Alteo Limited

June 01,2022

Rating

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	1,450	CARE MAU A (CWD) (Credit watch with Developing Implications)	**Placed on Credit watch with Developing Implications**
Total	**1,450**		

Rating Rationale

CRAF has placed the rating of Alteo Limited (Alteo) on 'Credit watch with developing implications' following the announcement made by Alteo Limited (Alteo), of its intention to split the group into two entities. Post the split, Alteo's sugar, energy, land and property business in Mauritius shall remain with Alteo, whereas the Tanzanian and Kenyan sugar operations which fall under SML, will be transferred to the new holding company. CRAF would be monitoring the impact of the above developments and would take a view on the ratings when the exact implications of the same are clear.

The rating assigned to the bond issue of Alteo derives strength from its strong parentage of CIEL and IBL groups, albeit absence of majority shareholding of both the groups in Alteo, professional and qualified management team, established group with investments across diverse business verticals (primarily sugar, energy and property), stable performance & cash surplus position of dividend-paying group companies, availability of sizeable land bank that can be monetized to reduce debt levels, low project execution risk in property development venture (Anahita Estates Limited) and strong financial performance with low overall gearing posted in FY21 and 9MFY22 both at Standalone and Consolidated level.

The rating is, however, constrained by Alteo being an investment company and its only source of revenue being dividend from group companies - contingent upon performance of various subsidiaries/associate companies, cyclical nature of sugar industry, risk associated with timing of the sale of land and property development and Alteo's exposure to market & political risk associated with operations in Tanzania & Kenya.

Rating Sensitivities

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 leading to higher sugar price in Mauritius and Kenya
- Receipt of higher remuneration for bagasse as per Newly Introduced Biomass framework
- Ability to sell land by Alteo Agri at the envisaged price.

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

- Any adverse regulatory changes affecting sugar segment performance
- Additional debt taken to fund new acquisitions and developments
- Non-renewal of Power Purchase Agreement with Central Electricity Board of Mauritius

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

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BACKGROUND

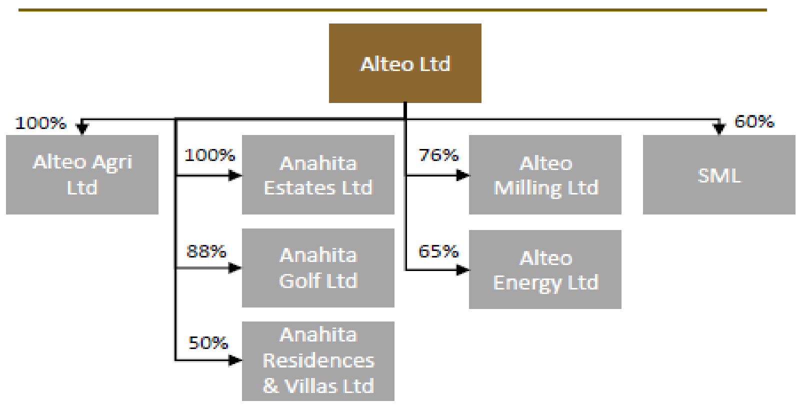
Alteo Limited ("Alteo"), incorporated on 13 September 2017, is a listed investment & holding company which with its subsidiary companies, form the Alteo Group. Alteo is collectively owned and controlled by IBL Ltd (27.64% shareholding) and Ciel Agro Limited (20.96% shareholding), which is part of the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

The Alteo Group operates 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 which is involved in electricity production in Mauritius and Tanzania and (iii) the Property cluster which promotes, develops, and sells villas in Mauritius.

Update from last rating exercise

On 20 October 2021, Alteo announced its intention to split the group into two listed entities: Alteo (the existing company) and Miwa Sugar Limited ("Miwa Sugar"). Post the split, Alteo's sugar, energy, land and property business in Mauritius shall remain with Alteo, whereas the Tanzanian and Kenyan sugar operations (generating around 60% - 65% of the PAT) which fall under SML, will be transferred to the new holding company, Miwa Sugar.

Existing Structure



Proposed Structure

As part of the consideration for the acquisition of SML, Miwa Sugar will issue promissory Notes aggregating to MUR 950 million. The tenor and repayment terms of the promissory notes shall be similar to those of the existing notes at Alteo level. Alteo will subscribe to the promissory notes issued by Miwa Sugar. The proposed structure is illustrated below:

Noteholders' position shall remain unaffected by the restructuring given that the initial notes will be secured by the pledge of lands from Alteo Agri Ltd and the issue of promissory notes from Miwa Sugar.

CREDIT RISK ASSESSMENT

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

Alteo derives its strength from its parentage from IBL and Ciel which are among the largest businesses 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 (Ciel Limited rated CARE MAU A+; Positive) 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 vast experience in their field. Each vertical is managed by a CEO 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 Alteo group 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%	
Tanzania			
TPC Limited (TPC)	Controls 16,000 hectares of leasehold land of which 8,000 hectares under cane cultivation	45%	Crushing capacity of 4,700 TCD

Company	Activity	Alteo's stake	Production Capacity
	Operates a sugar mill and produces energy		
Kenya			
Transmara Sugar Company Limited (TSCL)	Operates a sugar mill	31.0%	Crushing capacity of 4,000 TCD mill

FY21

Companies	Business Vertical	Stake	Turnover	EBITDA	PAT	Div.	Total Debt	Net worth	Overall gearing	Total debt/ EBITDA
		%	MUR million						Times	
Alteo Agri Ltd	Land/Cane Cultivation	100	854	384	463	-	757	8,299	0.09	1.97
Alteo Milling Ltd	Sugar crushing	76.5	586	172	128	-	556	404	1.38	3.23
Alteo Refinery Ltd	Refined sugar	53.4	116	95	87	100	-	162	-	-
Alteo Energy Ltd	Energy	65.1	712	121	37	30	-	192	-	-
Anahita Estates Limited (Anahita)	Property	100	833	267	196	-	390	1,180	0.33	1.46
Sucriere des Mascareignes Ltd (SML)	Holding co. of TSCL & TPC	60	969	895	789	867	1,407	2,106	0.67	1.57
Transmara Sugar Comp. Limited (TSCL)	Sugar production	30.6	2,837	685	(32)	-	1,590	550	2.89	2.32
TPC Limited	Sugar & power production	45.0	3,949	2,387	1,287	1,141	981	2,933	0.33	0.41

Consistent flow of dividends from subsidiary companies in 3 clusters

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

Dividend Income from Companies	Cluster	Dividend received			
		FY18	FY19	FY20	FY21
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**

Around 70%-80% of total dividends earned by Alteo is derived from SML, holding company of TPC & TSCL.

Stable performance of dividend paying companies along with turnaround in performance of non-dividend paying sugar company in Kenya

Sugar Cluster

Alteo's Sugar cluster is engaged in land holding, sugar cane growing and processing, as well as sale of sugar, electricity and molasses in Mauritius and Tanzania and sugar production in Kenya.

Mauritius

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 has already 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 (AAL)

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

MUR Million

Alteo Agri Ltd	FY19	FY20	FY21
	Audited		
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
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 (X)	0.07	0.06	0.09
Total Debt/EBITDA	N/A	N/A	1.97
Interest coverage	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 (AML)

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, Alteo Milling and Terra are doing the milling for normal and special sugar and sugar refining is done solely by Omnicane. The financial performance of AML:

MUR Million

Alteo Milling Ltd	**FY19**	**FY20**	**FY21**
		Audited	
Revenue	344	477	586
EBITDA	9	121	172
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 (X)	2.08	2.38	1.38
Total Debt/EBITDA	58.93	5.05	3.23
Interest coverage (EBITDA/Interest)	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 (ARL)

Alteo Refinery Ltd (ARL) used to refine white sugar into direct consumption white sugar on behalf of the MSS. The financial performance: ***MUR Million***

Alteo Refinery Ltd	**FY19**	**FY20**	**FY21**
	Audited		
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 (X)	0.1	0.1	-
Total Debt/EBITDA	0.2	0.1	-
Interest coverage (EBITDA/Interest)	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, Alteo Energy Ltd (AEnL):

MUR Million

Alteo Energy Ltd	FY19	FY20	FY21
	Audited		
Total Kilowatt exported (Million)	**196.1**	**181.3**	**177.0**
Average Price (MUR/KWh)	**4.17**	**3.6**	**3.74**
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 (X)	0.06	-	-
Total Debt/EBITDA	0.08	-	-
Interest coverage (EBITDA/Interest)	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 a 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

PROPERTY CLUSTER

Anahita Estates Limited (Anahita)

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 Easter 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 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. The financial performance of Anahita is as under:

MUR Million

Anahita Estates Limited	**FY19**	**FY20**	**FY21**
	Audited		
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.

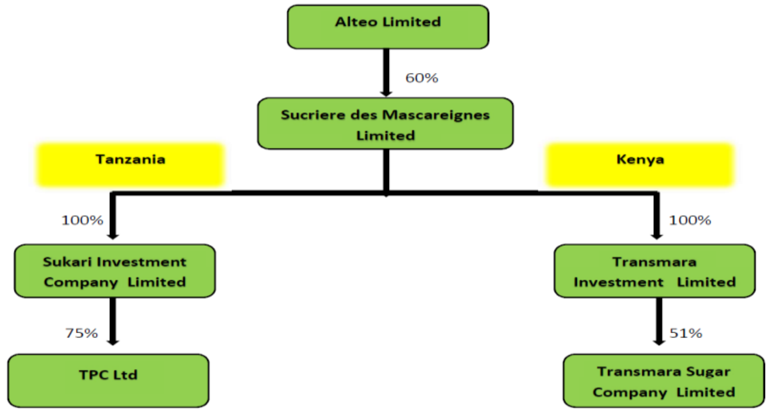
During the same period, the company repaid its long-term debt of MUR 560 million and utilized its overdraft facility of MUR 390 million from MCB for development of infrastructure in the last phase of the project and construction of villas against booking from customers. The short-term loan will be repaid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

Geographical diversification of Sugar cluster in Tanzania and Kenya

Sucriere des Mascareignes Limited (SML)

Alteo's investments in TPC Ltd (TPC) in Tanzania and Transmara Sugar Company Ltd (TSC) in Kenya, are held through Sucriere des Mascareignes Ltd (SML), an investment holding and management Services Company, and Sukari Investment Company Ltd (SIL) and Transmara Investment Ltd (TIL), respective intermediary holding companies (Non-operational debt free companies). The holding structure is as shown at the right:



TPC Ltd (TPC)

TPC Limited (TPC) 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 the factory, which has a daily crushing capacity of 4,700 Tons of cane per day (TCD) sources its raw materials from its own fields. 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 surplus power (20 GWh) to the Tanzanian national grid. The operational and financial performance for TPC is as under:

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

MUR Million

TPC Limited	FY19	FY20	FY21
	Audited		
Revenue	3,283	3,591	3,949
EBITDA	1,796	2,150	2,387
Depreciation & Amortisation	125	160	175
Interest	48	59	76
PAT	822	992	1,287
GCA	984	1,186	1,463
Dividend Paid	888	1,083	1,141
Total Debt	458	1,002	981
Cash & cash equivalents	47	59	25
Tangible Networth	2,343	2,736	2,933
EBIDTA margin (%)	54.70	59.86	60.45
PAT margin (%)	25.04	27.62	32.60
Gearing (X)	0.20	0.37	0.33
Total Debt/EBITDA	0.26	0.47	0.41
Interest coverage	34.87	33.82	29.11

**TPC Annual Accounts FY21 is in Tanzanian Shilling. Converted to Mur at 1 Tsz = 0.019 Mur*

TPC's revenue, EBITDA and PAT improved over the last year due to lower costs of sales for imported sugar and higher sugar price.

Tanzania continues to be a sugar deficit market, with total demand of around 710,000 MT p.a. vis-à-vis production of around 350,000 MT p.a. Imports are regulated by Govt. of Tanzania via tariff and non-tariff barriers. The deficit sugar is imported by 4 mills, with Govt. approval. Given a sugar deficit market, firmed sugar prices vis-a-vis cost and past track record of generating stable cashflow, the projected performance looks achievable. Dividend payment during the projected period looks comfortable.

Transmara Sugar Company Ltd (Transmara)

Transmara's sole activity is the milling of sugarcane which it sources from 18,250 outgrowers located within a 30 km radius of the factory. The crushing capacity of Transmara is about 4,000 TCD and it is the fifth largest sugar mill in Kenya (10 mills with sugar production of around 592,000 MT per annum).

Transmara has loss making history and was acquired by Alteo group in FY15. The operational and financial performance of Transmara sugar business is as under:

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

MUR Million

Transmara Sugar Company Limited	FY19	FY20	FY21
	Audited		
Revenue	2,051	2,113	2,837
EBITDA	403	142	685
Depreciation & Amortisation	165	194	211
Interest	158	195	159
PBT	(139)	(314)	26
PAT	(164)	(358)	(32)
GCA	1	(164)	179
Dividend	0	0	0
Total Debt	1,263	1,195	1,590
Cash & cash equivalents	5	4	5
Tangible Networth	711	467	550
EBIDTA margin (%)	19.64	6.71	24.15
PAT margin (%)	N/A	N/A	N/A
Gearing (X)	1.78	2.56	2.89
Total Debt/EBITDA	3.14	8.42	2.32
Interest coverage (EBITDA/Interest)	2.55	0.73	4.30

**Transmara Annual Report FY21 is in Kenyan Shilling. Converted to Mur at 1 Ksh = 0.39 Mur*

The increase in turnover and EBITDA was mainly driven by higher production and sales volumes while a higher average sugar price was also achieved in FY21. Lower production and greater efficiency has also enable the company to significantly reduce its losses.

Kenyan sugar market continues to be in deficit as well, with the consumption shortfall being sourced from COMESA countries and the world market. The market is expected to continue to grow on the back of a relatively high population growth rate and higher consumption level. This encourages private millers to invest more in their operations and build stable relationships with out-growers.

Financial Performance of Sucriere des Mascareignes Limited (SML)

The main source of income for SML is dividend received from TPC and management fees (Mur 230 million) received from TPC and Transmara (for providing management services) and major cost being administrative expenses (Mur 60-80 million) and bank charges for Mur 1.5 billion loan availed for acquisition of Transmara. Below table shows the financials for SML: ***MUR Million***

Sucriere Des Mascareignes Limited	FY19	FY20	FY21
	Audited		
Dividend Income	566	673	731
Management Fees	170	170	238
Total Income	**736**	**843**	**969**
EBITDA	**672**	**769**	**895**
Interest	96	94	70
PBT	577	675	825
PAT	550	646	789
GCA	550	646	789
Dividend Paid	**525**	**199**	**867**
Total Debt:	1,436	1,530	1,407
Long Term	*1,295*	1,324	1,355
Short Term	*141*	206	52
Cash & cash equivalents	2	8	81
Tangible Networth	25	58,916	2,106
PAT margin (%)	97.20	96.00	107.98
Gearing (X)	56.97	0.03	0.67
Total Debt/EBITDA	2.14	1.99	1.57
Interest coverage (EBITDA/Interest)	7.03	8.17	12.86

SML's performance is dependent on the dividend payment ability of TPC. It has been paying majority of its profit as dividend and will be doing so in future. Part of cash will be also utilized to repay outstanding debt. In FY19, MCB has sanctioned USD 37 million of term loan and overdraft of USD 5 million to refinance the existing facilities of USD 32 million and overdraft facility of USD 11 million with other banks. The repayment terms are USD 1 million annually (FY21-23), USD 8 million annually (FY24-26) and USD 10 million in FY27. As on June 30, 2021, long term loan outstanding is USD 33 million (Mur 1,403@USD 42) and short-term loan outstanding is USD 5.3 million (Mur 225@USD 42).

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.

Sugar – Tanzania and Kenya

Tanzania is a sugar deficit market, with total demand of 710,000 MT p.a. vis-à-vis production of 350,000 MT per annum. Imports are regulated by Govt. of Tanzania via tariff and non-tariff barriers. The deficit sugar was imported by 4 mills, with Govt. approval. The Tanzania sugar cane yields recovered after suffering from heavy rainfall levels and infections from the YSA disease. The strong performance is expected to continue during the coming years.

The Kenyan sugar market is also a deficit market where the annual consumption shortfall is sourced from neighboring COMESA countries and the world market. The domestic market is expected to continue to grow as a result of both relatively high population growth and rising per capita consumption.

In August 2021, the International Sugar Organisation (ISO) released its outlook for 2021-2022 crop in which it stated that the global sugar market would be in deficit by 3.8 tonnes. Since then, world sugar price rose sharply to reach USD 20 cent/lb.

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.

Financial Performance (Standalone)

Due to dividend income being the principal source of income, the top line performance of Alteo is dependent on the performance of its subsidiaries. As shown above, almost 80% of the dividend income is received from SML, the holding company of TPC and Transmara. As explained, there will be a split between Alteo's Mauritius operation and those of sugar operations in Tanzania & Kenya. Under the existing structure, Alteo was expected to receive the following dividend (indicative) from SML:

MUR Million

Companies	Amount of dividend received/proposed to be received						
	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Sucriere des Mascareignes Limited (SML)	300	300	371	389	402	427	465

Post-split, Alteo will not receive dividends from SML, but will receive interest and principal repayment from SML against issue of promissory Notes. As against, projected dividend of Mur 1,683 million between FY23-26, Miwa Sugar's repayment obligation during this period towards principal and interest repayment of promissory Notes will be only MUR 1,100 million, which will be utilized for debt servicing of Alteo's rated Bond.

	FY23	FY24	FY25	FY26
Interest & Principal receivable from Miwa Sugar (holding company of SML)	50	550	25	475

FINANCIAL PERFORMANCE
Standalone ***MUR Million***

For the year ended June 30,	FY19	FY20	FY21
	Audited		
Total Income	427	438	475
EBIDTA	315	351	368
Depreciation	-	8	9
Interest	78	84	87
PBT	237	232	272
PAT	237	232	272
Gross Cash Accruals (GCA)	237	266	281
Dividend paid	213	213	172
Tangible networth	20,893	21,632	22,048
Total debt	1,500	1,696	1,689
- Long term debt	1,500	1,450	980
- Short term debt	-	246	709
Cash & Bank balances	278	205	387
Key Ratios			
EBIDTA / Total income	73.69	80.02	77.45
PAT / Total income	55.50	52.93	57.22
ROCE- operating (%)	1.38	1.50	1.53
RONW (%)	1.08	1.09	1.25
Long term debt equity ratio	0.07	0.07	0.04
Overall gearing ratio	0.07	0.08	0.08
Interest coverage	4.06	4.09	4.12
Total Debt/ EBITDA	4.77	4.84	4.59

Consolidated ***MUR Million***

For the year ended June 30,	FY19	FY20	FY21
	Audited		
Total Income	9,489	8,719	9,926
EBITDA	2,104	2,046	3,230
Depreciation	730	728	811
Interest	494	503	477
PBT	(706)	802	2,693
PAT	(1,082)	222	1,864

For the year ended June 30,	FY19	FY20	FY21
Gross Cash Accruals (GCA)	1,274	950	1,896
Dividend paid	674	656	872
Equity share capital	21,855	21,855	21,855
Tangible networth	21,416	15,337	16,694
Total debt	6,901	7,527	7,284
Cash & Bank balances	536	1,017	532
Key Ratios			
EBITDA/Total income (%)	22.17	23.47	32.54
PAT/Total income (%)	N/A	2.55	18.78
Interest Coverage	4.26	4.06	6.77
ROCE- operating (%)	4.37	5.22	10.44
RONW (%)	2.44	1.21	11.64
Long term debt equity ratio	0.22	0.34	0.28
Overall gearing ratio	0.32	0.49	0.44
Total Debt/ EBITDA	3.28	3.68	2.26

Segment wise Revenue ***MUR Million***

FY21	Sugar				Energy	Property	Total
	Mauritius	Tanzania	Kenya	Total		Mauritius	
Revenue	1,658	3,740	2,731	8,129	711	858	9,548#
% of Total Group Revenue	***20%****	***46%****	***34%****	**85%**	**7%**	**8%**	**100%**
EBITDA	954	2,258	380	3,591	122	303	4,016
Profit/(loss) for the year	566	1,233	(113)	1,686	40	137	1,863

**Percentage to total sugar revenue* *# Consolidated adjustments amounting to MUR 149 million*

HY FY2022	Sugar				Energy	Property	Total
	Mauritius	Tanzania	Kenya	Total	Mauritius	Mauritius	
Revenue	1,572	2,026	1,892	5,490	336	338	6,092#
Revenue (%)	***29%****	***37%****	***34%****	**90%**	**5%**	**5%**	**100%**
Profit for the period	**325**	**839**	**45**	**1,209**	**45**	**91**	**1,345**

**Percentage to total sugar revenue* *# Consolidated adjustments amounting to MUR 72 million*

Total revenue and EBITDA grew by 16% and 17% respectively for the period ended 31st December 2021, while PAT was 21% higher compared to the previous period. Improvements are explained by the continued strong performance in the sugar segment which kept pace with the momentum present in FY2021.

Details of Instrument

Details of Bond Issue

Instrument	Amount (MUR Million)	Repayment (MUR Million)
Bond	1,450	3rd year – 500 (Repaid in May 2022) 5th year – 500 (May 2024) 7th year – 450 (May 2026)

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 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.