

Livestock Feed Limited
07 February 2025

Rating

Instrument/Facilities	Amount (MUR Million)	Rating ¹	Rating Action
Proposed Bank Facility – Term loan	MUR 131 million	CARE MAU A+; Stable	Assigned

Rating Rationale

The rating assigned to the proposed bank facility of Livestock Feed Limited (“LFL”) derives strength from the long operational track record of LFL in the animal feed industry with over 40 years of presence and a strong market position as the market leader for the production, majority of its clients being part of Eclasia Group and supply of animal feeds in Mauritius, along with its market presence in Madagascar, Rwanda and Seychelles. The rating also factors in the strong promoter and resourceful promoter, Eclasia group providing reasonable assurance and support, the cost reducing captive solar project with the 20-year connection agreement signed with the CEB and the experienced and reliable EPC (Engineering, Procurement & Construction) and O&M (Operations and Maintenance) contractors.

The rating is however constrained by the increasing production costs due to the rising prices of imported raw materials and the ongoing depreciation of the Mauritian rupee, the execution risk associated with the captive solar project and the project Capex, funded fully funded by debt which can negatively impact the debt coverage metrics of the company.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ability to increase annual production year on year leading to improved revenue and profitability
- Expansion in regional countries and diversifying its market presence.
- Ability to maintain strong financial and operational performance
- Completion of capex in a timely manner and achieve P-90 levels on a consistent basis

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Declining annual production leading to a reduction in revenue and profitability
- Additional debt funded capex raising the overall gearing affecting the repayment capability
- A low capacity utilization factor (CUF) significantly varying from the P-90 level
- Significant time and cost overrun in completing the capex

BACKGROUND

Founded in 1977, Livestock Feed Ltd (“**Livestock Feed**” or “**LFL**”) was one of the first animal feed mills in Mauritius. Over the years, LFL has played a key role in the growth and development of the livestock industry in Mauritius, significantly shaping the sector since the 19th century. With more than four decades of experience, it has become a leading manufacturer and supplier of animal feeds in the country, accounting for approximately 60% of production and sales. The company also has a presence in regional markets such as Madagascar, Rwanda, and Seychelles. LFL offers a diverse range of products (both bulk and retail) that cater to the nutritional needs of domestic and farm animals, including poultry, cattle, goats, and pigs. Equipped with advanced machinery and a commitment to strict quality control, Livestock Feed operates two production sites in Mauritius, with an annual production capacity of over 150,000 tons (MT). The company also boasts

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

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a storage capacity exceeding 40,000 tons (MT) for bulk commodities, ensuring a steady supply of raw materials and optimizing operational efficiency. As one of the leading distributors of livestock feed in Mauritius, LFL has more than 13 outlets across the country. The company has established a footprint in the Indian Ocean region and East Africa as an emerging premier animal food provider.

- **LFL Madagascar** – LFL Madagascar has operations in Antananarivo, Tamatave and Diego Suarez. The company has become a leader in the animal feeds manufacturing in Madagascar. It has a network of 150 shops, Farmshops for local farmers. The annual production in Madagascar is around 90,000 tons.
- **LFL Seychelles** – The operations in Seychelles comprise of the sale and distribution of animal feed and poultry (chicks).
- **LFL Rwanda** – The company is involved in the processing of animal feeds with annual production of around 12,000 tons.

Livestock Feed is part of the Eclasia Group, one of the most prominent groups in Mauritius, with over 20 businesses across various sectors, including production, commerce, logistics, packaging and recycling, hospitality, and education. Founded by Mr. Michel de Spéville, the group employs more than 4,000 people and was ranked 4th among the top five largest diversified groups in Mauritius in the Top 100 Companies 2023.

Management: LFL is a professionally managed company led by an experienced team in the livestock industry. It is currently governed by a board of eleven directors comprising one executive director and ten non-executive directors, led by the Chairman, Mr. Gérard Boullé, who looks after the strategic affairs of the company. The operations of the company are looked after by Mr. Rocky Forget. He is currently the Managing Director (since 2009) of LFL and has over 43 years of experience in the animal production and feeding industry.

Captive Solar project under development

As part of the initiative of carbon emission reduction and energy saving, the subsidiaries of Eclasia group operating in the manufacturing sector comprising of Avipro Co Ltd, Livestock Feed Ltd, Les Moulins de la Concorde Ltee, Maurilait Production Ltee and Oceanarium (Mauritius) Ltd are developing a captive solar PV facility under the Central Electricity Board ("CEB") scheme, Carbon Neutral Industrial Sector Renewable Energy Scheme ("**CNIS RE Scheme**"). The solar PV facility combined by the 5 companies will have a total capacity of 18MW with the total project cost estimated at MUR 1.3 billion. The solar project development will be fully funded by debt and each subsidiary will avail a bank facility for CAPEX investments and the debt will be held individually at each company's level. LFL will avail a bank facility of MUR 131 million for the development of the solar PV facility project. The solar PV facility will have a capacity of 2MW and will have a 20-year connection agreement with the CEB.

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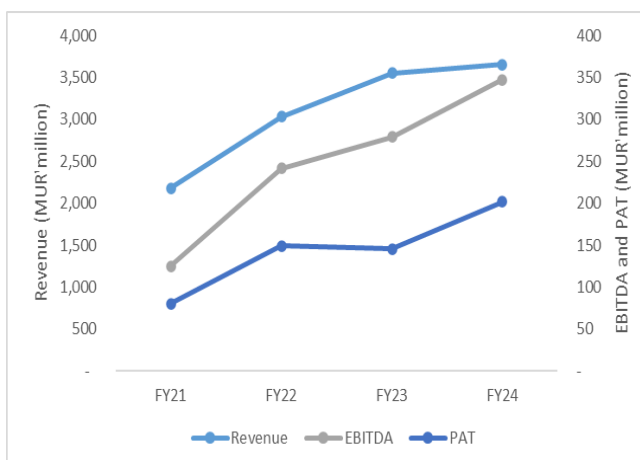
Financial performance of LFL (standalone):

LFL generates revenue from the sales of livestock feed in both the Mauritian and foreign markets, including Rwanda and Seychelles. The company has experienced consistent revenue growth, with a compound annual growth rate (CAGR) of 12.3% from FY20 to FY24. This growth was driven by strong double-digit increases in FY21 and FY23, at 39% and 17%, respectively, followed by a more moderate 3% growth in FY24.

The company's EBITDA has shown significant year-on-year improvement, reaching MUR 347 million in FY24, compared to MUR 279 million in FY23, representing a 24% increase. Correspondingly, EBITDA margins have also improved, rising to 9.5% in FY24 from 7.8% in the previous year.

At PAT level, profitability saw a 27% decline in FY21, dropping to MUR 80 million, mainly due to the impact of the Covid-19 pandemic. However, profitability rebounded from FY22 onwards, reaching MUR 202 million in FY24, representing a 16.2% CAGR from FY20.

Over the past four years, LFL has maintained a healthy gearing position. The company's maximum gearing ratio was 0.59x as of June 30, 2020, and gradually decreased to 0.27x by June 30, 2024. Both the total debt to EBITDA and total debt to gross cash accruals ratios have improved, reaching 1.24x and 1.50x, respectively, as of June 30, 2024, compared to 2.77x and 3.44x in the previous year. Interest coverage remained strong at 6.48x for FY24.


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CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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.

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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.

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