Attitude Property Ltd

29 March 2024

Ratings

Instrument/Facilities	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**910**	**CARE MAU A-; Stable**	**Assigned**

Ratings Rationale

The rating assigned to the bond issue of Attitude Property Ltd (APL) derives strength from the satisfactory track record and experience of the promoters in the hotel sector, the professional and qualified management team, the established track record of the group in acquiring loss-making hotels and successfully turning them profitable, the improved tourism industry outlook with higher air connectivity and a pent-up tourists' arrivals. The rating also factors in the comfortable cashflow of the rental paying tenants, stable financial performance of APL with comfortable coverage ratios, the 20-year lease agreement with the hotels, and the popularity of 3- & 4-star hotels among economical tourists.

The rating is, however, constrained by the volatility in the financial performance of the tenants (hotels) which is dependent on the performance of the Mauritian hotel industry and future ability of the rental paying subsidiaries, the ability of the tenants to pay rental in a timely manner, direct competition from local budget accommodation and interest rate risk.

Rating Sensitivities:

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

- Improvement in credit profile of the lessees
- Ability to pass on the price escalation and improvement in performance
- Significant reduction in debt on sustained basis

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

- Additional debt availed by APL over and above MUR 910 million
- Higher than projected dividend pay-out to group companies' vis-à-vis profit
- Fluctuations in tourist arrivals affecting the performance of the lessees
- Inability to increase rentals as per the lease agreement

BACKGROUND

Attitude Property Ltd ("**APL**") was initially incorporated under the name Neymar Ltd on July 04th, 2013. Attitude Hospitality Ltd ("**AHL**", rated CARE MAU A-; Stable) holds 48.74% of APL's shareholding. The National Pensions Fund (NPF) holds 11.12% and the remaining 40.14% is distributed among the public (listed on SEM). APL was created to segregate the property ownership of AHL's hotels from its hotel business. APL directly holds the properties of The Ravenala Attitude, Récif Attitude and Tropical Attitude, which are leased to the respective group companies (Rivière Citron Ltée, Pointe Aux Piments Hotel Ltd and Tropical Hotel Ltd), all three managed by AHL, against rentals.

APL has a 20-year binding lease agreement with AHL which started in September 2015. As per the agreement, APL receives rental income twice a year in arrears and rentals are revised upwards triennially. APL has a lease contract agreement with the Government of Mauritius (GoM) for leasehold land spanning on an area of 101,436 m2. The

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

land is leased for a period of 60 years with periodic escalation of rental charge in line with inflation but capped at 15% of the rent payable.

Management: Attitude Property Ltd is managed by a unitary board consisting of 7 members out of which 2 are executive directors, 3 are non-executive directors and 2 are independent directors. Mr. Jean Michel Pitot and Mr. Deenesh Seedoyal are the executive directors of APL. Mr. Pitot is the Group Chief Executive Officer of AHL, and the Co-founder of Attitude Hospitality Ltd. Mr. Seedoyal is the Chief Finance Officer and is a fellow member of the ACCA and has more than 15 years of experience at senior management level in corporate finance and the hotel industry. They are both assisted by qualified and seasoned professionals. The alternate directors to Mr. Pitot and Mr. Seedoyal are Mr. Desvaux de Marigny and Mr. Ramlagan respectively.

Performance of APL in FY23: In FY23, rental income remained unchanged at MUR 211 million. Total income increased to MUR 230 million in FY23 compared to MUR 228 million in FY22. Following the refinancing of the term loans and issuance of the bond, interest rate increased significantly to MUR 60 million triggering a 23% decrease in PAT. EBITDA was however, comfortable at MUR 224 million for the servicing of the interests on bond. As on June 30, 2023, overall gearing remained at similar level to June 30, 2022, and interest cover moderated to 3.1x from 4.0x as on June 30, 2022. APL had a cash balance of MUR 76 million as at end of June 2023. Dividend paid during the year stood at MUR 139 million.

Performance of the tenants: In line with an increase in occupancy level and ADR, Pointe aux Piment Ltd (PAP), Tropical Hotel Ltd (THL) and Riviere Citron Ltee (RCL) have witnessed a 57%, 81% and 111% hike in revenue respectively in FY23. All three tenants were operating at pre covid level in FY23.

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.

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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.