The Mauritius Commercial Bank Ltd. ("MCB"). In April 2019, the company proposes to issue a Bond of Mur 1,000 million (to be subscribed by MCB) at 5.00% for a period of 5 years and utilize the proceeds for the following:

Purpose	Amount (Mur Million)
Repayment of existing high cost debt in AHL (@6.25%)	515
Lend to Marina Village Hotel Limited, which in turn will repay its entire high cost long-term debt (Mur 248 million@6.25%) and part short term debt	280
Lend to Compagnie Marmites Des Iles Limitée, which in turn will repay its entire high cost long-term and short term debt (Mur 98 million @6.25%)	86
Lend to East Water Ltd, which in turn will repay its entire high cost long-term and short-term debt (Mur 32 million @6.25%)	21
Repayment of existing overdraft facilities availed in its subsidiaries	98

Repayment Terms of the Bond Issue: As per the Term Sheet of MCB, the Bond is proposed to be repaid at maturity (bullet repayment at the end of 5 years).

Prepayment option available to AHL management - However, given possibility of excess cashflow in various subsidiaries & associate companies, AHL management has kept an option to make early repayment [Repayment 20% in FY21 (2nd anniversary), 30% in FY22 (3rd anniversary) and 50% in FY23 (4th anniversary)]. The cashflow will come as dividend from the various subsidiaries and repayment of loans from subsidiaries, to whom AHL will extend the proceeds from the Bond issue. In case, the Bond is not prepaid (FY21-23) then the excess cashflow (received from group companies) cannot be utilised for dividend payment in between FY21-24.

Projected dividends from group companies

Companies	Business Verticals	% Holding	Amount of dividend proposed to be received					
			FY19	FY20	FY21	FY22	FY23	FY24
Marina Village Hotel Limited	Hotel	88.8%	44.4	0.0	26.6	31.1	66.6	125.8
Compagnie Marmites Des Iles Limitée	Hotel	100.0%	0.0	0.0	0.0	0.0	0.0	0.0
East Water Ltd	Hotel	100.0%	0.0	0.0	0.0	0.0	30.0	0.0
Water Sports Village Limited	Hotel	24.5%	0.0	0.0	0.0	8.6	12.3	19.6
Zilwa Resort Ltd	Hotel	24.0%	16.8	24.0	24.0	16.8	16.8	16.8
Rivière Citron Ltée	Hotel	100.0%	0.0	0.0	0.0	0.0	50.0	50.0
Attitude Property Ltd	SPV	48.7%	53.8	58.5	58.5	63.0	63.0	63.0
Attitude Hospitality Management Ltd	Hotel Management	80.0%	51.7	17.9	27.7	32.9	16.1	29.5
Total			166.7	100.4	136.8	152.3	254.7	164.2

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

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	227.9	371.3
EBIDTA	47.9	127.5
Interest	20.3	21.5
PAT	-4.7	57.2
GCA	27.6	93.5
Total Debt:	353.3	311.0
Tangible Net worth	225.8	283.5
EBIDTA margin (%)	21.01	34.34
PAT margin (%)	-2.07	15.40
Gearing (X)	1.56	1.10
Total Debt/EBITDA	7.38	2.44
Interest coverage (EBITDA/Interest)	2.36	5.93

In FY16-17, the hotel was closed down for 3 months for complete renovation. Accordingly, in FY17, the occupancy level was low and profitability was negative. Despite 3 months closure the company posted a positive GCA. In FY18, the company turned profitable with higher rates for renovated rooms and increase in occupancy. The company proposes to borrow from AHL (Mur 279.7 million) and repay its entire long-term debt and part of short-term debt.

The performance is expected to improve in FY19, with improvement in occupancy and stabilization in operations. The hotel is expected to remain closed in FY20 (May 2020) for renovation of existing

rooms. Room rates are expected to increase by around 3% annually. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	80.2	90.0
EBIDTA	22.2	26.8
PAT	0.4	11.9
GCA	11.1	22.1
Total Debt:	109.0	97.6
Cash & cash equivalents	1.6	2.4
Tangible Net worth	64.3	76.8
EBIDTA margin (%)	27.65	29.78
PAT margin (%)	0.48	13.24
Gearing (X)	1.69	1.27
Total Debt/EBITDA	4.92	3.64
Interest coverage (EBITDA/Interest)	3.07	4.35

Compagnie Marmites Des Iles Limitée is a profitable company with the hotel having a stable occupancy level. The company proposes to borrow from AHL (Mur 86.4 million) and repay its entire long-term debt. The performance is expected to remain stable going forward, with stable occupancy and operations. The Company has entered into a long-term lease agreement of 15 years with Lavastone Ltd. The new rooms are next to the existing property and shall be ready for use as from November 2020. Accordingly, the occupancy and financial performance is expected to deteriorate in FY21 due to integration of existing and new units. Room rates are expected to increase by around 3% annually. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	83.5	92.2
EBIDTA	13.6	19.0
Interest	2.5	2.2
PAT	5.1	9.8
GCA	11.0	16.5
Total Debt:	30.1	31.6
Cash & cash equivalents	2.1	2.5
Tangible Net worth	-9.3	0.6
EBIDTA margin (%)	16.25	20.63
PAT margin (%)	6.05	10.68
Gearing (X)	-3.25	55.75
Total Debt/EBITDA	2.22	1.66
Interest coverage (EBITDA/Interest)	5.34	8.72

A profitable company with high occupancy rate in FY18. It proposes to borrow from AHL (Mur 21.0 million) and repay its entire long-term debt and part of short-term debt. Adopted a conservative occupancy rate going forward. Room rates are expected to increase by around 3% annually. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment. The company has no capex plan in near future.

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	610.1	705.7
EBIDTA	31.9	63.7
Interest	3.0	3.1
PAT	47.6	42.2
GCA	51.2	48.9
Total Debt:	53.5	55.4
Cash & cash equivalents	8.5	7.4
Tangible Net worth	-148.8	-106.6
EBIDTA margin (%)	5.24	9.02
PAT margin (%)	7.81	5.98
Gearing (X)	-0.36	-0.52
Total Debt/EBITDA	1.67	0.87
Interest coverage (EBITDA/Interest)	10.68	20.47

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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 and FY18. Having adopted a conservative occupancy going forward, the performance is expected to remain stable. Room rates are expected to increase by around 3% annually. Rivière Citron Ltée is a profitable company and expected to remain so in future year. Net worth is expected to become positive during the projected period, which will enable the company to declare dividends. The company has no capex plan in near future. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 67 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 67 rooms (expected to increase to 75 by 2020) 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 Water Sports Village Limited is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	260.3	272.2
EBIDTA	72.3	87.8
Interest	2.0	0.3
PAT	44.1	58.9
GCA	60.1	75.8
Total Debt:	26.4	4.5
Cash & cash equivalents	7.7	6.8
Tangible Net worth	138.8	197.7
EBIDTA margin (%)	27.76	32.25
PAT margin (%)	16.94	21.66
Gearing (X)	0.19	0.02
Total Debt/EBITDA	0.37	0.05
Interest coverage (EBITDA/Interest)	35.60	256.68

Water Sports Village Limited is a low-g geared and profitable company. However, the company is expected to borrow in FY20 for renovation and expansion. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	552.1	594.6
EBIDTA	200.2	227.4
Interest	30.0	21.9
PAT	98.8	130.2
GCA	148.3	178.6
Total Debt:	469.9	322.7
Cash & cash equivalents	27.0	9.8
Tangible Net worth	539.5	604.6
EBIDTA margin (%)	36.26	38.25
PAT margin (%)	17.90	21.90
Gearing (X)	0.87	0.53
Total Debt/EBITDA	2.35	1.42
Interest coverage (EBITDA/Interest)	6.67	10.40

Zilwa’s high occupancy allowed it to remain profitable over the years. PAT grew by 32% from FY17 to FY18 due to higher room rates. Prices are expected to increase by 3-6% annually. The company has a gearing of 0.53 and is expected to fully repay its debt by FY22, post which it will borrow n FY23 for a 3-month renovation. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 FY18 rental income from Récif Attitude, The Ravenala Attitude and Topical Attitude was 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 financial performance of the Attitude Property Ltd is as under:

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

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 is in discussion with different banks to refinance this loan for 10 years at a cheaper rate. The company is moderately geared. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

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 is as under:

(MUR Million)	FY17	FY18
	Audited	
Revenue	149.9	175.6
EBIDTA	43.6	58.6
Interest	0.5	0.5
PAT	32.5	45.5
GCA	36.1	49.0
Total Debt:	7.4	5.1
Cash & cash equivalents	0.1	11.6
Tangible Net worth	69.2	86.8
EBIDTA margin (%)	29.10	33.35
PAT margin (%)	21.67	25.92
Gearing (X)	0.11	0.06
Total Debt/EBITDA	0.17	0.09
Interest coverage (EBITDA/Interest)	96.90	122.03

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In FY18, Rivière Citron Ltée, Zilwa Resort Ltd, Marina Village Hotel Limited and Water Sports Village Limited paid management fees, which is over 75% of management fees received by Attitude Hospitality Management Ltd. Attitude Hospitality Management Ltd witnessed 38% growth in PBT from FY17 to FY18 due to higher management fees collected and reduction in administrative expenses. The company has negligible debt. The company is expected to remain profitable and pay steady dividend during the projected tenure of Bond repayment.

Industry Risk

Hotel Industry– As per GOM, the tourism sector contributed 8% to GDP, provided 10% of active employment and attracted 8% of investments in 2017.

As per recent PWC Report on Mauritius Hotel Industry (Hotels Outlook: 2018-2022) - Hotel industry of Mauritius has witnessed 12.7% increase in room revenue in FY17 and 38% cumulative growth since 2014. Since 2014, the number of tourists arriving in Mauritius has increased by more than 300,000 (29% increase). The average length of stay, was 10.9 nights in 2018 (10.8 nights in 2017). Gross revenues for 2017 reached EUR 1.4 billion. There were 114 hotels, with a capacity of 29,656 bed places. The recent success of the Mauritian tourism and hotel market in part reflects a strong local economy – real GDP recorded an annual expansion of 3.8% during the past two years, and we expect it to continue growing at that pace during the next five years. Mauritius will also benefit from a stronger global economy, which will support international tourism.

In FY17, Europe continued to be main source of arrivals with an overall increase of 6.2%. France remains at the top of the list with 58% of arrivals.

Mauritius is targeting the cruise market with the objective of becoming a ‘preferred fly/cruise gateway’ to the Indian Ocean, and intends to expand its airport facilities to support a growing tourism market. There is also ‘Beach & Bush’ offerings from mainland Africa, notably South Africa. There are discussions with Kenya to offer similar packages, which has materialized with the announcement of flights to Mauritius by Kenya Airways from June 2018.

Tourist arrivals to Mauritius is expected to increase at an average rate of 4.2%, compounded annually. Hotel occupancy rate in Mauritius is now over 75%, the average daily room rate increased by 8.2% in 2018.

3- and 4-star hotels

Growth in room revenue will be driven by rising Average daily rate (ADR). The average rate is expected to increase from €128 in 2017 to €170 in 2022, a 5.8% compound annual increase. Overall room revenue for three- and four-star hotels is projected to increase to €238 million in 2022 from €179 million in 2017.

5 -star Hotels

Room revenue for five-star hotels increased by 6.4% in 2017, buoyed by an 8.3% rise in guest nights and a 7.5% increase in Average Daily Rate (ADR).

Prospects

The prospects of AHL depends on operational & financial performance of dividend paying hotels/companies, ability to maintain occupancy level over 80% and successful execution of renovation in different hotels within the envisaged cost and timelines. The rating is sensitive to any new debt funded acquisition and renovations.

FINANCIAL PERFORMANCE

Standalone Financial performance of AHL

MUR Million

For the year ended as on	Jun-16	Jun-17	Jun-18
	Audited		
	12M	12M	12M
Revenue	23.8	63.5	93.2
Interest income from loans extended to subs @5.00%		0.0	0.0
Total Income	24.2	63.9	93.2
EBITDA	1.9	39.8	34.5
Depreciation	0.0	0.0	0.0
Interest	64.3	49.8	30.9
PBT	-62.3	-1.8	65.0
PAT	-62.3	-1.8	65.0
Gross Cash Accruals (GCA)	-62.3	-1.8	65.0
Dividend paid/proposed	0.0	0.0	76.0
Financial Position			
Equity share capital	1256.2	1256.2	1296.6
Tangible net worth	1393.6	1391.8	1418.9
Total debt	692.5	625.1	516.3
- Long term debt	692.5	605.1	516.3
- Short term debt	0.0	20.0	0.0
Cash & Bank balances	1.3	0.1	0.7
Key Ratios			
Profitability (%)			
EBITDA / Total income	7.70	62.35	37.07
PAT / Total income	NM	NM	69.69
ROCE- operating (%)	-	1.91	1.74
RONW (%)	NM	NM	4.62
Solvency			
Long-term debt to equity ratio	0.50	0.43	0.36
Overall gearing ratio	0.50	0.45	0.36
Interest coverage (times)	0.03	0.80	1.12
Long-term Debt/EBITDA	371.70	16.30	16.23
Total debt/EBITDA	371.70	16.55	16.52
Liquidity			
Current ratio	1.69	0.81	0.63

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Comfortable cash flow along with low gearing in subsidiary companies & at consolidated level and satisfactory debt coverage indicators

AHL is an investment company and its only source of revenue is dividend received from its subsidiary and associate companies. Till FY16, the company received dividend only from APL, since there was renovation in Marina Village and Riviere Citron. However, in FY17 and FY18 the company received dividend from APL, Attitude Hospitality Management Ltd and Zilwa Resort. This is because other subsidiary and associate companies had debt and had a repayment (interest & principal) liability.

In April 2019, the company is raising a Bond of Mur 1,000 million (@5.00%) and will use the proceeds to repay its high cost (Mur 515 million @6.25%) and infuse balance amount to its various subsidiaries (@5.00%) for repayment of debt in those companies. Accordingly, post refinancing majority of the group company will become debt free (barring APL). This will enable the subsidiary companies, (Marina Village, East water, Riviere Citron, APL and Attitude Hospitality Management Ltd) having strong cashflow (detailed above), to pay interest on loan and consistent dividend during the projected period for bond repayment.

In 8MFY19, (July1-February 28), AHL has achieved a revenue of Mur 58 million (dividend received from APL, AHML and Zilwa) and PAT of Mur 35 million. Total debt as on March 31, 2019 was Mur 515 million.

Consolidated financial performance of AHL group

MUR Million

For the year ended as on	Jun-16	Jun-17	Jun-18
	Audited		
Revenue	998.7	1,365.6	1,678.1
Total Income	1,003.6	1,374.5	1,683.8
EBITDA	166.4	340.1	416.6
Depreciation & amortisation	118.9	135.6	147.5
Interest	152.8	148.2	122.4
PBT	-38.3	134.3	317.1
PAT	-67.5	122.9	294.9
Gross Cash Accruals (GCA)	51.4	258.5	442.5
Dividend paid/proposed	14.8	56.6	136.4
Financial Position			
Equity share capital	1,256.2	1,256.2	1,296.6
Tangible net worth	2,012.4	2,064.5	2,257.0
Total debt	2,069.0	2,081.6	1,986.2
- Long term debt	1,901.9	1,941.3	1,854.8
- Short term debt	167.1	140.3	131.4
Cash & Bank balances	54.2	45.5	66.5
Key Ratios			
Profitability (%)			
EBIDTA / Total income	16.58	24.74	24.74
PAT / Total income	-6.73	8.94	17.52
ROCE- operating (%)	0.99	4.51	5.86
RONW (%)	-3.35	6.03	13.65

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For the year ended as on	Jun-16	Jun-17	Jun-18
Solvency			
Long term debt to equity ratio	0.95	0.94	0.82
Overall gearing ratio	1.03	1.01	0.88
Interest coverage (times)	1.09	2.29	3.40
Long term Debt/EBITDA	11.43	5.71	4.45
Total debt/EBITDA	12.44	6.12	4.77
Total Debt/GCA	40.23	8.05	4.49
Liquidity			
Current ratio	0.37	0.32	0.52

At the consolidated level, AHL has incurred a loss due to renovation in Marina Village and Riviere Citron in FY16. The performance at the consolidated level has improved in FY17 and FY18 due to increase in occupancy and Average daily room rate in all the hotels post renovation. The performance is projected to moderate in FY20 due to expansion in Marina Village Hotel Limited and Marmites Des Illes. Post that the performance at the group level is expected to remain stable. Gearing 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. Total debt has considered Mur 108 million loan in Marmites Des Iles in FY21 for the proposed expansion.

In 8MFY19, (July1-February 28), AHL group has achieved a revenue of Mur 1,100 million and PAT of Mur 200 million. Total debt at the group level as on March 31, 2019 was Mur 1,700 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.)

Details of Instrument

Proposed Long-term Bond

Particulars	Amt. (Mur Million)	Repayment (Mur Million)	Interest Rate
Long term Bond	1,000	5 th year – 1,000 Put option with AHL FY 21 - 200 (2 nd Anniversary) FY 22 - 300 (3 rd Anniversary) FY 23 - 500 (4 th Anniversary)	5 years– 5.00% p.a. (Repo* plus 1.50%)

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In case of partnership/proprietary concerns, the rating/outlook assigned by CRAF is 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.

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Annexure I

Long /Medium-term Instruments

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