

Alteo Limited

27 May 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Bond Issue	1,450 (One Thousand Four Hundred and Fifty only))	CARE MAU A (CWD) (Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications

Detailed Rationale & Key Rating Drivers

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 the company'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

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

BACKGROUND

Alteo Limited ("Alteo"), incorporated on 13 September 2017, is a listed investment & holding company which with its subsidiary companies, form the Alteo Group ("The Group"). Alteo Limited 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.

Alteo is a professionally managed company. It is governed by an 11-member Board of Directors comprising 8 Non-Executive Directors, 1 Executive Director and 2 Independent Non-Executive Directors including a number of eminent industrialists and professionals.

In FY21 (July 1 – June 30), Alteo (Standalone) posted a PAT of Mur 272 million on a total Income of Mur 475 million. At a consolidated level, Alteo posted a PAT of MUR 1,864 million (Mur 222 million for FY20) on a total income of MUR 9,549 million (MUR 8,287 million in FY20). Overall gearing was 0.44x as at 30 June, 2021. In 9MFY22, Alteo at the consolidated level achieved a PAT of MUR 1,889 million (MUR 1,459 million in 9MFY21) on a total income of MUR 9,127 million (MUR 7,518 million in 9MFY21).

Disclaimer

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Annexure II

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.