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

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

group companies, availability of sizeable land bank that can be monetized to reduce debt levels, low project execution 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.

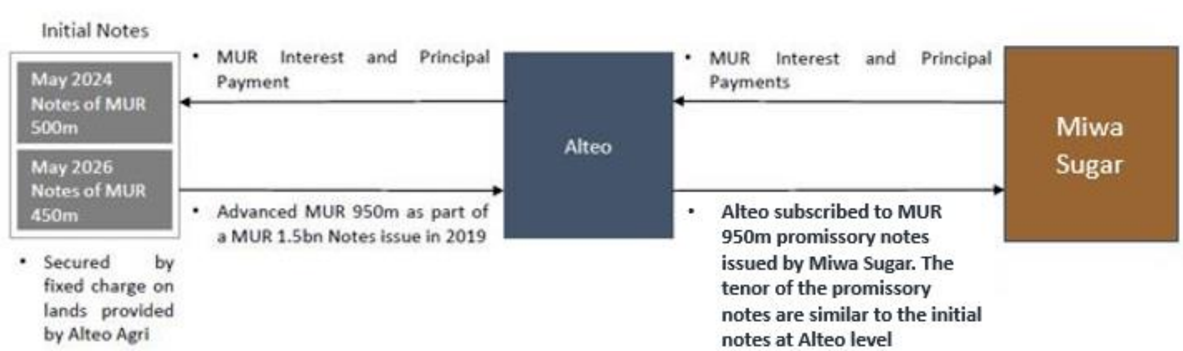
The East African businesses in Tanzania and Kenya were being operated through an investment holding company, Sucrière des Mascareignes Limited ("SML"), in which Alteo Limited held a 60% stake.

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.

CREDIT RISK ASSESSMENT OF MIWA Sugar Limited
Experienced, resourceful promoters with strong parentage from IBL and CIEL groups.
CIEL Limited (rated CARE MAU AA-; Stable/ CARE MAU A1+) is one of the largest business groups in Mauritius with total assets base of MUR 101,639 million as at 30 September 2022. The Group has its activities spanning across six business sectors namely, Healthcare, Textile, Hospitality, financial services, agriculture and property development/management, extending over 11 other countries in Africa, India and the Indian Ocean.
IBL Ltd is another leading conglomerate in Mauritius with activities across several sectors including Commercial & Distribution, Building & Civil Engineering, Hospitality services and Financial Services, amongst others. At 30 September 2022, IBL Limited had total assets base of MUR 80,643 million.
Miwa Sugar is headed by a strong board of directors comprising of seasoned professionals and the most influential business leaders in Mauritius. The board is chaired by Mr. Arnaud Lagesse, the CEO of IBL Ltd. The effective running of the day-to-day activities and the strategic development of the Company are conferred to the CEO Mr. Stéphane Isautier.

Investments by Miwa Sugar into the East African entities are held through SML, an investment holding and management Services Company. SML directly owns 75% and 68.92% in TPC and TSCL respectively.
Under this structure, TPC and TSCL, which are the only operating entities, will pay dividends to SML which in turn will upstream same to Miwa Sugar.
Therefore, the performance of the ultimate holding company, Miwa Sugar, will be dependent on the dividend paying ability of TPC and TSCL.

TPC Limited ("TPC")
TPC is one of the largest sugar estates situated in Northern Tanzania, about 50 km south of Mount Kilimanjaro, and has leasehold rights on some 16,000 ha of land, 8,000 of which are under sugarcane cultivation and it has the second largest sugar mill in Tanzania (4 mills with sugar crushing capacity of 1,161,000 MT per annum). For the milling operations of the factory, which has a daily crushing capacity of 4,700 Tons of cane per day (TCD), TPC sources its raw materials from its own estate. TPC is also self-sufficient in terms of energy with a 17 MW bagasse power plant generating steam and electricity for its sugar processing requirements and exports annual surplus of 15 GWh of power to the Tanzanian national grid.
A summary of the operational and financial performance of TPC is given below:

Particulars	FY19	FY20	FY21	FY22
Installed Capacity (TCD)	4,500	4,700	4,700	4,700
Actual Crushing (in MT)	1,045,498	928,310	975,195	1,066,052
Capacity Utilisation	87%	85%	87%	90%
Sugar Production (in MT)	104,735	90,341	101,491	108,367
Sugar Recovery	10.04%	9.74%	10.41%	10.20%
Average Realisation (USD/Ton)	743	800	800	811
Average Cost of production (incl. interest) USD/Ton)	465	480	470	507

Summary of financials for TPC Limited

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	3,283	3,591	3,949	4,464
EBITDA	1,796	2,150	2,421	2,656
Depreciation & Amortisation	125	160	175	195
Interest Expense	48	59	76	95
Other Income	-	-	21	36
Non-Operating gains	-	-	306	181
PBT	1,202	1,424	1,882	1,978
PAT	822	992	1,287	1,327
GCA	984	1,186	1,463	1,522
Dividend Paid/Proposed	888	1,083	1,141	1,197
Total Debt	458	1,002	981	1,234
Long Term	*348*	*574*	*518*	*525*
Short Term	*110*	*429*	*462*	*709*
Cash & cash equivalents	47	59	25	100
Tangible Networth	2,343	2,736	2,923	3,156
EBIDTA margin (%)	54.70	59.86	61.30	59.51
PAT margin (%)	25.04	27.62	32.60	29.74
Gearing (times)	0.20	0.37	0.34	0.39
Total Debt/EBITDA (times)	0.26	0.47	0.41	0.45
Interest coverage (times)	34.87	33.82	31.86	27.87

** TPC accounts are denominated in Tanzania Shillings. At 31.01.2023, TPZ 1 = 0.019 MUR*

Transmara Sugar Company Limited ("TSCL")

TSCL operates a milling factory in the Western Kenya. TSCL sole activity is the milling of sugarcane which it sources from around 18,000 outgrowers located withing a 30 km radius of the factory. The crushing capacity of TSCL is about 4,000 TCD and the by-products including molasses and bagasse briquettes are sold to the local market. TSCL is the fifth largest sugar mill in Kenya.

A summary of the operational and financial performance of TSCL is provided below:

Particulars	FY19	FY20	FY21	FY22
Installed Capacity (TCD)	4,000	4,000	4,000	4,000
Actual Crushing (in MT)	788,237	788,237	898,947	993,405
Capacity Utilisation	63%	63%	72%	76%
Sugar Production (in MT)	74,942	72,579	92,375	103,014
Sugar Recovery	9.51%	9.55%	10.28%	10.37%
Average Realisation (USD/Ton)	775	690	726	770
Average Cost of production (incl. interest) (USD/Ton)	740	780	616	634

Summary of financial performance for TSCL

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	2,051	2,113	2,837	3,148
EBITDA	403	142	685	696
Depreciation & Amortisation	165	194	211	198
Interest	158	195	182	153
Other Income	-	-	38	32

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Operating expenses	-	-	315	308
Movement in ECL	-	-	11	10
Profit/(Loss) before Tax	(139)	(314)	26	79
Profit/ (Loss) after Tax	(164)	(358)	(32)	13
GCA	1	(164)	179	201
Dividend Paid/Proposed	-	-	-	-
Total Debt	1,263	1,195	1,590	1,307
Long Term	977	810	652	493
Short Term	287	384	938	814
Cash & cash equivalents	5	4	5	2
Tangible Networth	711	467	524	513
EBIDTA margin (%)	19.64	6.71	24.15	22.12
PAT margin (%)	-	-	-	0.42
Gearing (times)	1.78	2.56	3.03	2.55
Total Debt/EBITDA (times)	3.14	8.42	2.32	1.88
Interest coverage (times) (EBITDA/Interest)	2.55	0.73	3.77	4.54

** TSCL accounts are denominated in KES. At 31.01.2023, KES 1 = 0.36 MUR*

Sucrière des Mascareignes Limited ("SML")

The sole operation of SML consists of holding investments equivalent to 75% and 68.92% stakes in TPC and TSCL respectively. Hence, the main source of income for SML (standalone) is derived in the form of dividend income and management fees from TPC and TSCL.

The financial performance of SML (standalone and consolidated) is provided below:

Summary of financial performance for SML (Standalone)

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	736	841	966	1,048
Total Income	736	841	966	1,048
EBIDTA	672	767	890	956
Depreciation	-	-	-	1
Interest	95	94	70	74
PBT	577	675	826	888
PAT	550	646	789	849
Gross Cash Accruals (GCA)	550	644	784	849
Dividend paid/proposed	525	516	521	660
Financial Position				
Equity share capital	1,014	1,128	1,231	1,314
Tangible networth	1,396	1,684	2,106	2,525
Total debt	1,436	1,532	1,407	1,705
- Long term debt	1,278	1,326	1,355	1,512
- Short term debt	158	205	52	193
Cash & Bank balances	2	8	81	87
Key Ratios				

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Profitability (%)				
EBIDTA margin (%)	91.31	91.15	92.16	91.26
PAT margin (%)	74.75	76.84	81.75	80.97
ROCE- operating (%)	N/A	25.35	13.24	8.85
RONW (%)	N/A	41.96	41.65	37.97
Solvency				
Long term debt equity (times)	0.91	0.79	0.64	0.60
Overall gearing (times)	1.03	0.91	0.67	0.68
Interest coverage (times)	7.04	8.14	12.79	12.98
Total Debt/ GCA (times)	2.61	2.38	1.79	1.94
Total Debt/ EBITDA (times)	2.14	2.00	1.58	1.72

** SML accounts are denominated in USD. At 31.01.2023, USD 1 = 45.35 MUR*

As an investment holding company, the financial performance of SML (standalone) is contingent to the performance of TPC and TSCL. SML has a history of consistently paying substantial dividends to shareholders.

In March 2019, SML availed itself of an 8-year term loan of USD 21 million and MUR 772.8 million from MCB Ltd. Considering the strong cash generating ability of SML, the management is confident that the facility will be repaid in due course.

SML has USD 5 million credit line with MCB Ltd which remains mostly unutilized.

Summary of financial performance for SML (Consolidated)

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Total Income	5,412	5,327	6,800	8,109
EBITDA	1,679	1,627	2,426	2,908
Depreciation	351	397	473	532
Interest	306	333	327	361
PBT	1,055	999	1,971	2,252
PAT	602	453	1,167	1,274
Gross Cash Accruals (GCA)	954	850	1,640	1,806
Dividend paid/proposed	691	832	906	857
Financial Position				
Equity share capital	1,314	1,314	1,314	1,314
Tangible networth	1,815	1,627	2,185	2,201
Total debt	3,170	3,988	3,962	4,294
- Long term debt	2,380	2,468	2,517	2,519
- Short term debt	790	1,520	1,445	1,775
Cash & Bank balances	62	479	116	224
Key Ratios				
Profitability (%)				
EBITDA margin (%)	31.01	30.54	35.67	35.87
PAT margin (%)	11.13	8.50	17.17	15.71
Interest Coverage (times)	5.48	4.88	7.43	8.05
ROCE- operating (%)	-	19.40	27.50	30.57
RONW (%)	-	26.31	61.23	58.10

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Solvency				
Long term debt equity ratio (times)	1.31	1.52	1.15	1.14
Overall gearing ratio (times)	1.75	2.45	1.81	1.95
Total Debt/ GCA (times)	3.32	4.69	2.42	2.38
Total Debt/ EBITDA (times)	1.89	2.45	1.63	1.48

** SML accounts are denominated in USD. At 31.01.2023, USD 1 = 45.35 MUR*

Summary of financial performance for Miwa Sugar Limited

Miwa Sugar was incorporated in October 2022 and therefore, no prior year audited figures are available for the Company. An analysis of the debt repayment capacity of Miwa Sugar has been done based on an assessment of the strength of the operating subsidiaries of Miwa Sugar namely, TPC Limited and Transmara Sugar Company Limited.

CREDIT RISK ASSESSMENT OF MIWA Sugar Limited

Experienced and resourceful promoters with strong parentage from IBL and CIEL groups.

Alteo derives its strength from its parentage from IBL and CIEL Group which are among the largest businesses groups in Mauritius. IBL Ltd has a 190-year history of entrepreneurship and growth with diversified operations across nine business segments, through 280 brands, and presence in 18 countries worldwide. CIEL Group was established in 1912 and has grown to become among the largest conglomerates in Mauritius, with presence in more than 10 emerging markets across the African and Asian continent as well. The Group played a key role in developing the manufacturing sector in Mauritius through its interests in the textile industry and added significant value to the country's healthcare industry. The other sectors in which both IBL Ltd and CIEL Group have operations are agriculture, hotels & resort, banking and financial services, amongst others.

Professional and highly qualified management team

Alteo has a qualified and experienced employee pool having extensive experience in their field. Each vertical is managed by a COO, supported by a team of professionals.

Established group with presence across diverse business verticals

The activities and financials of the major operating subsidiaries/associates of are as under:

Company	Activity	Alteo's stake	Production Capacity
Mauritius			
Alteo Agri Ltd (AAL)	Owns 15,218 hectares of land in Mauritius. Cultivates sugar cane on 8,245 hectares	100%	
Alteo Milling Ltd (AML)	Operates a sugar mill.	76.5%	Crushing capacity of 8,500 TCD.
Alteo Energy Ltd (AEnL)	Operates a 41MW biomass/ coal power plant	65.1%	Exports an annual average of 170 GWh to the national grid.
Anahita Estates Limited (Anahita)	Property Development	100%	Sold 280 residential units out of 325 built as at June 30,2021.
Sucriere Des Mascareignes Limited (SML)	Holding company of TSCL and TPC Limited	60%	

Consistent flow of dividends from subsidiary companies in 3 clusters

Alteo's dividend flow from group companies are as under:

Dividend Income from Companies	Cluster	Dividend received			
		FY18	FY19	FY20	FY21
		MUR million			
Alteo Energy Ltd	Energy	66	52	33	20
Consolidated Energy Co.	Energy	9	-	-	20
Sucriere des Mascareignes	Sugar	281	318	300	300
Alteo Agri Ltd. (Land Bank and cane cultivation)	Sugar	203	-	-	-
Alteo Refinery	Sugar	-	-	26	20
Anahita Estates Ltd	Property	-	-	-	-
Others				5	31
Total		**559**	**369**	**364**	**391**

Up to FY21, around 70%-80% of total dividends earned by Alteo was derived from SML, holding company of TPC & TSCL.

Mauritius Sugar Cluster

In Mauritius, the Mauritius Sugar Syndicate (MSS) buys the entire sugar produced, sells in international & domestic market and finalizes the sugar price for a particular crop year. The sugar price has witnessed significant improvement over last 3 years from MUR 8,685 per ton (2018 sugar crop season) to MUR 14,062 per ton for 2020 sugar crop season. For 2021 sugar crop season, MSS had announced an indicative price of MUR 14,750 per ton. This apart, the implementation of the biomass framework with a bagasse remuneration of MUR 3.50 per Kwh to planters and producers, for the use of bagasse in producing electricity is expected to enhance the sustainability of the Mauritian Sugarcane industry.

Alteo Agri Ltd

Alteo Agri Ltd ("AAL") cultivates and produces sugar cane on 8,245 ha of land. The company's operational and financial performance is provided below:

Particulars	FY19	FY20	FY21
Area under cane (hectare)	11,080	9,150	8,245
Yield per Hectare – Ton Canes (%)	68.82	82.5	70.77
Cane Harvested – Ton Canes	690,913	728,431	594,258
Sugar Extraction	10.35%	9.62%	10.12%
Sugar Produced – Ton Canes	71,537	54,682	46,931
Bagasse	80,000	70,000	46,931
Price (MUR) / Ton			
Sugar	10,030	11,387	14,087
Bagasse	50	50	61

Summary of financial performance for Alteo Agri Ltd

Year ended/ as on 30 June	FY19	FY20	FY21
	MUR million		
Revenue	838	833	854
EBITDA	(183)	(44)	384
Depreciation & Amortisation	148	160	175
Interest	46	31	31
PBT	(612)	(371)	463
PAT	(612)	(371)	463
GCA	(57)	(211)	394
Dividends paid/proposed	124	-	-
Loan from group entities (Alteo)	256	292	196
Total Debt from banks:	550	455	561

Year ended/ as on 30 June	FY19	FY20	FY21
Long Term	*128*	*42*	*500*
Short Term	*422*	*413*	*61*
Cash & cash equivalents	59	141	18
Tangible Networth	7,861	7,531	8,299
EBIDTA margin (%)	N/A	N/A	44.97
PAT margin (%)	N/A	N/A	54.23
Gearing (times)	0.07	0.06	0.09
Total Debt/EBITDA (times)	N/A	N/A	1.97
Interest coverage (times)	2.71	1.72	12.48

AAL's turnover increased mainly on the back of higher sugar prices in FY21 which offset the lower production from the reduction in area harvested from 8,829 hectares in FY20 to 8,245 hectares FY21. The sugar productivity in fields of AAL was reduced from 7.94 Tones Sugar Hectare (TSH) in 2019-2020 to 7.13 TSH in 2020-21. A drop of 10.18% due to unfavorable climatic conditions and above average ratoons age. Offsetting the reversal of impairment of MUR 243 million, AAL made a PAT of MUR 220 million due to higher sugar prices, lower operational cost and profit from sale of land. The company made a GCA of MUR 394 million.

The company is developing infrastructure in its own land in Mont Piton. The management articulated that the entire land under the project has been fully sold. It will develop infrastructure on this land and handover to existing buyers. It has borrowed MUR 550 million to develop infrastructure on this land and the same will be repaid from the already concluded land sales.

Going forward, Alteo Agri's EBIDTA is expected to stabilize at around MUR 200 million with stable sugar price, introduction of the biomass framework in Budget 2021-2022, whereby the sugar cane growers will benefit from a remuneration of MUR 3,300 per ton of sugar for bagasse in future years and steady profitability from sale of land or land conversion rights (LCR).

Based on encouraging outlook of the sugar & bagasse prices and proceeds from already sold land, the company will not require any financial support from the group companies and will be comfortably paying projected dividend to Alteo in future years.

Alteo Agri has MUR 200 million of working capital limits from MCB. Avg utilization of such working capital limits were around 30-40% during last 12 months ending March 2022.

Alteo Milling Ltd

Alteo Milling Ltd ("AML") operates a sugar mill with a crushing capacity of 8,500 tons of cane per day (TCD). The factory runs for seven months a year. The mill sources sugar cane from Alteo Agri (50%), corporate planters (20%) and small planters (30%) from its factory area. Till FY20, milling of normal sugar and special sugar was being done by Alteo Milling, Omnicane and Terra, whereas refining of sugar was done by Alteo Refinery and Omnicane. Since July 2020, following discussions with the Mauritius Sugar Syndicate, it has been agreed that Alteo Milling and Terra would do the milling for normal and special sugar and sugar refining is now being done solely by Omnicane.

Summary of financial performance for Alteo Milling Ltd

Year ended/ as on 30 June	FY19	FY20	FY21
	MUR million		
Revenue	344	477	586
EBITDA	9	121	172

Year ended/ as on 30 June	FY19	FY20	FY21
	MUR million		
Depreciation & Amortisation	62	58	60
Interest	43	45	33
PAT	(97)	17	128
GCA	(2)	75	137
Dividend Paid/Proposed	-	-	-
Total Debt:	539	609	556
Long Term	*431*	*515*	*400*
Short Term	*108*	*94*	*156*
Cash & cash equivalents	5	2	41
Tangible Networth	260	256	404
EBIDTA margin (%)	2.66	25.26	29.34
PAT margin (%)	N/A	3.52	21.80
Gearing (times)	2.08	2.38	1.38
Total Debt/EBITDA (times)	58.93	5.05	3.23
Interest coverage (times)	0.21	2.66	5.27

In FY21, AML's sugar production was lower at 104,050 tons compared to 121,700 tons for FY20. It produced 62,139 tons of special sugars during FY21. From the Bond proceeds Alteo injected MUR 100 million as redeemable preference shares in AML. AML posted a significant increase in PAT in FY21 over FY20. As indicated by the management, the performance is expected to remain strong in the projected period in line with higher special sugar production and higher special sugar prices.

The company has a loan of MUR 550 million, which will be repaid over next few years from the cash to be generated from operations. Gearing and interest coverage has improved over last few years. Working capital facility is MUR 150 million and utilization was around 75% during last 12 months.

Alteo Refining Ltd

Alteo Refinery Ltd ("ARL") used to refine white sugar into direct consumption white sugar on behalf of the MSS.

Summary of financial performance for Alteo Refinery Ltd

Year ended/ as on 30 June	FY19	FY20	FY21
	MUR million		
Revenue	333	349	116
EBITDA	84	116	95
Depreciation & Amortization	59	13	4
Interest	3	1	1
PBT	121	105	90
PAT	121	90	87
GCA	180	103	41
Dividend Paid/Proposed	0	80	100
Total Debt:	13	15	-
Cash & cash equivalents	9	27	16
Tangible Networth	187	162	187
EBIDTA margin (%)	25.2	33.1	81.8
PAT margin (%)	36.3	25.8	74.7
Gearing (times)	0.1	0.1	-
Total Debt/EBITDA (times)	0.2	0.1	-
Interest coverage (times)	28.3	78.0	98.4

As per the New Agreement signed with Mauritius Sugar Syndicate, Alteo Refinery would cease its refining operation as from July 2020 in exchange for compensation. For FY21 The company has received refiners service fees of MUR

58 million. This apart, as per the Agreement (signed between MSS, Alteo, Omnicane & Terra), the company shall receive a compensation from the millers at a defined rate per ton. For FY21, compensation received was MUR 13 million from AML, MUR 7 million Terra Milling and MUR 23 million from Omnicane. For FY21-23, ARL's revenue solely will be from compensation from millers.

Energy Cluster
The Energy cluster is engaged in production of power from bagasse and coal though the two subsidiaries, Alteo Energy Ltd (AEnL) and TPC. Below is an overview of the performance for the main subsidiary under the Energy cluster, AEnL:

Year ended/ as on 30 June	FY19	FY20	FY21
Total Kilowatt exported (Million)	**196.1**	**181.3**	**177**
Average Price (MUR/KWh)	**4.17**	**3.6**	**3.74**
	MUR million		
Revenue	827	638	712
EBITDA	187	98	121
Depreciation & Amortisation	75	77	78
Interest	1	4	4
PBT	81	(6)	45
Reported PAT	63	(12)	37
GCA	170	95	78
Dividend Paid/Proposed	79	50	30
Total Debt:	15	-	-
Long Term	*14*	-	-
Short Term	*2*	-	-
Cash & cash equivalents	45	164	45
Tangible Networth	245.0	186.1	192.3
EBIDTA margin (%)	22.57	15.35	17.02
PAT margin (%)	7.66	N/A	5.20
Gearing (times)	0.06	-	-
Total Debt/EBITDA (times)	0.08	-	-
Interest coverage (times))	133.29	23.63	32.33

AEnL's performance improved significantly in FY21 on the back of better efficiencies and higher avg price, despite less bagasse availability due to lower cane production. AEL's Power Purchase Agreement with Central Electricity Board (CEB) ended in December and negotiations are ongoing for the renewal of contract. Indicative tariff under the new contract will be as under:

	Bagasse	Coal
FY22-FY24	MUR 2.91 /Kwh	MUR 5.08/Kwh (based on USD 146 per ton) MUR/KWh will depend on international coal price; coal cost will be a pass through during this period

Anahita Estates Limited
Anahita Estates Limited ("Anahita") is a wholly owned subsidiary of Alteo which promotes, develops, and sells luxury properties and serviced plots under the Anahita Integrated Resort Scheme. In 2008 Alteo, through Anahita, became one of the first players in the country to develop a renowned Integrated Resort Scheme (IRS) which involves the construction and sale of properties mainly across the Eastern region of Mauritius and in conformity with certain specific guidelines. 70% of the homeowners are Europeans (French, Swiss, Belgium and British) and South Africans

followed by people from Middle East and USA (another 20%). Once a villa is built, the homeowner gets a resident permit of Mauritius.

During inception in 2005, Alteo (erstwhile DRBC) transferred 213 hectares (526 arpent) of land to Anahita against shares, with the condition that the land value to be re-paid in cash on completion of the project. Anahita promotes, markets, and sells off-plan villas (construction on booking and advance payment received from buyers), duplexes, apartments, and serviced land plots within Anahita Integrated Resort Scheme (IRS) located on the east coast of Mauritius. Anahita has successfully positioned itself as one of Mauritius' best-known and most highly regarded IRS developments.

The overall project (developed in Phases) costs of approximately MUR 15 billion with construction works started in January 2006 and deliveries of residential units, having begun in late 2007, are being made in phases and are expected to continue till FY23.

AEL has sold more than 95% of the project (available units) and has secured reservations with deposits for 13 plots of serviced land and 2 off-plan villas in FY22. A significant proportion of sales in the recent years have been to existing homeowners and/or their acquaintances (French, Swiss and Belgium), indicating a high level of client satisfaction. Also, as per management, existing homeowners have been able to resell their existing villas at a premium of 25-35% in a span of 3-4 years, which has created interest among their acquaintances.

Summary of financial performance for Anahita Estates Limited

Year ended/ as on 30 June	**FY19**	**FY20**	**FY21**
	MUR million		
Revenue	937	870	833
EBITDA	776	96	267
Depreciation & Amortisation	536	4	5
Interest	63	52	30
PAT	170	35	196
GCA	707	39	201
Dividend Paid	-	-	-
Total Debt	896	693	390
Cash & cash equivalents	41	186	169
Tangible Networth	952	984	1,180
EBITDA margin (%)	82.80	11.00	32.02
PAT margin (%)	18.18	4.02	23.50
Gearing (X)	0.94	0.70	0.33
Total Debt/EBITDA	1.16	7.23	1.46
Interest coverage	3.79	1.76	8.61

Turnover comprises two elements namely, revenue recognized in relation to the progress of construction works on villas sold off-plan and revenue recognized upon the sale of plots of serviced land, (deeds of sale have been signed during the year and 33% advance received). The cost of construction of the villas including land cost is around 50%-60% of the total sales value, based on the category.

In FY21, financials improved due to handover of completed villas and additional sales of new villas and land.

During the same period, the company repaid its long-term debt of MUR 560 million and utilized its overdraft facility of MUR 390 million from MCB for development of infrastructure in the last phase of the project and construction of villas against booking from customers. The short-term loan will be repaid as and when the company receives the phase payments from already sold villas.

In FY22 and FY24, the company will upstream its entire cash as dividend or capital reduction to Alteo Limited.

INDUSTRY RISK

Sugar - Mauritius

Mauritius is famous for its White refined sugar (WRS) and Specialty Sugar (SS), which is in huge demand in Europe and US market. In the southern deficit regions of Europe, where most of the Mauritian white refined sugar is sold, prices remained stable and closed at EUR 456 in June 2021. Mauritius Sugar Syndicate (MSS) exports 97% of the sugar produced in Mauritius and imports sugar for consumption in local market (annual local market consumption is estimated at some 35,000 MT, split between some 32,000 MT white refined sugar and the balance as direct consumption raw sugar). For crop 2021-2022, it is estimated that the price of sugar would be MUR 14,750 per ton, mainly on the back of a depreciating Mauritian Rupee compared to the main hard currencies and increase in world sugar price.

Mauritius Energy Sector

In 2020, total electricity generated in Mauritius decreased by 11% from 3,237 GWh to 2,882 GWh. A decrease primarily attributed to the Covid 19 pandemic and the ensuing lockdown which forced the closure of hotels and the adoption of the "work-from-home" till 2021 in certain cases. From the total electricity produced in Mauritius, 59.2% came from Independent Power Producers (IPPs) such as Alteo while the rest was produced by the Central Electricity Board (CEB).

In the 2021-2022 Budget, the Government reiterated its commitment to transition to Green Energy and is targeting around 60% of total electricity to be generated from renewable sources by 2030. The Government also announced a request for proposal from the private sector for a 40MW wind farm and for hybrid renewable projects to replace coal energy.

Property Development in Mauritius - The Integrated Resort Scheme (IRS)

Under the IRS programme, foreigners along with their dependents are able to obtain Mauritian residence by investing a minimum amount of USD 375,000 (previously USD 500,000) into luxury properties. The property owner and his dependents can reside in Mauritius as long as he holds the property.

For 2020-2021, the number of property sales to foreign investors was 421 on a national level. This was despite our borders having remained closed from March to May 2021 and the subsequent restrictions imposed on foreigners arriving in Mauritius.

The luxury real estate sector of Mauritius remained buoyant for a decade particularly due to the attractiveness of the country as a great place to live and do business. Favorable tax environment and ease of doing business are amongst the factors motivating more foreigners to invest in Mauritius.

Summary of financial performance for Alteo Limited (Standalone)

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	427	438	447	808
Total Income	427	438	447	808
EBIDTA	315	351	347	684
Depreciation	-	8	9	9
Interest	78	84	87	78
PBT	237	232	272	627
PAT	237	232	272	627
Gross Cash Accruals (GCA)	237	266	271	636
Dividend paid/proposed	213	213	229	252
Financial Position				
Equity share capital	21,855	21,855	21,855	21,855
Tangible networth	20,893	21,632	22,048	23,717
Total debt	1,500	1,696	1,651	1,242
- Long term debt	1,500	1,450	950	950
- Short term debt	-	246	701	292
Cash & Bank balances	278	205	387	372
Key Ratios				
Profitability (%)				
EBIDTA margin (%)	73.69	80.02	77.61	84.61
PAT margin (%)	55.50	52.93	60.98	77.58
ROCE- operating (%)	1.38	1.50	1.42	2.77
RONW (%)	1.08	1.09	1.24	2.74
Solvency				
Long Term				
Long term debt equity (times)	0.07	0.07	0.04	0.04
Overall gearing ratio (times)	0.07	0.08	0.07	0.05
Interest coverage (times)	4.06	4.09	3.87	8.61
EBITDA coverage (times)	4.06	4.18	3.98	8.73
Total Debt/ GCA (times)	6.33	6.36	6.09	1.95
Total Debt/ EBITDA (times)	4.77	4.84	4.76	1.82

Summary of financial performance for Alteo Limited (Consolidated)

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Revenue	8,997	8,287	3,079	4,487
Total Income	9,489	8,719	3,143	4,562
EBITDA	2,104	2,046	683	842
Depreciation	730	728	361	321
Interest	494	503	164	162
PBT	(706)	802	802	622
PAT	(1,082)	222	744	560
Normalised PAT	544	254	1,864	
Gross Cash Accruals (GCA)	1,274	950	1,770	887
Dividend paid/proposed	674	656	782	819

Year ended/ as on 30 June	FY19	FY20	FY21	FY22
	MUR million			
Financial Position				
Equity share capital	21,855	21,855	21,855	21,855
Tangible networth	21,416	15,337	16,694	16,435
Total debt	6,810	7,426	6,948	2,907
- Long term debt	4,616	5,057	4,440	1,656
- Short term debt	2,194	2,369	2,508	1.251
Cash & Bank balances	536	1,017	532	300
Key Ratios				
Profitability (%)				
EBITDA margin (%)	22.17	23.47	21.74	18.46
PAT margin (%)	-	2.55	23.67	12.27
Interest Coverage (times)	4.26	4.06	4.18	5.21
ROCE- operating (%)	4.37	4.70	1.22	2.09
RONW (%)	2.44	1.21	4.46	3.20
Solvency				
Long term debt equity (times)	0.22	0.33	0.27	-
Overall gearing (times)	0.32	0.48	0.42	0.18
Total Debt/ GCA (times)	5.35	7.81	3.93	3.28
Total Debt/ EBITDA (times)	3.24	3.63	10.17	3.45

Details of Rated Instrument

1. Bond Issue

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

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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.

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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.