Miwa Sugar Limited
03 April 2024

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Promissory Notes Issue	**950**	**CARE MAU A; Stable**	Reaffirmed
Total	**950**		

Rating Rationale

The rating assigned to the promissory notes issue of Miwa Sugar Limited continue to derive strength from the stable performance of the operating companies mainly the Tanzanian operations under TPC Limited ("TPC"), contributing to more than 80% of the group profitability, comfortable revenue and profitability, steady debt coverage and a healthy cash flow position. The rating also factors in the significant rise in the profitability of the Kenyan operations under Transmara Sugar Company Ltd ("TSCL") in FY23, the competitive position held by both TPC and TSCL in their respective markets, the current favorable trend of sugar prices in the international market, government support to the local sugar sector in both Tanzania and Kenya and resourceful promoters, IBL and CIEL groups both being leading business groups in Mauritius.

The rating is, however, constrained by Miwa Sugar Limited being an investment holding 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 and TSCL, cyclical and regulated nature of the sugar industry, risk associated with foreign exchange and competition from larger sugarcane producers such as Brazil and India which benefits 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.
- Increase in international sugar prices translating into higher sugar price in Tanzania and Kenya

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 which limit the dividend payment ability of both companies
- Regulatory changes adversely affecting the sector

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 (rated 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 (the "Group"). Since its inception, the Group has been operating across three business clusters namely:

(i) Sugar Cluster - Engaged in growing and milling of sugar cane in Mauritius, Tanzania and Kenya
(ii) Energy Cluster - Involved in biomass power production in Mauritius and Tanzania and

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

(iii) Property Cluster - 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 was utilized to repay the existing debt in Alteo, and the rest was invested into its subsidiary, Alteo Milling Ltd. At 30 June 2023, the outstanding amount of the bond issue was MUR 950 million.

Split between Mauritian and East African operations

Sucrière des Mascareignes Limited ("SML") is the holding company for the East African subsidiaries namely, TPC Limited and TSCL. The stakes held by SML in these two companies were 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 business structure of Alteo Limited, was as follows:

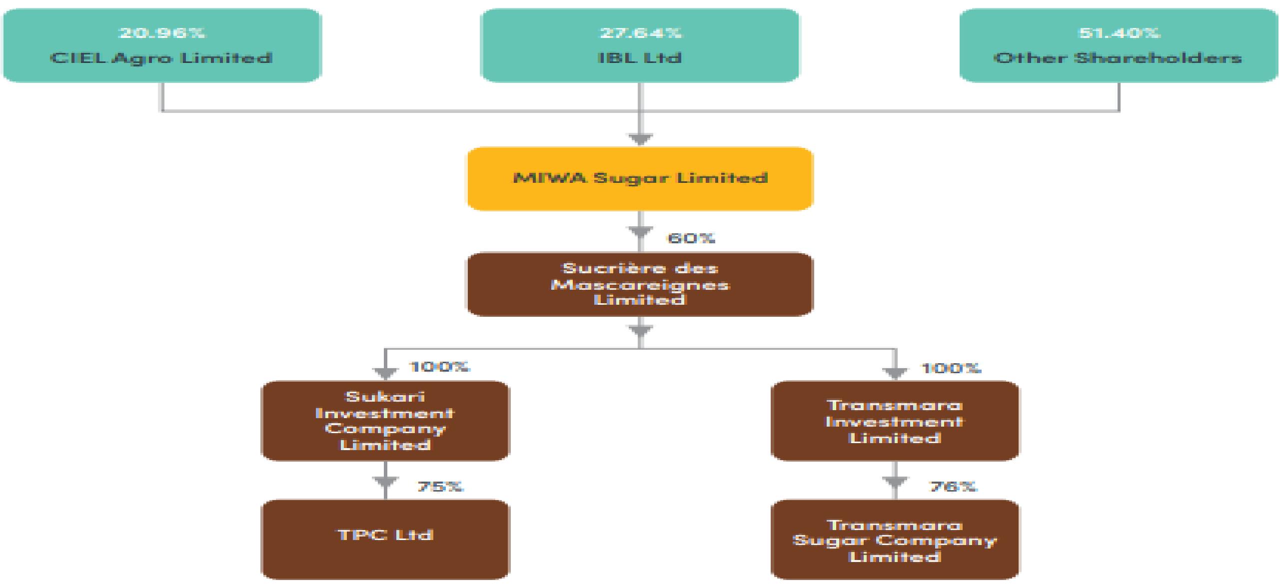
As part of the consideration for the acquisition of SML, Miwa Sugar has issued Promissory Notes aggregating to MUR 950 million which have been fully subscribed by Alteo. The tenor and repayment terms of the promissory notes are similar to the existing notes at Alteo level as shown below:

Company	Instrument Type	Amount (MUR million)	Repayment (MUR million)	Repayment Date
Alteo Limited	Bond Issue	950	500	27 May 2024
			450	27 May 2026
Miwa Sugar Limited	Promissory Notes	950	500	27 May 2024
			450	27 May 2026

Miwa Sugar Limited

Miwa Sugar owns a 60% stake in the holding company, SML which in turn owns 100% stake in Sukari Investment Company Limited ("Sukari") and Transmara Investment Limited ("Transmara Investment"). Sukari owns 75% in TPC Limited and Transmara Investment has a stake of 76% in Transmara Sugar Company Ltd.

The structure of Miwa Sugar and its subsidiaries as at June 30, 2023 is given below:



Investments by Miwa Sugar into the East African entities are held through SML, an investment holding and management services company. SML owns through intermediary investment holding companies, 75% and 76% in TPC and TSCL, respectively.

Under this structure, TPC and TSCL, which are the only operating entities, will pay dividends to SML which in turn will upstream the same to Miwa Sugar.

Therefore, the performance of the ultimate holding company, Miwa Sugar, will be largely linked to the performance of TPC and TSCL.

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.

Financial Performance of Miwa Sugar

Standalone: At the company level, Miwa Sugar derives revenue from management fees and dividend income upstream from TPC and TSCL. The management fee was at MUR 14 million and dividend income was at MUR 398 million at FY23. EBITDA and PAT were at MUR 372 million and MUR 365 million, respectively in FY23. EBITDA and PAT margins were at 90.43% and 88.55%, respectively, at FY23. At the debt level, Miwa Sugar only has the promissory notes. The overall gearing was comfortable at 0.16x as at June 30, 2023. The total debt to GCA and EBITDA were at 2.87x and 2.58x at FY23.

Consolidated: The revenue figure has reached MUR 6,547 million and PAT of MUR 1,256 million at FY23 demonstrating Miwa Sugar's ability to cope with challenging market conditions. The increase in revenue is in part due to the high sugar prices driven by high world prices, coupled with some scarcity of sugar in the market. EBITDA and PAT margins were at 39.49% and 19.18%., respectively in FY23. On the solvency front, the overall gearing of the company was at 2.24x as at June 30, 2023. The debt to GCA and EBITDA were at 2.66x and 1.64x at FY23, respectively.

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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