Miwa Sugar Limited

19 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Promissory Notes Issue	950	**CARE MAU A; Stable (Single A; Outlook Stable)**	**Assigned**
Total	**950**		

Rating Rationale

The rating assigned to the promissory notes issue of Miwa Sugar Limited 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.

Rating Sensitivities

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

BACKGROUND

Miwa Sugar Limited ("Miwa Sugar") was incorporated in October 2022 as the ultimate holding company of the East African businesses which were previously under Alteo Limited (CARE MAU A (SO); Stable).

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

Alteo Limited ("Alteo"), incorporated on 13 September 2017, is a listed investment & holding company which with its subsidiary companies, form the Alteo Group. Since its inception, the 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 which is involved in electricity production in Mauritius and Tanzania and (iii) the Property cluster which promotes, develops, and sells villas in Mauritius.

The structure of the Alteo Group since its inception was as follows:

In May 2019, Alteo made a bond issue of MUR 1,500 million. Part of the proceeds were utilized to repay existing debt in Alteo and the rest were invested into the subsidiary, Alteo Milling Ltd. At 30 June 2022, the outstanding amount of the bond issue was MUR 950 million.

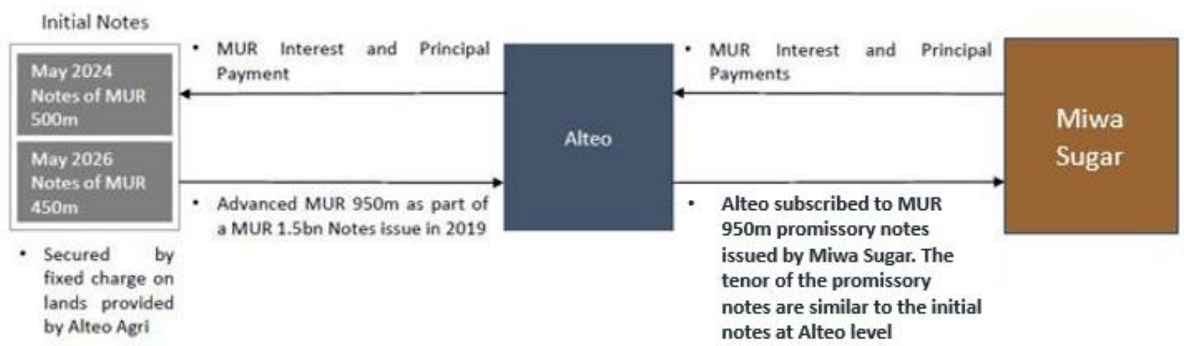
Split between Mauritian and East African operations

SML is the holding company for the East African subsidiaries namely, TPC Limited and TSCL. The stakes held by SML into these two companies are 75% and 68.92% respectively.

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

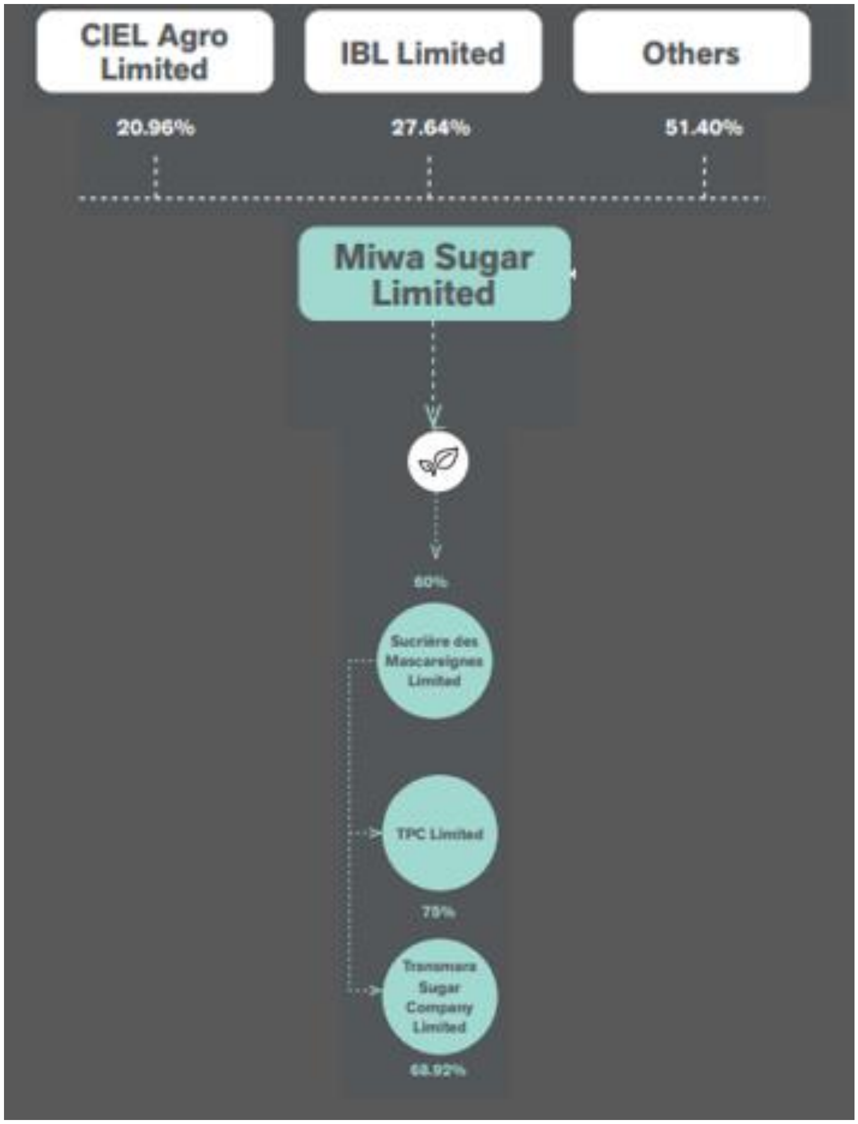
As part of the consideration for the acquisition of SML, Miwa Sugar has issued Promissory Notes aggregating to MUR 950 million which have been fully subscribed by Alteo. The tenor and repayment terms of the promissory notes are similar to those of the existing notes at Alteo level as shown below:

	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	950	500	27 May 2024
			450	27 May 2026



Miwa Sugar Limited

Miwa Sugar owns a 60% stake in SML, the holding company which in turn controls 75% of TPC and 68.92% of TSCL. The structure of Miwa Sugar and its subsidiaries is given below:



Miwa Sugar is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius and it has a shareholding pattern similar to that of Alteo Limited.

Details of Rated Instrument

1. **Promissory Notes Issue**

Instrument	Amount (MUR Million)	Interest Rate	Repayment
Promissory Notes Issue	350.50	5.40%	27 May 2024
	149.50	5.25%	27 May 2024
	300	5.75%	27 May 2026
	150	5.60%	27 May 2026
Total	**950**		

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.

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 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.