**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

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

**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).

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.

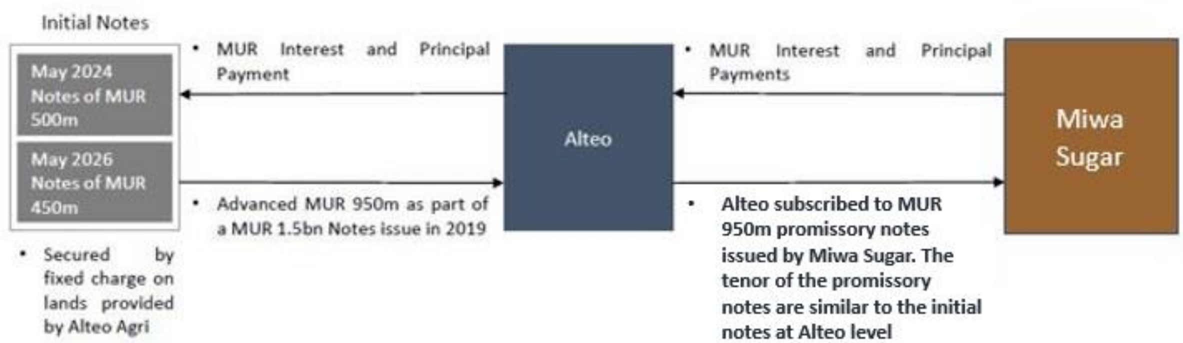
**Split between Mauritian and East African operations**

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:

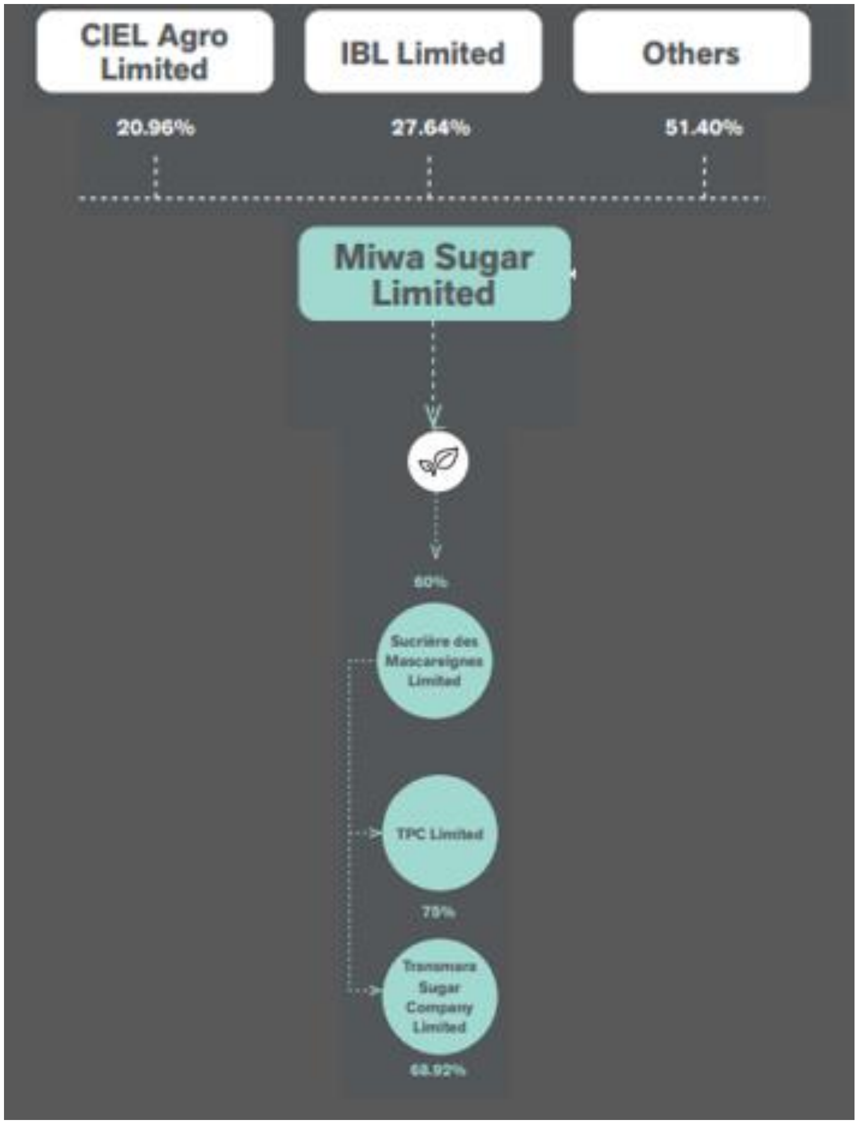

As part of the consideration for the acquisition of SML, Miwa Sugar has issued Promissory Notes aggregating to MUR 950 million which have been fully subscribed by Alteo. The tenor and repayment terms of the promissory notes are similar to those of the existing notes at Alteo level as shown below:

| | 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.

**CREDIT RISK ASSESSMENT**

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

CIEL Limited (rated CARE MAU AA-; Stable/ CARE MAU A1+) is one of the largest business groups in Mauritius with total assets base of MUR 101,639 million as at 30 September 2022. The Group has its activities spanning across six business sectors namely, Healthcare, Textile, Hospitality, financial services, agriculture and property development/management, extending over 11 other countries in Africa, India and the Indian Ocean.

IBL Ltd is another leading conglomerate in Mauritius with activities across several sectors including Commercial & Distribution, Building & Civil Engineering, Hospitality services and Financial Services, amongst others. At 30 September 2022, IBL Limited had total assets base of MUR 80,643 million.

Miwa Sugar is headed by a strong board of directors comprising of seasoned professionals and the most influential business leaders in Mauritius. The board is chaired by Mr. Arnaud Lagesse, the CEO of IBL Ltd. The effective running of the day-to-day activities and the strategic development of the Company are conferred to the CEO Mr. Stéphane Isautier.

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

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

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

**Summary of financials for TPC Limited**

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| Revenue | 3,283 | 3,591 | 3,949 | 4,464 |
| EBITDA | 1,796 | 2,150 | 2,421 | 2,656 |
| Depreciation & Amortisation | 125 | 160 | 175 | 195 |
| Interest Expense | 48 | 59 | 76 | 95 |
| Other Income | - | - | 21 | 36 |
| Non-Operating gains | - | - | 306 | 181 |
| PBT | 1,202 | 1,424 | 1,882 | 1,978 |
| PAT | 822 | 992 | 1,287 | 1,327 |
| GCA | 984 | 1,186 | 1,463 | 1,522 |
| Dividend Paid/Proposed | 888 | 1,083 | 1,141 | 1,197 |
| Total Debt | 458 | 1,002 | 981 | 1,234 |

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| *Long Term* | *348* | *574* | *518* | *525* |
| *Short Term* | *110* | *429* | *462* | *709* |
| Cash & cash equivalents | 47 | 59 | 25 | 100 |
| Tangible Networth | 2,343 | 2,736 | 2,923 | 3,156 |
| EBIDTA margin (%) | 54.70 | 59.86 | 61.30 | 59.51 |
| PAT margin (%) | 25.04 | 27.62 | 32.60 | 29.74 |
| Gearing (times) | 0.20 | 0.37 | 0.34 | 0.39 |
| Total Debt/EBITDA (times) | 0.26 | 0.47 | 0.41 | 0.45 |
| Interest coverage (times) | 34.87 | 33.82 | 31.86 | 27.87 |

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

**Transmara Sugar Company Limited ("TSCL")**

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

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

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

**Summary of financial performance for TSCL**

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| Revenue | 2,051 | 2,113 | 2,837 | 3,148 |
| EBITDA | 403 | 142 | 685 | 696 |
| Depreciation & Amortisation | 165 | 194 | 211 | 198 |
| Interest | 158 | 195 | 182 | 153 |
| Other Income | - | - | 38 | 32 |
| Operating expenses | - | - | 315 | 308 |
| Movement in ECL | - | - | 11 | 10 |
| Profit/(Loss) before Tax | (139) | (314) | 26 | 79 |
| Profit/ (Loss) after Tax | (164) | (358) | (32) | 13 |
| GCA | 1 | (164) | 179 | 201 |
| Dividend Paid/Proposed | - | - | - | - |
| Total Debt | 1,263 | 1,195 | 1,590 | 1,307 |
| *Long Term* | 977 | 810 | 652 | 493 |
| *Short Term* | 287 | 384 | 938 | 814 |
| Cash & cash equivalents | 5 | 4 | 5 | 2 |
| Tangible Networth | 711 | 467 | 524 | 513 |
| EBIDTA margin (%) | 19.64 | 6.71 | 24.15 | 22.12 |

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| PAT margin (%) | - | - | - | 0.42 |
| Gearing (times) | 1.78 | 2.56 | 3.03 | 2.55 |
| Total Debt/EBITDA (times) | 3.14 | 8.42 | 2.32 | 1.88 |
| Interest coverage (times) (EBITDA/Interest) | 2.55 | 0.73 | 3.77 | 4.54 |

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

**Sucrière des Mascareignes Limited ("SML")**

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

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

**Summary of financial performance for SML (Standalone)**

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| Revenue | 736 | 841 | 966 | 1,048 |
| Total Income | 736 | 841 | 966 | 1,048 |
| EBIDTA | 672 | 767 | 890 | 956 |
| Depreciation | - | - | - | 1 |
| Interest | 95 | 94 | 70 | 74 |
| PBT | 577 | 675 | 826 | 888 |
| PAT | 550 | 646 | 789 | 849 |
| Gross Cash Accruals (GCA) | 550 | 644 | 784 | 849 |
| Dividend paid/proposed | 525 | 516 | 521 | 660 |
| **Financial Position** | | | | |
| Equity share capital | 1,014 | 1,128 | 1,231 | 1,314 |
| Tangible networth | 1,396 | 1,684 | 2,106 | 2,525 |
| Total debt | 1,436 | 1,532 | 1,407 | 1,705 |
| - Long term debt | 1,278 | 1,326 | 1,355 | 1,512 |
| - Short term debt | 158 | 205 | 52 | 193 |
| Cash & Bank balances | 2 | 8 | 81 | 87 |
| **Key Ratios** | | | | |
| ***Profitability (%)*** | | | | |
| EBIDTA margin (%) | 91.31 | 91.15 | 92.16 | 91.26 |
| PAT margin (%) | 74.75 | 76.84 | 81.75 | 80.97 |
| ROCE- operating (%) | N/A | 25.35 | 13.24 | 8.85 |
| RONW (%) | N/A | 41.96 | 41.65 | 37.97 |
| ***Solvency*** | | | | |
| Long term debt equity (times) | 0.91 | 0.79 | 0.64 | 0.60 |
| Overall gearing (times) | 1.03 | 0.91 | 0.67 | 0.68 |
| Interest coverage (times) | 7.04 | 8.14 | 12.79 | 12.98 |
| Total Debt/ GCA (times) | 2.61 | 2.38 | 1.79 | 1.94 |
| Total Debt/ EBITDA (times) | 2.14 | 2.00 | 1.58 | 1.72 |

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



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

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

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

**Summary of financial performance for SML (Consolidated)**

| Year ended/ as on 30 June | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|
| | MUR million | | | |
| Total Income | 5,412 | 5,327 | 6,800 | 8,109 |
| EBITDA | 1,679 | 1,627 | 2,426 | 2,908 |
| Depreciation | 351 | 397 | 473 | 532 |
| Interest | 306 | 333 | 327 | 361 |
| PBT | 1,055 | 999 | 1,971 | 2,252 |
| PAT | 602 | 453 | 1,167 | 1,274 |
| Gross Cash Accruals (GCA) | 954 | 850 | 1,640 | 1,806 |
| Dividend paid/proposed | 691 | 832 | 906 | 857 |
| **Financial Position** | | | | |
| Equity share capital | 1,314 | 1,314 | 1,314 | 1,314 |
| Tangible networth | 1,815 | 1,627 | 2,185 | 2,201 |
| Total debt | 3,170 | 3,988 | 3,962 | 4,294 |
| - Long term debt | 2,380 | 2,468 | 2,517 | 2,519 |
| - Short term debt | 790 | 1,520 | 1,445 | 1,775 |
| Cash & Bank balances | 62 | 479 | 116 | 224 |
| **Key Ratios** | | | | |
| ***Profitability (%)*** | | | | |
| EBITDA margin (%) | 31.01 | 30.54 | 35.67 | 35.87 |
| PAT margin (%) | 11.13 | 8.50 | 17.17 | 15.71 |
| Interest Coverage (times) | 5.48 | 4.88 | 7.43 | 8.05 |
| ROCE- operating (%) | - | 19.40 | 27.50 | 30.57 |
| RONW (%) | - | 26.31 | 61.23 | 58.10 |
| ***Solvency*** | | | | |
| Long term debt equity ratio (times) | 1.31 | 1.52 | 1.15 | 1.14 |
| Overall gearing ratio (times) | 1.75 | 2.45 | 1.81 | 1.95 |
| Total Debt/ GCA (times) | 3.32 | 4.69 | 2.42 | 2.38 |
| Total Debt/ EBITDA (times) | 1.89 | 2.45 | 1.63 | 1.48 |

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

**Summary of financial performance for Miwa Sugar Limited**

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

**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.

## Contact us

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**About CARE Ratings (Africa) Private Limited:**
CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.
CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.
CRAF’s Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.
CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.