# Alteo Limited

**17 June 2024**

**Ratings**

| Instrument | Amount (Mur Million) | Rating[1] | Rating Action |
|---|---|---|---|
| **Bond Issue** | **950** | **CARE MAU A (SO); Stable** | **Reaffirmed** |

**Rating Rationale for Structured Obligation (SO) rating of Alteo Limited**

The rating assigned to the bond issue of Alteo Limited ("**Alteo**") continues to derive strength from the escrow mechanism ring-fencing cashflow proceeds from the promissory notes of Miwa Sugar Limited (rated CARE MAU A; Stable) which will be deposited into the bank account pledged in favor of the noteholder's representative for the bond of Alteo. The repayment of the promissory notes is in line with the bond repayment schedule of Alteo and the other creditors of Alteo have no charge on the pledged account.

The rating also takes into consideration the strong parentage of CIEL and IBL groups, the professional and qualified management team, its established presence across diverse business verticals (primarily sugar, energy, and property), the stable performance and healthy cash position of the dividend-paying group companies and the availability of a sizeable land bank that can be monetized to reduce debt levels.

The rating is however constrained by Alteo being an investment company and its only source of revenue being dividend from group companies which are contingent upon the performance of the subsidiaries/associate companies, the cyclical nature of sugar industry, competition from larger sugarcane producers which benefit from better economies of scale, and risk associated with timing of the sale of land and villas under the property development cluster.

**Rating Rationale for Miwa Sugar Limited**

The rating assigned to the promissory notes issue of Miwa Sugar Limited continues 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, the comfortable revenue and profitability, steady debt coverage and 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, the cyclical and regulated nature of the sugar industry, the risk associated with foreign exchange and competition from larger sugarcane producers such as Brazil and India which benefits from better economies of scale.

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

**Rating Sensitivities of Miwa Sugar**

***Positive factors that could, individually or collectively, 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 that could, individually or collectively, lead to negative ration 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
- Additional debt availed by Miwa Sugar and SML over and above envisaged level
- Regulatory changes adversely affecting the sector

**BACKGROUND**

Alteo Limited ("Alteo"), incorporated on September 13, 2017, is a listed investment and holding company which, with its subsidiary companies, form the Alteo Group (the "Group"). Alteo 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 AA; Stable/CARE MAU A1+). The remaining 51.40% stake in the company is distributed among insurance & pension funds, investment trusts, other corporate bodies and individuals.

Alteo Group has a major presence in the agro-business, renewable energy and real estate sectors with a substantial land asset base of around 16,000 hectares in the East of Mauritius.

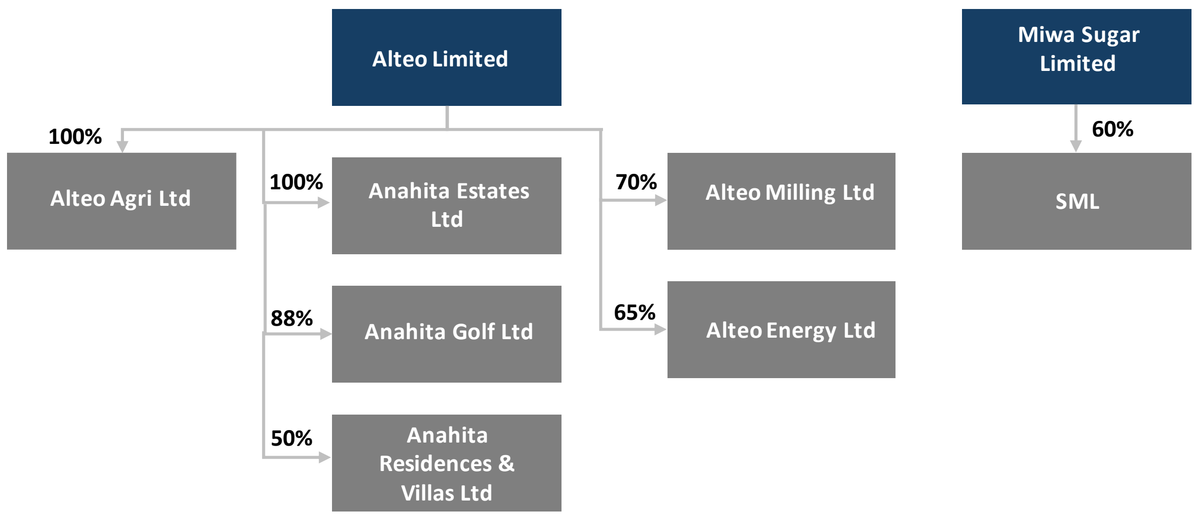
**The details of its different business segments are as follows:**

(i) Sugar Cluster - Engaged in growing and milling of sugar cane in Mauritius;

(ii) Energy Cluster - Involved in biomass and coal power production in Mauritius; and

(iii) Property Cluster - Promotes, develops, and sells villas in Mauritius.

Alteo was operating the East African businesses in Tanzania and Kenya through an investment holding company, Sucrière des Mascareignes Limited ("SML"), in which it held a 60% stake. In October 2022, following a restructuring at the Group, a separate entity, Miwa Sugar Limited ("Miwa Sugar"), was incorporated to operate the sugar and energy businesses in Tanzania and Kenya. Post the demerger, SML was transferred under Miwa Sugar and Alteo now holds only the sugar, energy and real estate clusters in Mauritius as illustrated in the simplified structure below:



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's level as shown below:

| Company | Instrument | Amount (MUR million) | Repayments (MUR million) | Repayment Date |
|---|---|---|---|---|
| **Alteo Limited** | Bond Issue | 450 | 450 | 27 May 2026 |
| **Miwa Sugar Limited** | Promissory Notes | 450 | 450 | 27 May 2026 |

*The MUR 500 million tranche of the promissory notes of MUR 950 million has been repaid on 27th May 2024.*

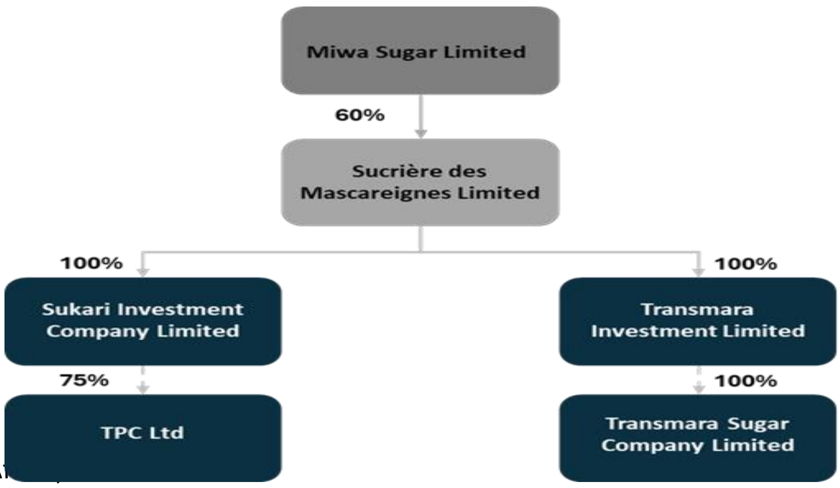

Following the split in operations, Alteo will receive interest and principal payments from the promissory notes issued by Miwa Sugar which will be utilized to service the bond issue.

**Miwa Sugar Limited**

Miwa Sugar was incorporated in October 2022 as the ultimate holding company of the East African businesses which was previously part of Alteo. Miwa Sugar is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius, and it has the same shareholding pattern as Alteo.

Miwa Sugar holds investments into the East African entities through Sucrière des Mascareignes Limited ("SML"), an investment holding and management services company and SML owns 75% and 100% in TPC Ltd ("TPC") and Transmara Sugar Company Limited ("TSCL"), respectively through intermediary investment holding companies.

Under this structure, TPC and TSCL, which are the only operating entities, pay dividends to SML which is up streamed to Miwa Sugar. Therefore, the performance of the ultimate holding company, Miwa Sugar, is largely linked to the performance of TPC and TSCL. The structure of Miwa Sugar and its subsidiaries is as given below:



**Financial performance of Miwa sugar Limited**

**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 in FY23. EBITDA and PAT were at MUR 372 million and MUR 365 million, respectively in 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 in FY23.

**Consolidated:** Revenue was at MUR 6,547 million and PAT at MUR 1,256 million in FY23 demonstrating Miwa Sugar's ability to cope with challenging market conditions. 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.

**Financial performance of Alteo Limited**

**Standalone:** Alteo Limited derives revenue from dividend, interest income and management fees. Total income was at MUR 306 million in FY23 compared to MUR 834 million in FY22. In FY22, Alteo received a higher dividend income from Anahita and SML. Post the demerger, it no longer receives dividend from SML. Given the fall in total income, EBITDA and PAT were at MUR 178 million (FY22: MUR 710 million) and MUR 119 million (FY22: MUR 627 million) in FY23, respectively. EBITDA margin was at 58.09% (FY22: 85.09%) and PAT margin was at 38.90% (FY22: 75.14%). The overall gearing was 0.06x (As at June 30, 2022 – 0.05x), as at June 30, 2023. The debt to GCA and EBITDA were at 8.08x and 5.91x in FY23.

**Consolidated:** The total income was at MUR 4,484 million (FY22: 4,562 million) in FY23. EBITDA stood at MUR 674 million (FY22: MUR 842 million) given the increase in operational expenses. The PAT has however increased to MUR 720 million in FY23 compared to MUR 560 million in FY22 due to a non-operational income. EBITDA and PAT margins were at 12.27% (FY22: 18.46%) and 16.06% (FY22: 12.27%), in FY23, respectively. The overall gearing remained low at 0.11x (As at June 30, 2022 – 0.18x), as at June 30, 2023. The debt to GCA and EBITDA were at 1.26x and 3.46x in FY23.

**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. 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.

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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.