Attitude Hospitality Ltd ("AHL")

28 March 2024

Ratings

Instrument	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	875 (Reduced from MUR 1,000 million)	CARE MAU A-; Stable	Reaffirmed

Ratings Rationale

The rating assigned to the Bond Issue of Attitude Hospitality Ltd (AHL) continues to derive strength from 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 also factors in 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

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. In 2008, Mr Michel Pitot and and his son Mr Jean-Michel had a belief that the future of tourism in Mauritius would be within the 3*-Plus and 4* segments.

Created 15 years ago, AHL is a young Mauritian family-owned business which owns, operates and/or manages hotels under the "Attitude" brand.

In less than a decade, the Group has grown its portfolio from a humble 2 hotels and 210 rooms to boast the 2nd largest room inventory in Mauritius spanning 9 hotels. AHL has established itself as a recognised resort operator with a distribution network spanning all major European tour operators.

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

All the 9 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 126-430 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 Group Chief Executive Officer – Mr Jean-Michel Pitot and by Mr Vincent Desvaux De Marigny (Executive Director and Chief Executive Officer) and Mr Deenesh Seedoyal (Executive Director and Chief Financial Officer) and a team of 7 Executive experienced and qualified officers for managing day-to-day affairs of the Group.

Performance in FY23: AHL 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 102 million and MUR 19 million respectively (EBITDA of MUR 59 million and negative PAT of MUR 2 million respectively in FY22).

Disclaimer

Annexure II

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.

Contact us

Chief Executive Officer
Name : Mr. Saurav Chatterjee
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical Contact:
Chief Rating Officer
Name : Mr. Vidhyasagar Lingesan
Phone : +230 5273 1406
E-mail : Vidhya.sagar@careratingsafrica.com

Group Head
Name : Ms. Pooja Appadoo
Phone : +230 5955 3060
E-mail : pooja.appadoo@careratingsafrica.com

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.