

Alteo Limited ("Alteo")
CRAF has assigned CARE MAU A (Stable) ratings to the bond issue of Alteo Limited
 23 May 2019

Ratings

Instrument	Amount (Mur Million)	Rating ¹	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

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

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.

In FY18 (July 1 – June 30), Alteo on a standalone level posted a PAT of MUR 203 million. At a consolidated level, Alteo posted a PAT of MUR 702 million (MUR 988 million in FY17) on a turnover of MUR 8,176 million in FY18 (MUR 8,929 million in FY17). Interest coverage was 4.08x during FY18. Overall gearing was 0.25x as on June 30, 2018. In H1FY19, Alteo at the consolidated level achieved an EBIDTA of MUR 1,178 million (MUR 1,502 million in H1FY18) on a turnover of MUR 5,105 million (MUR 4,528 million in H1FY18).

Disclaimer

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Annexure I

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.