Alteo Limited
12 May 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Bond Issue	**450**	**CARE MAU A (SO); Negative**	Revised from 'CARE MAU A (SO); Stable' to 'CARE MAU A (SO); Negative'

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

The rating assigned to the bond issue of Alteo Limited ("**Alteo**") derives strength from the escrow mechanism ring-fencing cashflow proceeds from the promissory notes of Miwa Sugar Limited (rated CARE MAU A; Negative) 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 revision in outlook from stable to negative is in line with the rating action on Miwa Sugar Limited's rating from CARE MAU A; Stable to CARE MAU A; Negative.

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 revision in outlook from 'Stable' to 'Negative' has been primarily on account of the decline in operating performance at both standalone and group level of Miwa Sugar Limited ('Miwa') in FY24 mainly due to the breakdown of the factory at TPC Limited ('TPC'), disrupting production from November 2023 to February 2024 and the sluggish performance for H1FY25 for both operating entities - TPC and Transmara Sugar Company Limited ('TSCL') with the drop in price of sugar in both Tanzania and Kenya with the import of lower cost sugar dampening local sales during the first semester, and the deterioration of overall gearing of the group.

The rating assigned, however, continues to derive strength from its strong and resourceful promotors, IBL Limited and Ciel Limited, both being the leading conglomerates in Mauritius, continued upstream dividend from the operational entities to Miwa, the sustained strong demand for sugar in Kenya and Tanzania, and the two operational sugar mills of TPC and TSCL, being amongst the largest factories in their respective countries with high annual production capacity.

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

Further, the rating is, 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 underlying 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.

Rating Sensitivities of Miwa Sugar

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

- Significant reduction in debt level
- Improvement in operational and financial performance at both TPC and TCSL
- Effective working capital management with reduced working capital borrowing

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

- Additional debt for CAPEX investment above the envisaged level
- Deterioration of performance of TPC and TSCL affecting dividend payment

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.

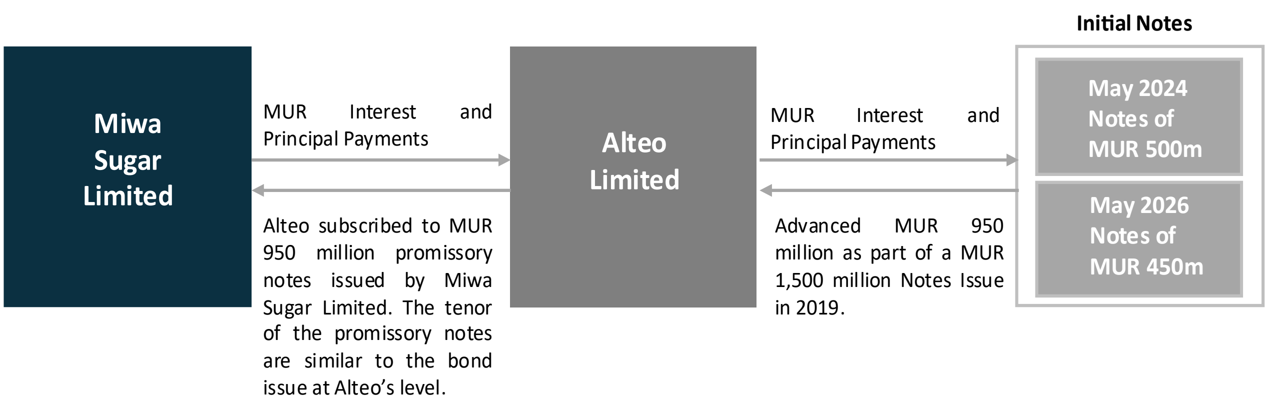
Alteo was operating the East African businesses in Tanzania and Kenya through an investment holding company, Sucrière des Mascareignes Limited ("SML"), in which it held a 60% stake. In October 2022, following a restructuring at the Group, a separate entity, Miwa Sugar Limited ("Miwa Sugar"), was incorporated 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 bond issue of MUR 950 million has been repaid on 27th May 2024.

Alteo will receive interest and principal payments from the promissory notes issued by Miwa Sugar which will be utilized to service the bond issue, as per the structure below:



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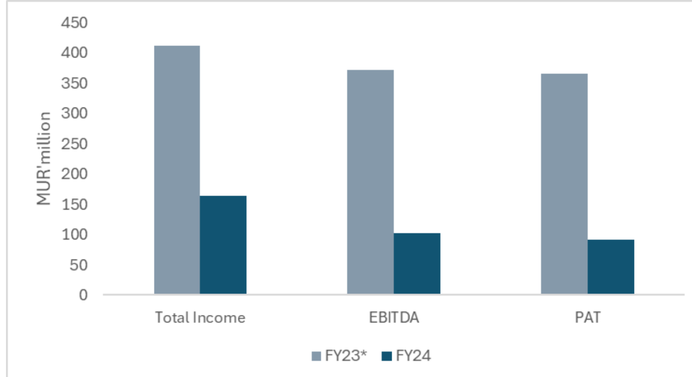
Financial performance of Miwa Sugar Limited

Standalone: At the standalone level, Miwa derives revenue from management fees and dividend income upstream from TPC and TSCL, through SML. Dividend income was at MUR 149 million at FY24, dropping from MUR 398 million in the previous 15-month period due to the factory breakdown at TPC which disrupted the operations of the company, straining the dividend paying capacity of the company. This resulted in a lower dividend flowing to SML and consequently resulting in an exceptional fall in revenue at Miwa level for FY24, consequently impacting the EBITDA, PAT and their corresponding margins. At the debt level, Miwa Sugar repaid the first tranche of MUR 500 million using the new bank loan issue in May 2024. The overall gearing was comfortable at 0.15x as on June 2024 (0.16x as on June 2023). Due to the exceptional drop in revenue and EBITDA, interest coverage and Total debt/EBITDA both worsened to 1.58x and 9.04x, as compared to 9.84x and 2.58x in the previous period.



*FY23 relates to the 15-month period ending June 30, 2023

Consolidated: At the group level, Miwa Sugar combines the operations of both TPC and TSCL at SML level. For FY24, revenue from operations reached MUR 8,324 million representing a 27% growth from the 9-month period ended June 30, 2023. The full 12-month period ending June 30, 2024, for the SML group showed revenue of MUR 8,597 million. While TSCL saw a revenue increase of MUR 1,032 million (27%) in FY24, this was offset by operational disruptions at TPC, resulting in a revenue decline of MUR 767 million (17%). Additionally, the sharp depreciation of the Tanzanian Shilling against the US Dollar during the year further impacted the group revenue. EBITDA for FY24 increased by 6% while and PAT for the year dropped by 18%. The factory breakdown negatively affected EBITDA and PAT margins in FY24. Total debt and interest expenses were higher in FY24 due to increased working capital debt (bank overdrafts) at both TPC and TSCL, which also led to a rise in gearing, reaching 4.98x as of June 30, 2024. Despite this, interest coverage remains comfortable at 4.73x.

Financial performance of Alteo Limited

Standalone: The revenue at the company level was at MUR 571 million in FY24 against MUR 306 million at FY23, with the property cluster paying the highest share of dividend amounting to MUR 230 million for the year. Consequently, the EBITDA increased from MUR 178 million to MUR 406 million in FY24, with a PAT of MUR 330 million achieved for the year ended June 2024 (FY23: MUR 119 million). The gearing ratio has been comfortable in the past years, gradually decreasing from 0.06x as on June 30, 2023, to 0.02x as on June 30, 2024, following the repayment of the first MUR 500 million tranche. Interest coverage remains comfortable at 6.08x for FY24.

Consolidated: Total income increased from MUR 4,484 million in FY23 to MUR 4,655 million in FY24, with the company benefitting from the rise in sugar prices during the year (MUR 30,951 per ton as compared to MUR 25,554 the previous year), driving the performance of the sugar cluster. As a result of the growth in revenue, EBITDA improved to MUR 1,302 million in FY24, yielding a margin of 27.96%. The interest expenses have decreased following part repayment of the debenture during the year. PAT has improved from MUR 720 million to MUR 1,122 million. GCA was comfortable at MUR 1,432 million for FY24. The overall gearing ratio remained comfortable at 0.07x as on June 2024, further improving from 0.12x as on June 30, 2023, following the MUR 500 million repayment.

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. 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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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.