Attitude Property Ltd

18 April 2025

Rating

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

Rating Rationale

The rating assigned to the bond issue of Attitude Property Ltd ("**APL**") continues to derive strength from the strong track record and experienced promoters in the hotel sector, the expertise of the professional management, the improved tourism industry outlook with improved air connectivity and a surge in tourist arrivals. The rating also factors in the stable operational performance of the rental-paying tenants, APL's comfortable financial performance with low gearing and healthy coverage ratios, prime location of the properties, the 20-year lease agreement with the hotels, and the popularity of 3/4-star hotels among budget-conscious tourists.

The rating is, however, constrained by the volatility in the financial performance of the tenants (hotels) which depends on the overall performance of the Mauritian hotel industry, the future ability of the rental-paying subsidiaries to meet their obligations and make timely rent payments, risk of non-renewal of lease agreement with the government, competition from local budget accommodations, and interest rate risk.

Rating Sensitivities

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

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

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

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

BACKGROUND

Attitude Property Ltd ("APL") was originally incorporated as Neymar Ltd on July 4, 2013. The company is 48.74% owned by Attitude Hospitality Ltd ("AHL"), which holds a CARE MAU A-; Stable rating. The National Pensions Fund (NPF) owns 11.12%, while the remaining 40.14% of shares are publicly traded on the DEM.

APL was established to separate AHL's property ownership from its hotel operations. It directly owns the properties of The Ravenala Attitude, Récif Attitude, and Tropical Attitude, which are leased to their respective operating entities—Rivière Citron Ltée, Pointe Aux Piments Hotel Ltd, and Tropical Hotel Ltd. These leases are structured as triple net lease agreements, with all three lessee companies operating as AHL subsidiaries.

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

Experienced and strong management team: APL benefits from a professional and experienced leadership team and is governed by a unitary board consisting of eight members, including three executive directors, two non-executive directors, one alternate director, and two independent directors. Mr. Jean Michel Pitot and Mr. Deenesh Seedoyal, who serve as Group Chief Executive Officer and Group Chief Financial Officer are Executive Directors on APL's Board.

Mr. Pitot graduated from the Louisiana State University, Baton Rouge, in the United States of America and holds a degree in Marketing. He is the co-founder of Attitude Hospitality Ltd created in July 2008. He was appointed as Group Chief Executive Officer in 2010. He was leading successfully various key projects for the development of the group over the last decade with the aim to manage more than 1,000 rooms in Mauritius. Prior to joining Attitude, he was the Managing Director of Veranda Resorts renamed into VLH Ltd for the period 1990 to 2008.

Mr. Seedoyal is a Fellow member of the Association of Chartered Certified Accountants and holds a membership of The Institute of Hospitality UK. He is also a registered member of the Mauritius Institute of Professional Accountants and the Mauritius Institute of Directors and has more than 15 years' experience at senior management level in corporate finance and the hotel industry.

Both directors are supported by a team of experienced and highly qualified professionals.

Comfortable financial performance with low gearing and healthy coverage ratios

In FY24, APL saw a slight decrease in rental income, falling by 5% from MUR 211 million in FY23 to MUR 199 million in FY24. This decline was primarily due to closure of Recif Attitude ceasing its operations from December 15, 2023. This led to a decrease in total income from MUR 230 million to MUR 218 million. Consequently, EBITDA dropped from MUR 224 million in FY23 to MUR 209 million in FY24. The refinancing of term loans and the issuance of bonds led to a rise in interest expenses, increasing to MUR 66 million in FY24, up from MUR 60 million in FY23. Additionally, a loss of MUR 15 million in the fair value of investment properties (revalued every three years by an external independent valuer) contributed to a 22% decline in PAT, from MUR 126 million in FY23 to MUR 98 million in FY24.

APL's debt consists of a MUR 910 million bond issued to SBM, with a bullet repayment due in June 2027. As of June 30, 2024, the company's overall gearing remained consistent with June 30, 2023. The interest cover ratio improved to 2.6x as of June 30, 2024, compared to 3.1x in the previous year, highlighting a solid ability to meet interest obligations. APL had a cash balance of MUR 92 million at the end of June 2024. The company also paid a dividend of MUR 157 million in FY24, up from MUR 139 million in FY23, reflecting strong cash flow and a commitment to delivering value to its shareholders.

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