CareEdge RATINGS AFRICA
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Sucrière des Mascareignes Limited

27 June 2024

Ratings

Instrument	Amount (MUR Million)	Rating[1]	Rating Action
Proposed Bond Issue	**2,300 (USD 49.3 million)**	**CARE MAU A; Stable**	**Assigned**

**USD:MUR- 47*

Rating Rationale

The rating assigned to the proposed bond issue of Sucrière des Mascareignes Limited ("SML") derives strength from the stable performance of its operating companies TPC Limited ("TPC"), contributing to more than 70% of SML's profitability and Transmara Sugar Company Ltd ("TSCL"), consistent operational performance with improving trend in revenue and profitability over the past 4 years, moderate debt coverage metrics and comfortable liquidity position. The rating also factors in the significant rise in the profitability of TSCL in FY23, the competitive positions held by both TPC and TSCL in their respective markets & the government support to the local sugar sector in both Tanzania and Kenya, the current favorable trend of sugar prices on the international market, and strong promoters, Miwa Sugar Limited (rated CARE MAU A; Stable) with ultimate shareholders being IBL Ltd (27.64%) and CIEL Limited (20.96%), the largest conglomerates in Mauritius and Tereos Océan Indien, a leading manufacturing (sugar) company based in Reunion Island.

The rating is, however, constrained by SML being an investment holding company and its only source of revenue being dividend from TPC and TSCL based on the entities performance, the cyclical and regulated nature of the sugar industry, the risk associated with foreign currency exchange fluctuation and availability and competition from larger sugarcane producers such as Brazil, India among other, which benefit from larger economies of scale.

Rating Sensitivities of SML

Positive factors that could, individually or collectively, lead to positive rating action / upgrade: -

- Sustained improvement in the operational & financial performance of the dividend paying companies.
- Increase in international sugar prices translating into higher sugar price in Tanzania and Kenya.
- Reduction in debt level with Overall gearing below 1x on sustainable basis

Negative factors that could, individually or collectively, lead to negative rating action / downgrade: -

- Adverse changes in the international sugar market negatively impacting the performance of TPC and TSCL.
- Additional debt taken by both TPC and TSCL which limit the dividend payment ability of both companies.
- Additional debt availed by SML over and above envisaged level.
- Regulatory changes adversely affecting the sector.

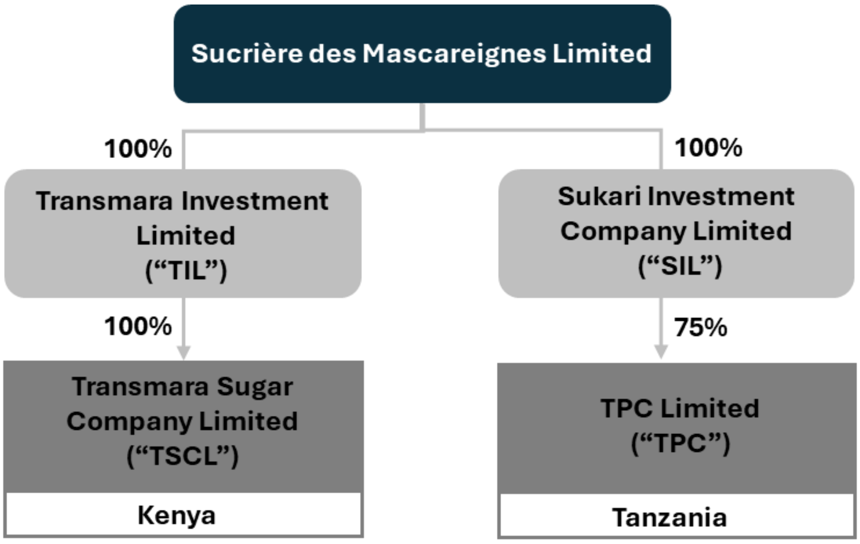
BACKGROUND

Sucrière des Mascareignes Limited ("SML") was incorporated in January 1999 as an investment holding entity based in Mauritius. The company is principally engaged in the business of growing and milling of sugarcane in Kenya and Tanzania, and the commercialization of sugar and its by-products via its subsidiaries, Transmara Sugar Company Limited ("TSCL") and TPC Limited ("TPC"). It also produces and sells electricity through its power plants located within its factories. SML has 16,000 hectares of land (with 8,000 hectares under sugar cultivation) in Tanzania.

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

SML was previously part of Alteo Limited ("Alteo" or the Group– rated CARE MAU A (SO); Stable) and operating the eastern African business of the Group. Alteo had a 60% stake in SML. In the year 2022, Alteo group was restructured, with the listing of a separate entity, Miwa Sugar Limited ("Miwa Sugar") on the Development and Enterprise Market of the Stock Exchange of Mauritius. The entire east African business was transferred to Miwa Sugar. SML is now partly owned (60% stake) by Miwa Sugar which is a listed investment & holding company in Mauritius (rated CARE MAU A; Stable) and the remaining 40% is controlled by Tereos Océan Indien ("Tereos OI"). Tereos OI is the subsidiary of the French-based sugar cooperative, Tereos, which is a world leader in the sugar market. Tereos OI operates in the cane, sugar, energy and rum sectors in Reunion Island for more than 50 years.

SML wholly owns Sukari Investment Company Limited ("SIL") and Transmara Investment Limited ("TIL"). SIL and TIL are special purpose vehicles (SPVs) established for the purpose of holding the operating companies in Kenya and Tanzania, and primarily act as pass-through for dividends, with no debt on their balance sheets. TSCL is a wholly owned subsidiary of TIL (TIL formerly had a stake of 76% in TSCL and the remaining 24% was acquired in October 2023). TPC has two shareholders with SIL holding 75% stake and the remaining 25% by the Government of Tanzania. The group structure of SML is as follows:



Financial Performance of SML

Standalone: The revenue, which comprises mainly of dividend income, was USD 23 million in FY22 and FY23. The company has been profitable for the past 5 years, indicating the positive performance of TPC and TSCL for paying dividend. EBITDA and PAT were at USD 22 million (FY22: USD 21 million) and USD 18 million (FY22: USD 19 million) respectively in FY23. The overall gearing of SML was at 0.58x as at June 30, 2023 and interest coverage was at 7.48x at FY23 showing its ability to repay its obligations.

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.

Consolidated: For FY23, revenue was at USD 189 million (FY22: USD 179 million) representing a 6% increase from FY22. EBITDA increased to USD 80 million (FY22: USD 65 million) and PAT was higher at USD 41 million (FY22: USD 28 million) for FY23. EBITDA and PAT margins were at 42.33% and 21.60%, respectively. The overall gearing improved significantly from 2.45x as at June 30, 2020, to 1.18x as at June 30, 2023 and interest coverage remained comfortable at 10.99x at FY23 (FY22: 8.05x).

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.

Contact us

Contact
Name : Mr. Saurav Chatterjee
Title : Chief Executive Officer
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact
Name : Mr. Vidhyasagar Lingesan
Title : Chief Rating Officer
Phone : +230 5273 1406
E-mail : vidhya.sagar@careratingsafrica.com

Group Head
Name : Ms Pooja Appadoo
Phone : +230 5955 3060
E-mail : pooja.appadoo@careratingsafrica.com

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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.