**Alteo Limited**

19 May 2023

**Ratings**

| Facilities/Instruments | Amount (Mur Million) | Rating[1] | Rating Action |
|---|---|---|---|
| Bond Issue | 950 | **CARE MAU A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]** | **Revised from CARE MAU A; CWD [Single A; Credit Watch with Developing Implications]** |
| **Total** | **950** | | |

**Rating Rationale for Structured Obligation (SO) rating of Alteo Limited**

The rating assigned to the bond issue of Alteo Limited ("Alteo") derives strength from the escrow mechanism ring-fencing cashflow proceeds from the promissory notes of Miwa Sugar Limited (rated CARE MAU A; Stable), which will be deposited into the bank account pledged in favor of the noteholder's representative for the notes of Alteo. It shall be noted that the repayment of the promissory notes is in line with the bond repayment schedule of Alteo and other creditors of Alteo have no charge on the pledged account.

**Rating Rationale for Miwa Sugar Limited**

The rating assigned to the promissory notes issue of Miwa Sugar Limited ("Miwa Sugar") derives strength from the stable performance of the operating companies mainly Tanzanian Operations under TPC Limited ("TPC"), contributing to more than 80% of group profitability, consistent growth in revenue and profitability, maintained healthy profitability margins, comfortable debt coverage, low gearing levels and healthy cash flow position. Improved operating efficiency coupled with better capacity utilization led to a turnaround of Kenyan Operations under Transmara Sugar Company Ltd ("TSCL") with the Company turning profitable for the first time in FY22. The rating also factors in the competitive position held by both TPC Limited and TSCL in their respective markets, the current favorable trend of sugar prices in the international market, government support to the local sugar market in both Tanzania and Kenya, and resourceful promoters of Miwa Sugar Limited with both IBL and CIEL groups being the leading business groups in Mauritius.

The rating is, however, constrained by Miwa Sugar Limited being an investment company and its only source of revenue being dividend from Sucrière des Mascareignes Limited ("SML") which is contingent upon the performance of the two operating companies namely TPC Limited and TSCL, the cyclical nature of sugar industry, risk associated with foreign exchange and competition from larger sugarcane producers such as Brazil and India which benefit from better economies of scale.

**Key rating drivers for Alteo Limited**

The rating factors in the structured mechanism in place from the proceeds of Promissory notes issue of Miwa Sugar, strong parentage from CIEL and IBL groups, albeit absence of majority shareholding of both the groups in Alteo Limited, professional and qualified management team, established group with investments across diverse business verticals (primarily sugar, energy and property), stable performance and healthy cash position of dividend-paying group companies, availability of sizeable land bank that can be monetized to reduce debt levels, low project execution

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

CARE Ratings (Africa) Private Limited

(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

risk in property development venture and strong financial performance including healthy margins generated and very low levels of gearing.

The rating is, however, constrained by Alteo being an investment company and its only source of revenue being dividend from group companies which are contingent upon the performance of the subsidiaries/associate companies, the cyclical nature of sugar industry, competition from larger sugarcane producers which benefit from better economies of scale, and risk associated with timing of the sale of land and villas under the property development cluster.

**Rating Sensitivities of Miwa Sugar**

**Positive Factors: -** Factors that could lead to positive rating action/upgrade:

- Sustained improvement in operational & financial performance of the dividend paying companies.
- Higher international sugar prices translating into higher sugar price in Tanzania and Kenya
- Reduction in the gearing level of Transmara Sugar Company Limited and improved liquidity position

**Negative Factors: -** Factors that could lead to negative rating action/downgrade:

- Adverse changes in the international sugar market negatively impacting the performance of the TPC and TSCL
- Additional debt taken by both TPC and TSCL Limited which limit the dividend payment ability of both companies

**Rating Sensitivities of Alteo Limited**

**Positive Factors: -** Factors that could lead to positive rating action/upgrade:

- Improvement in operational & financial performance of the dividend paying companies.
- Higher international sugar prices translating into higher sugar price in Mauritius
- Receipt of higher remuneration for bagasse as per the National Biomass framework
- Ability to sell land by Alteo Agri at the envisaged price.

**Negative Factors: -** Factors that could lead to negative rating action/downgrade:

- Adverse changes in the international sugar market negatively impacting the performance of the sugar cluster
- Additional debt taken to fund new acquisitions and developments whereby significantly increasing gearing level
- Deterioration in the credit profile of Miwa sugar.

**BACKGROUND**

Alteo, incorporated on 13 September 2017, is a listed investment & holding company which, with its subsidiaries, form the Alteo Group. Alteo is collectively owned and controlled by IBL Ltd (27.64% shareholding) and CIEL Agro Limited (20.96% shareholding), which is part of the CIEL Group (CIEL Limited is rated CARE MAU AA-; Stable/ CARE MAU A1+). The remaining 51.4% stake in the Company is distributed among insurance & pension funds, investment trusts, other corporate bodies and individuals.

Since its inception, the Alteo Group has been operating across three business sectors namely, (i) the Sugar cluster, engaged in growing and milling sugar cane in Mauritius, Tanzania and Kenya (ii) the Energy cluster involved in electricity production in Mauritius and Tanzania and (iii) the Property cluster which promotes, develops, and sells villas in Mauritius.

The East African businesses in Tanzania and Kenya were being operated through an investment holding company, Sucrière des Mascareignes Limited ("SML"), in which Alteo Limited held a 60% stake.



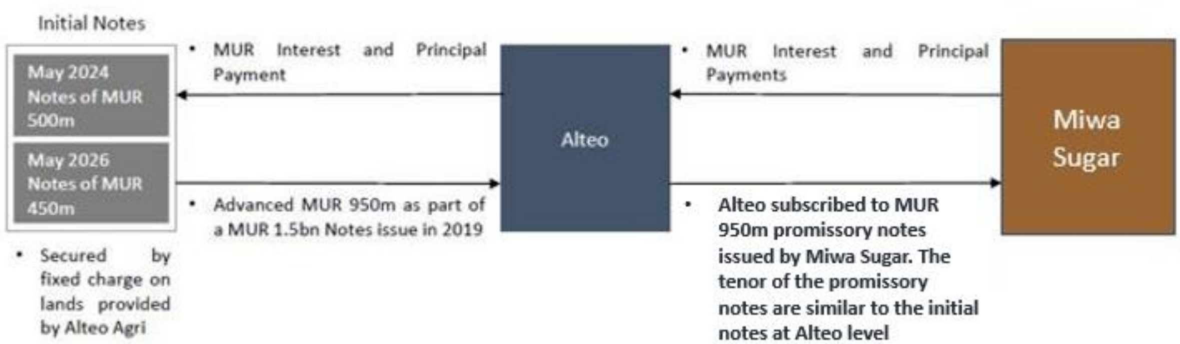
(Subsidiary of CARE Ratings Ltd.)
Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone: +230 59553060/58626551 • www.careratingsafrica.com
BRN: C14127054 • FSC License No.: CR14000001

On 20 October 2021, Alteo announced its intention to split the group into two separate listed entities: Alteo Limited (the existing company) and Miwa Sugar Limited ("Miwa Sugar"). The re-structuring was completed in October 2022 and the current business structure of Alteo Limited, is as follows:


Post the demerger, Alteo Limited now holds only the sugar, energy and real estate clusters in Mauritius while the East African operations, previously held through SML, have been transferred under Miwa Sugar.

As part of the consideration for the acquisition of SML, Miwa Sugar has issued Promissory Notes aggregating to MUR 950 million which have been fully subscribed by Alteo. The tenor and repayment terms of the promissory notes are similar to those of the existing notes at Alteo level as shown below:

| | Instrument | Amount (MUR million) | Repayments (MUR million) | Repayment Date |
|---|---|---|---|---|
| **Alteo Limited** | Bond Issue | 950 | 500 | 27 May 2024 |
| | | | 450 | 27 May 2026 |
| | | | | |
| **Miwa Sugar** | Promissory Notes | 950 | 500 | 27 May 2024 |
| | | | 450 | 27 May 2026 |




Hence, with the split in operations, Alteo Limited has foregone potential dividends from SML and will instead be receiving interest and principal payments from the promissory notes issued by Miwa Sugar.

## Details of Rated Instrument

**1. Bond Issue**

| Instrument | Amount (MUR Million) | Repayment | Interest Rate |
|---|---|---|---|
| Bond Issue | 950 | FY24 – MUR 500 million<br>FY 26 – MUR 450 million | 5.00% per annum<br>5.35% per annum |

**Disclaimer**

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity.

In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, 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. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating.

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.

## Annexure I

**Rating Symbols**

***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.

## Contact us

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

**Analytical contact**
Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@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.