Rating Rationale
Alteo Limited ("Alteo")

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond	1,500	**CARE MAU A; Stable [Single A; Outlook: Stable]**	**Assigned**

Rating Rationale

The rating of the bond issue of Alteo Limited (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, good performance of its Tanzanian sugar operations, 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 comfortable financial performance with low overall gearing & comfortable liquidity position at group level.

The rating is, however, constrained by Alteo being an investment company and only source of revenue being dividend from group companies - contingent upon performance of various subsidiaries/associate companies, low sugar prices in Mauritius impacting the profitability of Mauritius sugar sector and consequently Alteo's Mauritius based group companies in this segment are envisaged to report subdued performance in the medium-term, subdued performance of its Kenyan sugar operations, risk associated with timing of the sale of land and property development and the company's exposure to market & political risk associated with operations in Tanzania & Kenya.

Improvement in operational & financial performance of dividend-paying group companies including sustained improvement in performance of its sugar manufacturing subsidiaries in Mauritius and Kenya, more than envisaged extent of support extended to some of its subsidiaries, ability to sell land at envisaged price and within expected timelines; and any new debt-funded acquisitions & renovations are the key rating sensitivities.

BACKGROUND

Alteo Limited ("Alteo"), is the investment & holding company of Alteo group and is an associate company of IBL group (holding 27.6% stake) and of CIEL group (holding 20.96% stake). The balance of 51.44% is held by individuals, pension funds, corporates and insurance companies. Alteo group was created in 2012, through the merger of two neighbouring sugar groups namely Flacq United Estates Limited (FUEL - belonging to IBL) with Deep River Beau Champ Limited (DRBC - belonging to CIEL). Post-merger, Alteo group became the largest sugar producer (131,000 MT in FY18) in Mauritius (national sugar production in Mauritius - 355,213 MT for year ended Dec 2017 and 320,000 MT for year ended Dec 2018).

In April 2018 (FY18), Alteo Limited (erstwhile Alteo Group Ltd), a new group holding company was incorporated and to which ownership of Alteo Agri Ltd (erstwhile Alteo Limited) was transferred. Shareholders of Alteo Agri Ltd (erstwhile Alteo Limited) were issued comparable shares in Alteo Limited. Post approval of a Scheme of Arrangement, Alteo Group Ltd was renamed as Alteo Limited (the new group holding company) and Alteo Limited (the former group holding company) was renamed Alteo Agri Ltd. The land holdings and cane plantation business remained with Alteo Agri Ltd and investments in various subsidiaries and associated companies of the group were subsequently transferred to Alteo Limited.

Alteo group operates sugar factories in Mauritius, Kenya and Tanzania. The group has a presence in the energy sector (owns and operates 2 bagasse & coal-based power plants) and in the real estate sector through Anahita Estates Limited in Mauritius, an ongoing high-end integrated residential development project.

Alteo is a professionally managed company. It is governed by a 12-member Board of Directors comprising 7 Non-Executive Directors appointed by IBL & CIEL, 2 Executive Directors and 3 Independent Non-Executive Directors including a number of eminent industrialists and professionals.

Mr. Arnaud Lagesse is the group CEO of IBL Ltd, the largest business group in Mauritius. He is one of the prominent leaders of the Mauritian private sector and has been known to drive the IBL Group. Mr. Arnaud Dalais (Chairman of Alteo group during June 2015- April 2018) is currently the Chairman of Ciel Limited [rated CARE MAU AA; Stable]. They are assisted by Mr. R.M. André Bonieux (CEO) and Mr. Fabien De Marassé Enouf (Executive Finance Director) and a team of experienced and qualified professionals for managing day-to-day affairs. Both Mr. Bonieux and Mr. Fabien are Chartered Accountant. While Mr. Bonieux joined Alteo group in December 2018, Mr. Fabien has been working with Alteo group for last 5 years.

CREDIT RISK ASSESSMENT

Experienced and resourceful promoters with strong parentage of CIEL and IBL group

The promoters, Dalais family has been engaged in various business through CIEL for more than 100 years. The other promoters Lagesse family is engaged in various businesses through IBL for more than 190 years. IBL is a diversified group based in Mauritius and active in 23 countries across the globe through 280 companies and nine industries. Alteo derives its revenue as dividends from various group companies engaged in sugar milling, energy production and property sector with major (70-80%) being from TPC Ltd., Tanzania. During FY17 and FY18, dividend received by erstwhile Alteo (Alteo Agri Ltd.) was MUR 427 million and MUR 356 million respectively. In FY18, Alteo Agri Ltd. paid Mur 203 million of dividend to newly formed Alteo.

Professional and highly qualified management team

Alteo Limited has a highly qualified and experienced employee pool having vast experience in their related field. Alteo's improvement in operational efficiency over the years can be attributed to its sound management team. Each vertical is managed by a CEO and team of professionals. CEO directly reports to the Chairman.

Established group with presence across diverse business verticals

Alteo group is also one of the largest industrial and investment groups based in Mauritius with operations in African countries. The group earned total revenue of more than MUR 8.2 billion in FY18 (Mur 8.9 billion in FY17). The financials of the major group companies of Alteo are as under:

Companies (FY18) MUR Million	Business Vertical	Stake (%)	Turnover	PAT	GCA	Dividend Pay out	Total Debt	Net worth	Overall gearing	Total debt/ GCA
Alteo Agri Ltd	Land/Cane Cultivation	100.0%	913	267	259	314	2,111*	11,240	0.19	8.15
Alteo Milling Ltd	Sugar crushing	76.5%	495	(33)	29	-	565	345	1.64	19.6
Alteo Refinery Ltd	Refined sugar	53.4%	369	66	123	70	39	865	0.05	0.32
Alteo Energy Ltd	Energy	65.1%	720	73	130	101	71	261	0.27	0.55
Consolidated Energy$	Energy	44.4%	644	35	35	21	80	200	-	-
Sucriere des Mascareignes Limited	Holding co. for TSCL & TPC	60%	733	582	582	483	1,229	1,371	0.90	2.11
TPC Limited (TPC)	Energy /Sugar	45.0%	2,982	944	928	810	253	2,402	0.11	0.27
Transmara Sugar Company Limited	Sugar	30.6%	703	(209)	(118)	-	1,292	153	8.42	NM
Anahita Estates	Property	100.0%	469	77	319	-	904	756	1.20	2.84

**Mur 900 million bond to be replaced by exiting Bond issue and Mur 823 million loan from group companies*

$Closed operation since December 2018

Segment wise Revenue

Particulars (2018)	Sugar				Energy	Property	Total
MUR Million	**Mauritius**	**Tanzania**	**Kenya**	**Total**	**Mauritius**	**Mauritius**	
Sugar Revenue	1,990	3,010	1,299	6,299	1,363	682	8,345*
Revenue (%)	***32%*****	***48%*****	***20%*****	**75%**	**16%**	**9%**	**100%**
EBIT	86	1,554	(357)	1,283	128	114	1,525
Profit/(loss) for the year	(15)	966	(469)	482	98	123	702

**Post-adjustment for inter-segment revenue of MUR 168.7 million*, consolidated revenue is MUR 8,176 million

***Percentage to total sugar revenue*

Investment in group companies

As on June 30, 2018; Alteo has total investment of Mur 22,755 million in Alteo Agri Limited. By June 30, 2019, Alteo Limited stake in the subsidiaries will be as under (pre-condition of Bond issue):

Company	Investments (Mur Million)	% of total investments
Alteo Agri Ltd	15,275	67%
Sucriere des Mascareignes Limited & group Companies	4,880	21%
Anahita Estates Limited	1,600	7%
Others (Alteo Milling Ltd, Alteo Refinery Ltd, Alteo Energy Ltd and Consolidated Energy Co. Ltd.)	1,000	5%
	22,755	

Proposed Bond issue: Alteo currently has a short-term debt of Mur 500 million from Bank One. In May 2019, Alteo proposes to issue a Bond of Mur 1,500 million at an avg. interest rate of 5.00% p.a. for a period of 7 years and utilize the proceeds for the following:

Purpose	Amount (Mur Million)
Repayment of debt in Alteo (@6.00%)	500
Repayment of Bond in Alteo Agri Ltd. (@6.00%) repayable in April 2021	900
Investment in subsidiaries	100
Total	**1,500**

Repayment Terms - The Bond will be repaid out of cashflow to be received as dividend from subsidiaries.

Amount (Mur Million)	Repayment	Interest Rate (Fixed Rates)
Tranche I - 500	3 years from disbursement (May 2022)	Yr. 1-3: 4.30% p.a.
Tranche II - 500	5 years from disbursement (May 2024)	Year 1-5: 5.00% p.a.
Tranche III - 500	7 years from disbursement (May 2026)	Year 1-7: 5.35% p.a.

Consistent flow of dividends from various group companies

Pre restructuring (till April 18), Alteo was holding the land bank, doing cane cultivation and holding investment in subsidiaries. Till FY17, Alteo received dividends from various group companies engaged in different business verticals. Post restructuring, Alteo became the holding company of Alteo Agri (erstwhile Alteo Limited) which in turn was holding land bank, doing cane cultivation and holding investment in subsidiaries. By June 30, 2019, the investment in various subsidiaries will be transferred to Alteo Limited. Hence going forward, Alteo will be receiving the dividend from various companies.

Dividend Income from Companies (Mur Million)	Cluster	Dividend received			Dividend expected to be received							
		FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Alteo Energy Ltd	Energy	52.1	52.1	65.6	52.1	52.1	52.1	52.1	52.1	52.1	52.1	52.1
Consolidated Energy Co.	Energy	33.2	33.2	9.2								
Sucriere des Mascareignes	Sugar	297.4	297.4	281.4	307.4	307.3	314.1	321.4	329.4	371.3	466.2	531.6
Anahita Estates Ltd	Property	52.3	44.4					545.0				
Total		**435.1**	**427.1**	**356.2**								
Alteo Agri Ltd. (Land Bank and cane cultivation)	Sugar			203.0	0.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0
Total				**203.0**	**359.5**	**359.4**	**416.2**	**968.5**	**431.5**	**473.4**	**568.3**	**633.7**

In FY18, Alteo Agri (erstwhile Alteo Limited) received dividends from various group companies, it paid Mur 203 million of dividend to newly formed Alteo Limited.

Over last few years, 70-80% of the total dividend has been paid by Sucriere des Mascareignes Limited (SML: holding company of TPC Limited in Tanzania and Transmara Sugar company Limited in Kenya).

In FY23-24, Alteo has projected to receive Mur 435 million from Anahita estates in the form of capital reduction (share buyback by Anahita - since entire land of Anahita was transferred against shares). Going forward, the company proposes to utilize dividend received from subsidiary companies for repayment of Bond and payment of dividends.

Stable performance of dividend paying companies [SML, Alteo Energy, TPC Limited (Tanzania) and Anahita Estates Limited]; albeit envisaged losses in Alteo Agri and non-dividend paying companies during FY18 due to volatility of sugar prices in Mauritius and lower crop volume 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, sugar purchase & sell is governed by the Mauritius Sugar Syndicate (MSS; legally constituted for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act 1951). MSS buys entire sugar produced by the various mills of Mauritius and resells it to international clients. It is responsible for the marketing of sugar produced in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale after deduction of common expenses.

With abolition of European sugar quotas from 1 October 2017, the sugar prices have witnessed reduction. But MSS is in discussion with various African countries since in African market there is an overall annual deficit of more than 7 million tons.

Alteo Agri

Alteo Agri owns 15,300 hectares of land in the eastern region of Mauritius. The company cultivates sugar cane in 11,000 hectares of land. Around 80% of sugar cane produced is processed by Alteo Milling while the remainder is processed by Terra Milling. The operational and financial performance of is as under:

Particulars	FY17	FY18
Area under cane (hectare)	11,250	11,1130
Yield per Hectare - Tonne Canes (%)	78.1	80.4
Cane Harvested - Tonne Canes	800,400	759,000
Sugar Extraction	10.04%	9.59%
Sugar Produced - Tonne Canes	80,000	77,000
Sugar Price (Mur) / Tonne	15,572	10,717
Land Sales		
Area (arpent/acres)	42	255
Price (arpent/acres) Mur Million	3.5	2.5

Financials: -

Alteo Agri Ltd (MUR Million)	FY17	FY18
	Audited	
Revenue	1,078	913
EBITDA	356	78
Depreciation & Amortisation	174	148
Interest	121	117
Profit from sale of land	209	298
PBT	270	267
PAT	270	267

Alteo Agri Ltd (MUR Million)	FY17	FY18
GCA	443	259
Dividend Paid	***261***	***314***
Total Debt from banks:	1,872	2,111
Long Term	*1,751*	*1,922*
Short Term	*121*	*190*
Cash & cash equivalents	235	242
Tangible Networth	11,248	11,240
EBIDTA margin (%)	33.00	8.51
PAT margin (%)	25.05	29.23
Gearing (X)	0.17	0.19
Total Debt/EBITDA	5.26	27.18
Interest coverage	2.93	0.66

In FY18, drastic fall in sugar prices in the world market led to a 31% drop in the ex-Mauritius Sugar Syndicate (MSS) price from Mur 15,572 per tonne in FY17 to Mur 10,717 per tonne in FY18. With the sector support measures from GoM the price reached Mur 13,417 per tonne in FY18. This resulted in a turnover shortfall and lower performance of Alteo Agri.

In FY18, the company sold 255 arpent of land at Mur 2.5 million per arpent (including 198 arpent being purchased by GOM for development of new road), which boosted the company's PBT despite significant drop in EBIDTA. Accordingly, the financials witnessed lower deterioration.

However, ex-MSS prices have further dropped to Mur. 8,700 per tonne in FY19, basis which the company is expected to incur loss in FY19. But, with support from GOM and Sugar Insurance fund (for lower yield) upto Mur 2,500 per tonne and expected land sales, the losses will be lower and GCA will be positive.

Internationally, the sugar prices have started exhibiting upward trend. This coupled with discussion with MSS to increase price, Alteo's management feels that the sugar prices will be higher in FY20, which in turn will reduce losses.

In FY18, Alteo has extended a loan of Mur 500 million to Alteo Agri, utilized by the latter to repay its bond of Mur 500 million. In FY19, Alteo will raise Bond and prepay Mur 900 million bond of Alteo Agri (due in April 2021). This amount of Mur 1,400 million from Alteo will be converted to equity in FY20. This apart Alteo Agri, has Mur 300 million of intercompany loan, which will be repaid out of proceeds of the land sales. This will reduce Alteo Agri's debt from banks to Mur 414 million as on June 30, 2019.

Based on the financials, nil long-term debt repayment obligation (post repayment of Mur 900 million bond) and only short term debt to finance working capital, encouraging outlook of the sugar prices and proceeds from sale of land, the company is not expected to require any financial support from the group companies and post turnaround in the financials will be able to pay Mur 50 million dividend comfortably from FY21. This apart the company can also get support from Alteo refinery, a profit making company.

Alteo Agri has MUR 510 million of working capital limits from MCB. Avg utilization of such working capital limits were around 45-50% during last 12 months ending March 2019.

Alteo Milling

Alteo Milling Ltd (AML) operates a sugar mill with a crushing capacity of 8,500 tonnes of cane per day (TCD). The factory runs for seven months a year. The mill sources sugar cane from Alteo Agri (50%), other corporate planters (20%) and small planters (30%) from its factory area. Out of an average annual sugar production of 130,000 tonnes, 85,000 tonnes are used for refining, and 45,000 tonnes for direct consumption and premium sugars (special sugars demerara sugar). The financial performance of AML is as under:

Alteo Milling Ltd (MUR Million)	FY17	FY18
	Audited	
Revenue	583.1	494.6
EBITDA	128.9	41.8
Depreciation & Amortisation	60.4	61.9
Interest	40.0	37.7
PBT	-155.5*	-40.6
PAT	-173.6*	-33.1
GCA	70.8	28.8
Dividend Paid	***0.0***	***0.0***
Total Debt:	588.6	565.4
Long Term	*449.3*	*432.7*
Short Term	*139.3*	*132.7*
Cash & cash equivalents	1.5	0.9
Tangible Networth	391.7	344.8
EBIDTA margin (%)	22.11	8.45
PAT margin (%)	-29.77	-6.69
Gearing (X)	1.50	1.64
Total Debt/EBITDA	4.57	13.53
Interest coverage (EBITDA/Interest)	3.23	1.11

**Impairment of Investment in associate company Mur 201 million– Non cash item*

AML's production of sugar was higher at 131,000 tonnes (128,500 in FY16). However, lower special sugar production, at 45,300 tonnes and lower average premium price, contributed to lower results of the business. The company is not projected to pay any dividend. It is expected to incur cash loss in FY19, which will be supported by fund infusion from the new bond issue. However, with expected rise in sugar prices from FY20, the profitability is expected to improve and remain stable during the FY20-26.

Alteo Refining

Alteo Refinery Ltd (ARL) refines white sugar into direct consumption white sugar on behalf of the MSS as per the terms of a Refiner Services Agreement. ARL's production is marketed exclusively by the MSS. The refinery has a capacity of 170,000 tonnes per annum and produces two types of grade sugars: EEC grade II and bottler's grade sugars. It is also food safety-accredited to international standards, including BRC 7. The refinery sources its feedstock from AML, other domestic millers and imports. The financial performance of ARL is as under:

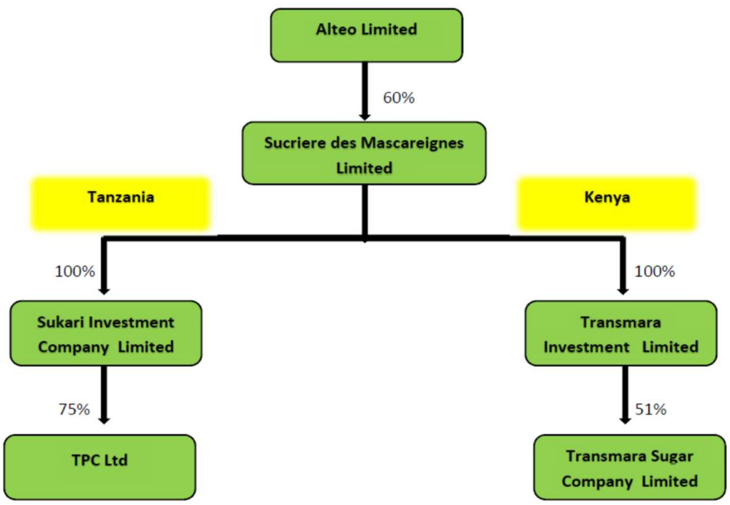
Alteo Refinery	FY17	FY18
(MUR Million)	Audited	
Revenue	415.5	368.2
EBITDA	152.4	137.7
Depreciation & Amortisation	56.4	56.5
Interest	1.4	2.2
PBT	103.0	81.3
PAT	84.0	66.2
GCA	140.4	122.7
Dividend Paid	***117.1***	***70.2***
Total Debt:	54.5	39.1
Long Term	*7.9*	*7.2*
Short Term	*46.6*	*31.9*
Cash & cash equivalents	4.2	1.9
Tangible Networth	867.0	865.2
EBIDTA margin (%)	36.67	37.39
PAT margin (%)	20.21	17.98
Gearing (X)	0.06	0.05
Total Debt/EBITDA	0.36	0.28
Interest coverage	111.22	62.85

A company with very low debt levels, the performance is expected to moderate in FY19 due to lower sugar prices. However, the same is expected to stabilize from FY20 with increase in prices. The company has not projected to pay any dividend. However, it can provide cashflow support to Alteo Agri and AML, if required. Alteo can also leverage ARL's cashflow, if required.

Kenya and Tanzania

Sucriere des Mascareignes Limited (SML)

Alteo's investment in TPC Ltd (TPC) in Tanzania and Transmara Sugar Company Ltd (TSC) in Kenya, is 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 depicted:



TPC Ltd (TPC):

TPC Ltd (TPC), is active in sugar cane growing and processing, as well as in the sale of sugar, electricity and molasses on the domestic market. TPC operates on 16,000 hectares of land, more than 8,000 hectares of which are under sugar cane cultivation. TPC is the second largest sugar mill in Tanzania (4 mills with sugar production capacity of 350,000 MT per annum). It also operates 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 of TPC sugar business is as under:

Particulars	**FY16**	**FY17**	**FY18**
	Actual		
Installed Capacity (TCD)	4,000	4,300	4,300
Actual Crushing (in MT)	974,805	1,057,258	944,816
Capacity Utilisation	87%	84%	81%
Sugar Production (in MT)	95,497	110,501	93,577
Sugar Recovery	9.80%	10.45%	9.90%
Average Realisation (USD/Tonne)	760	765	765
Average Cost of production (incl. interest) (USD/Tonne)	450	460	465

Financials: -

TPC Limited (MUR Million) *	**FY17**	**FY18**
	Audited	
Revenue	2,820	2,982
EBITDA	2,011	1,989
Depreciation & Amortisation	140	154
Interest	23	20
PBT	1,476	1,425
PAT	990	944
GCA	1,068	928
Dividend Paid	***731***	***810***
Total Debt:	106	253
Long Term	106	68
Short Term	0	185
Cash & cash equivalents	61	20
Tangible Networth	2,217	2,402
EBIDTA margin (%)	71.31	66.71
PAT margin (%)	35.11	31.67
Gearing (X)	0.05	0.11
Total Debt/EBITDA	0.05	0.13
Interest coverage	88.33	101.87

**TPC Annual Accounts is in Tanzanian Shilling. Converted to Mur at 1 Tsz = 0.015 Mur*

TPC continued its stable performance, recording a growth of 3% in turnover in FY18, boosted by the sale of 11,500 tonnes of imported sugar. However, there was a marginal fall in PAT, as sales of locally produced sugar dropped from 109,500 MT in FY17, to 93,600 MT in FY18 (shorter harvest season due to installation of a new continuous vacuum pan and long-term mean rainfall affected cane supply).

The company has low debt and proposes to borrow in FY19 and FY21 for scheduled maintenance. Post FY23, the company proposes to repay debt.

Transmara Sugar Company Ltd (Transmara)

Transmara operates a 3,500 TCD sugar mill in Kenya's Transmara region and supplies to the domestic sugar market. It also markets sugar cane by-products including molasses and bagasse briquettes. Transmara sources its sugar cane entirely from out-growers located within a 30-Km radius of its factory. Transmara is the fifth largest sugar mill in Kenya (10 mills with sugar production of 592,000 MT per annum).

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

Particulars	FY16	FY17	FY18
	Actual		
Installed Capacity (TCD)	4,000	4,000	4,000
Actual Crushing (in MT)	628,510	618,830	577,506
Capacity Utilisation	50%	49%	46%
Sugar Production (in MT)	66,186	64,097	54,712
Sugar Recovery	10.53%	10.36%	9.47%
Average Realisation (USD/Tonne)	900	700	680
Average Cost of production (incl. interest) (USD/Tonne)	700	760	760

Financials: -

(MUR Million)*	FY17	6MFY18 $
Revenue	1,208.2	702.5
EBITDA	112.5	-5.0
Depreciation	169.6	84.0
Interest	168.5	82.8
PBT	-404.8	-285.8
PAT	-266.5	-208.6
GCA	-85.3	-118.3
Dividend Paid/Proposed	***0.0***	***0.0***
Total Debt:	1,240.6	1,291.9
Long Term	884.8	974.1
Short Term	355.9	317.9
Cash & cash equivalents	1.8	2.3
Tangible Networth	441.6	153.4
EBIDTA margin (%)	9.31	-0.71
PAT margin (%)	-22.06	-29.70
Gearing (X)	2.81	8.42
Total Debt/EBITDA	11.03	-257.27
Interest coverage	0.67	-0.06

**Transmara Annual Report is in Kenyan Shilling. Converted to Mur at 1 Ksh = 0.35 Mur*

$ Transmara changed Financial year ending from December to June in FY18 to align with group Financial Year ending

TSC had a challenging year in FY18, as it was affected by lower availability of sugar cane due to limited sugar cane development by farmers till FY15. Pre-acquisition by Alteo group, the mill was struggling to keep pace with the sugar cane supply, and mature cane was accumulating in the fields. This resulted in a frustrated out-grower community, which was unwilling to commit to more development at the time.

Sugar production was further affected by a decrease in overall recovery from 10.36% to 9.50%, as the average age of cane declined over the period under review. Consequently, production reached 54,700 tonnes in FY18.

Higher imports in FY17 and FY18 translated into a 23% price drop on the domestic market (USD 900 per tonne to USD 700 per tonne in FY18), which persisted during the larger part of the year. This resulted in loss in FY17 and FY18.

Outlook: During the year under review, the company achieved its target of developing 3,490 hectares of new cane and replanting 985 hectares, adding up to a total of 4,475 hectares planted. These levels of new cane development are promising and depicts rising of farmers' confidence in the company. This coupled with higher sugar prices in FY18-19, helped the company to lower its losses in 9MFY19.

Following the significant efforts put into cane development, an enhanced sugar cane availability is expected to be beneficial to TSC in the forthcoming financial year. The factory performance observed in the new season is encouraging, with a considerable increase in the volume crushed.

TSC is not expected to pay dividend in future years. The management feels that based on current cane replantation; capacity utilization to increase which in turn will reduce per ton milling cost. This apart sugar prices are expected to remain firm. Based on this, the management is expected to achieve stable profitability in future years, which will enable the company to repay its debt in a phased manner and pay dividend, if required. However, in no scenario the management feels the company will require support from the group.

Financial Performance of Sucriere des Mascareignes Limited (SML)

SML is an investment company with only source of income being dividend received from TPC and management fees (Mur 100-150 million) received from TPC and TSC (for providing management services) and major cost being administrative expenses (Mur 50-70 million) and bank charges for Mur 1.3 billion (USD 35 million) loan availed for acquisition of TSC. The past financials of the company are as under:

SML (MUR Million)	FY17	FY18
	Actual	
Total Income	696.7	732.7
Adjusted EBITDA	623.4	675.7
Depreciation & Amort.	0.0	0.0
Interest	47.5	65.8
PBT	575.9	609.9
PAT	545.0	581.7
GCA	545.0	581.7
Dividend Paid/Proposed	***500.5***	***483.0***
Total Debt:	766.5	1,228.8
Long Term	*766.5*	*1,116.5*
Short Term	*0.0*	*112.3*
Cash & cash equivalents	18.4	29.2
Tangible Networth	1,272.6	1,371.1
EBIDTA margin (%)	89.47	92.22

SML (MUR Million)	FY17	FY18
PAT margin (%)	78.21	79.39
Gearing (X)	0.60	0.90
Total Debt/EBITDA	1.23	1.82
Interest coverage	13.13	10.27

SML's performance is dependent on the dividend payment ability of TPC. The company has been paying majority of its profit as dividend and will be doing so in projected period. However, a part of the cash will be utilized to repay debt.

In March 2019, MCB has sanctioned USD 37 million of term loan (Mur 1,319 million @35.6) 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.

The financial parameters are expected remain comfortable during the projected period.

Energy Cluster

Alteo's Energy cluster is engaged in production of power from bagasse and coal. The main companies are:

Company	Country	Alteo's stake	Energy Capacity	Power Exports to National grid
Alteo Energy Ltd	Mauritius	65.1%	41 MW	160 GWh
Consolidated Energy Co. Ltd*	Mauritius	44.4%	28 MW	-
TPC Limited$$	Tanzania	45%	5 MW	20GWh

**Operations closed since December 2018*

$$ For Financial reporting purposes, activity is aggregated with sugar operations

Alteo Energy Ltd (AEL) operates a 41 MW biomass/coal power plant and supplies steam and electricity to Alteo's sugar mill and refinery, and exports an annual average of 160 GWh to the national grid. It generates more than half of its production from bagasse and cane trash (sugar cane by-products which are renewable sources of energy). For last 5 years, AEL's power plant has operated at an average PLF of 85-90%.

AEL had renewed its Power Purchase Agreement with Central Electricity Board (CEB) in December 2018 for next 3 years:

	Bagasse	Coal
FY18	Mur 4.12/Kwh	Mur 4.32/Kwh
FY19-FY23	Mur 2.80 /Kwh	Mur 4.45 /Kwh (based on USD 113 per tonne) Mur/KWh will depend on international coal price; coal cost will be a pass through during this period

The financial performance of AEL is as under:

Alteo Energy Ltd (MUR Million)	FY17	FY18
Total Kilowatt exported (Million)	**180.0**	**168.0**
Average Price (MUR/KWh)	**3.83**	**4.28**
Revenue	689.3	719.5
EBITDA	140.0	147.1
Depreciation & Amortisation	62.5	56.7
Interest	9.2	7.2

Alteo Energy Ltd (MUR Million)	FY17	FY18
PBT	-129.5	87.8
PAT	-139.0	73.2
GCA	124.7*	129.9
Dividend Paid/	***80.0***	***101.5***
Total Debt:	154.0	71.2
Long Term	*90.1*	*61.1*
Short Term	*63.9*	*10.2*
Cash & cash equivalents	14.3	0.9
Tangible Networth	287.3	260.9
EBIDTA margin (%)	20.31	20.44
PAT margin (%)	NM	10.18
Gearing (X)	0.54	0.27
Total Debt/EBITDA	1.10	0.48
EBITDA coverage (EBITDA/Interest)	15.30	20.48

**Impairment of investment of Mur 201 million*

In FY18, AEL recorded a higher turnover and profitability, mainly driven by a higher average tariff and an increased bagasse availability during the year under review. This satisfactory performance was achieved despite suffering from a lower energy demand and increasing coal prices. Production fell from 193 GWh in FY17 to 182 GWh in FY18, due to a lower consumption by Alteo Refinery. Availability of the plant was 99.6% in FY18.

AEL is an almost debt free company with good track record of power generation and PPA signed with CEB. Accordingly, AEL is well placed to pay dividends to Alteo in projected period.

Property Cluster - Anahita Estates Limited (AEL)

Alteo's Property cluster is engaged in development of resorts under the Integrated Resorts Scheme (IRS) introduced in 2002 by Govt. of Mauritius to facilitate acquisition of freehold land and property in Mauritius by foreign nationals. 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 hectors (526 arpent) of land AEL against shares, with the condition that the land value to be re-paid in cash on completion of the project.

AEL, main company in property cluster, 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 in front of the sea. AEL has successfully positioned itself as one of Mauritius' best-known and most highly-regarded IRS developments.

AEL has sold approximately 85% of the project (available units), and has secured reservations with deposits for 12 plots of serviced land and 4 off-plan villa (out of 15 plots and 8 villas to be sold in FY19). A significant proportion of sales in the recent years has been to existing homeowners or their acquaintances

(French, Swiss and Belgium), indicating a high level of client satisfaction. Also as per management existing home owners have been able to resell their existing villas at a premium of 25-35% in a span of 3-4 years, which has created interested among their friend and relatives. The operational & financial performance of AEL is as under:

Anahita Estates Limited (MUR Million)	**FY17**	**FY18**
	Audited	
Villas to be sold		**5**
Avg Rates per villa (Mur Million)		**120**
Land plots to be sold		**13**
Avg. rates per arpent (acres)		**60**
Revenue	394.8	469.4
EBITDA	207.8	330.7
Depreciation & Amortisation	249.8	241.7
Interest	46.2	48.5
PBT	-79.5	59.1
PAT	-79.5	77.2
GCA	170.3	318.9
Dividend Paid/Proposed	***52.3***	***44.4***
Total Debt:	528.3	904.3
Long Term	*230.4*	*615.0*
Short Term	*297.9*	*289.3*
Cash & cash equivalents	1.7	57.6
Tangible Networth	691.7	756.3
EBITDA margin (%)	52.63	70.44
PAT margin (%)	NM	16.44
Gearing (X)	0.76	1.20
Total Debt/EBITDA	2.54	2.73
Interest coverage	NM	1.83
EBITDA coverage (EBITDA/Interest)	4.50	6.82

Turnover comprises two elements- Revenue recognised in relation to the progress of construction works on villas sold off-plan and revenue recognised upon the sale of plots of serviced land, (deeds of sale have been signed during the year and 20% 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 FY18, financials were positively impacted by the sale of 5 villas and 13 plots of serviced land, compared to the previous year (FY17) during which no sale was achieved (due to nil inventory since the company was developing infrastructure on last phase of the estate) and the operating results were based on the progress of construction works on various units within the estate. Presently, five villas and four duplexes are under construction. AEL further benefitted from higher net foreign exchange gains and deferred tax credits. The company has received firm interest from prospective buyers for 6 villas and 10 plots of land.

In FY18, the company repaid its long-term debt of Mur 230 million and availed fresh term loan of Mur 615 million from MCB for development of infrastructure in the last phase of the project and construction of villas against booking from customers. The loan is repayable in April 2022, with early repayment option in April 2020. The company also has overdraft facility of Mur 400 million with banks.

OUTLOOK

The rate of sales and firm reservations for Anahita's land parcels is encouraging with deposits already received for the 12 plots of serviced land and 4 villas. AEL has received firm interest from prospective buyers for 6 villas and 10 plots of land. The deals are expected to be concluded by June 2019 post which the company has to commence construction of villas.

With the recent dynamism created by the development of new architectural concepts by Architects Studio and Macbeth Architects, it is expected that the rate of reservations will strengthen further in the coming months.

INDUSTRY RISK

SUGAR Sector

Mauritius

Sugarcane is presently cultivated on 72,000 hectares, representing 85% of the cultivable land in Mauritius. According to the Mauritius Sugarcane Industry Research Institute (MSIRI), over 500,000 tons of sugar is manufactured by more than 10 sugar factories in Mauritius annually. Most of the sugar in Mauritius generate around 30 kWh surplus electricity per ton of sugarcane by products such as wet bagasse and dried fibers. Domestic consumption of sugar is about 40,000 tonnes per year. Sugar industry contributes to around 5% of the total GDP of the country. The success of the sugar industry in Mauritius was due to the preferential trade agreements with UK and European Union (EU). However, Sugar production quotas for the European Union market were abolished as from September 30, 2017. Post abolition of European sugar quotas from October 2017, the sugar prices have witnessed reduction.

In October 2017, GOM requested the Sugar Insurance Fund Board (SIFB) to provide an assistance of Rs 1,250 per tonne to all producers. Secondly, it waived the global cess payable to the Mauritius Cane Industry Authority (MCIA). In addition to the measures introduced by the Government, the Mauritius Sugar Syndicate (MSS) contracted loans to provide a further support of Mur 1,250 per tonne to all producers.

In September 2018, the Government decided, in respect of 2018 crop sugars, to provide support to sugar cane planters in the form of a renewed assistance of Mur.1,250 per tonne from the SIFB and an additional remuneration for bagasse of Rs.1,250 per tonne of sugar, thus bringing the revenue accruing from bagasse to Rs 2,500 for small planters and Rs 1,700 for other planters.

The world market and the EU market should continue to influence the Mauritian sugar operations unfavourably in the short to medium term. At industry level, a technical committee has been set up to recommend sustainable revenue enhancing measures and cost base reforms to Government.

Tanzania

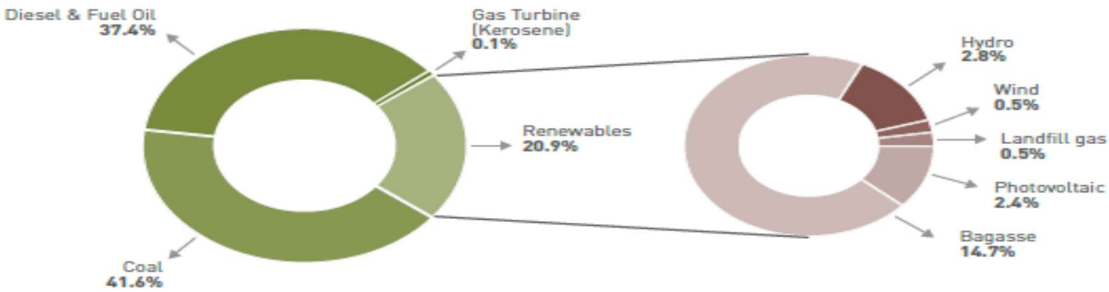
Tanzania is a sugar deficit market, with total demand of 570,000 MT p.a. vis-à-vis production of 350,000 MT per annum. Imports are regulated by Govt. of Tanzania via tariff and non-tariff barriers. The deficit sugar was imported by 4 mills, with Govt. approval. The market price of sugar is stable at USD 750 per MT. 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.

Energy Sector in Mauritius:

Central Electricity Board (CEB), which falls under the aegis of the Ministry of Energy and Public Utilities, is the sole agency for transmission, distribution, and sale of electricity in Mauritius. CEB currently produces 40% of the country's total power requirement from 4 thermal power stations and 8 hydroelectric plants. 60% is purchased from IPPs (private generators from sugarcane industry using bagasse and imported coal).

GoM has announced plans to increase use of renewable sources of energy for electricity generation from the current 21% percent to 35% by 2025. It aims to do this through wind farms, solar energy, biomass and waste-to-energy projects. Bagasse (sugarcane waste) remains the key source of renewable energy (89%).

In 2017, total electricity generated in Mauritius increased by 3.8% as compared to previous year. For reference, of the energy produced and consumed in Mauritius in 2017, 37.5% was generated from petroleum products, 41.6% from coal and 20.9% from renewables, of which 14.7% was from bagasse and 2.4% from photovoltaic farms. 60% of the total electricity produced in Mauritius was generated by Independent Power Producers (IPPs like Alteo), and the remaining by the Central Electricity Board.



Comfortable financial performance with low overall gearing and satisfactory debt coverage indicators

Consolidated: At the consolidated level, group's turnover and EBITDA fell by 8% and 32% respectively, driven mainly by an unfavourable sugar price environment in Mauritius and Kenya, combined with a reduced sugar cane availability in Kenya. However, Tanzanian operation performed very well, with a total production of sugar of 93,577 tonnes during the period under review.

Energy cluster posted a stable profitability, while Property cluster achieved a commendable performance with significant sales revenue recognition in FY18. The Group profit after tax was enhanced by gains on the disposal of land.

The projected profitability is expected to be driven by stable performance of sugar in Tanzania and turnaround in performance in Kenya, with stable performance of energy cluster and better performance in property cluster. However, sugar prices in Mauritius is still a concern.

Interest coverage and total debt/EBIDTA was comfortable and is expected to improve with steady repayment of debt in different subsidiaries. Gearing is expected to remain below 0.50x during the projected period.

Standalone: Till April 2018 (pre restructuring), Alteo was holding land bank, doing cane cultivation and holding investment in subsidiaries. Accordingly, till FY17 the revenue consisted of income from sale of sugar cane, molasses and dividend from various group companies engaged in different business verticals. Post restructuring, Alteo became the holding company of Alteo Agri which in turn is holding land bank, doing cane cultivation and holding investment in subsidiaries. In FY18, Alteo Agri received dividend from various subsidiaries and paid dividend of Mur 203 million to newly formed Alteo. The investment in various subsidiaries are being transferred to Alteo. Hence going forward, Alteo will be receiving the dividend from various companies.

Going forward, dividend from SML is expected to increase with better performance of TPC and excess cash in SML being (post debt repayment) utilized to pay dividend in future years. In FY22, Anahita is expected to pay dividend post completion of its projects. In FY23-24, Alteo will receive Mur 435 million from Anahita estates in the form of capital reduction (share buyback by Anahita - since entire land of Anahita was transferred against shares).

Alteo Energy is a consistent dividend paying company and with steady operational performance and confirmed PPA, the dividend payment in future years is expected to remain stable.

Alteo Agri is currently passing through a difficult phase with subdued financial performance in FY19. However, with expected improvement in sugar prices in Mauritius and steady revenue from land sales, the company is expected to pay dividend from FY21 onwards.

FINANCIAL PERFORMANCE
Standalone Financials

MUR Million

	Alteo Limited- (pre – restructuring)		Alteo Limited- Post-restructuring
For the year ended as on	**Jun-16**	**Jun-17**	**Jun-18**
	12M	**12M**	**12M**
Revenue	1037.6	1077.6	203.0
Total Income	1658.5	1661.5	203.0
EBIDTA	378.0	382.3	203.0
Depreciation	198.5	202.5	0.0
Interest	134.3	121.2	0.0
PBT	159.6	314.6	203.0
PAT	201.3	315.0	203.0
Gross Cash Accruals (GCA)	399.8	517.5	203.0
Dividend paid/proposed	254.8	261.2	137.0
Financial Position			
Equity share capital	8,991.6	8,991.6	21,855.1
Tangible networth	10,999.8	11,077.3	10,917.5
Total debt	2146.3	1872.1	500.0
- Long term debt	1,990.2	1,751.3	0.0
- Short term debt	156.1	120.8	500.0
Cash & Bank balances	30.1	202.8	0.0
Key Ratios			
Profitability (%)			
EBIDTA / Total income	22.79	23.01	100.00
PAT / Total income	12.14	18.96	100.00
ROCE- operating (%)	1.30	1.30	1.61
RONW (%)	1.83	2.85	1.85
Solvency			
Long Term			
Long term debt equity ratio	0.18	0.16	0.05
Overall gearing ratio	0.20	0.17	0.05
Interest coverage	2.81	3.16	NM
Total Debt/ Gross Cash Accruals	5.37	3.62	2.46
Total Debt/ EBITDA	5.68	4.90	2.46

Consolidated financial performance of Alteo group

MUR Million

For the year ended as on	Jun-16	Jun-17	Jun-18	Dec 2018	Dec 2019
		(Audited)		H1FY18	H1FY19
	12M	12M	12M	6M	6M
Revenue	7,850	8,929	8,176		
Total Income	8,097	9,232	8,645	4,528	5,105
EBITDA	2,226	2,846	1,957	1,502	1,178
Depreciation	801	825	804		
Interest	417	450	480	224	260
PBT	1,231	1,685	1,174		
PAT	800	988	702	592	295
Gross Cash Accruals (GCA)	1,602	1,813	1,507		
Dividend paid/proposed	716	732	686		
Financial Position					
Equity share capital	8,992	8,992	21,855		
Tangible networth	13,856	14,139	24,910		
Total debt	5,851	5,491	6,590	6,069	6,809
- Long term debt	4,879	4,441	5,250		
- Short term debt	972	1,050	1,340		
Cash & Bank balances	284	430	369		
Key Ratios					
Profitability (%)					
EBITDA/Total income (%)	27.49	30.83	22.64		
PAT/Total income (%)	9.89	10.70	8.13		
ROCE- operating (%)	6.49	9.19	4.12		
RONW (%)	5.78	7.06	3.60		
Solvency					
Long term debt equity ratio	0.35	0.31	0.21		
Overall gearing ratio	0.42	0.39	0.26	0.31	0.36
Interest coverage	5.34	6.32	4.08	6.7	4.5
Total Debt/ Gross Cash Accruals	3.65	3.03	4.37		
Total Debt/ EBITDA	2.63	1.93	3.37	2.0	2.8
Current ratio	1.65	1.65	1.77		

In H1FY19, the group revenue increased by 13% due to higher sales achieved by the Kenyan sugar operations and the Property cluster. However, EBITDA and PAT dropped by 18% and 50% respectively as the Mauritian sugar operations remained under pressure in a declining price environment. The adverse performance of the Sugar cluster was mitigated to some extent by the improved results of the Energy and Property clusters.

Adjustments

1. Tangible networth is calculated by netting off revaluation reserve and intangible assets from total equity.
2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networth.
4. Total Income includes revenue from others (Management fees/Interest Income, rental income, etc.)

Details of Instrument

Details of proposed Bond Issue

Instrument	Amount (Mur Million)	Repayment (Mur Million)
Long term Bond	1,500	3rd year – 500 (May 2022) 5th year – 500 (May 2024) 7th year – 500 (May 2026)

Disclaimer

CARE Rating (Africa) Private Limited (CRAF)'s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security or to invest in or withdraw funds from deposits. CRAF has based its ratings/outlook 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/deposit programme.

In case of partnership/proprietary concerns, the rating/outlook assigned by CRAF is 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.