Miwa Sugar Limited

13 May 2025

Rating

Facilities/Instruments	Amount (MUR Million)	Rating[1]	Rating Action
Promissory Notes Issue	**450**	**CARE MAU A; Negative**	Revised from 'CARE MAU A; Stable' to 'CARE MAU A; Negative'
Bank Facility	**460* (USD 10 million)**	**CARE MAU A; Negative**	Revised from 'CARE MAU A; Stable' to 'CARE MAU A; Negative'

USD:MUR- 46

Rating Rationale

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.

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

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

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BACKGROUND

Miwa Sugar Limited ("Miwa") was incorporated in October 2022 as the ultimate holding company of the East African businesses which were previously under Alteo Limited ('Alteo') (rated CARE MAU A (SO); Negative).

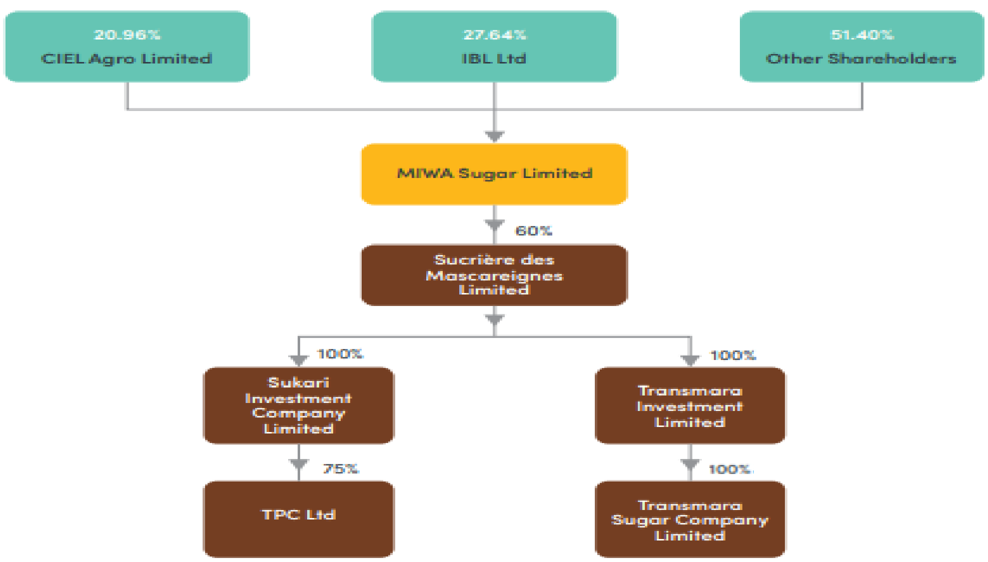
Sucrière des Mascareignes Limited ("SML") is the holding company for the East African subsidiaries namely, TPC and TSCL. The stakes held by SML in these two companies are at 75% and 100% respectively. On 20 October 2021, Alteo announced its intention to split the group into two listed entities: Alteo (the existing company) and Miwa. The re-structuring was completed in October 2022, with Miwa acquiring the 60% stake of SML, which was formerly owned by Alteo.

As part of the consideration for acquiring SML, Miwa Sugar issued promissory notes totaling MUR 950 million, which have been fully subscribed to by Alteo. The terms and repayment schedule of these promissory notes are comparable to those of the existing notes at the Alteo level, as outlined below:

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

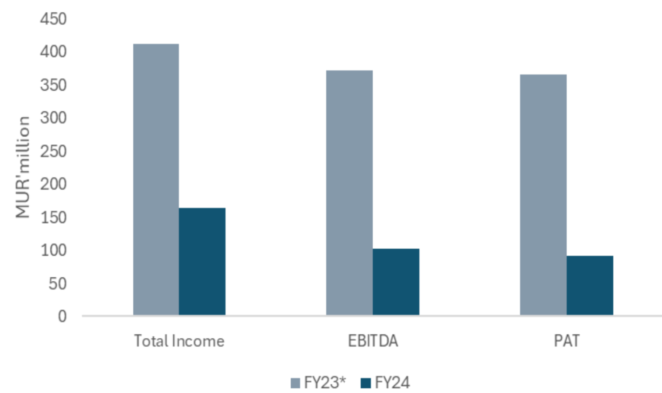
Following the split, Alteo Limited will no longer receive future dividends from SML. Instead, it will receive interest and principal payments from the promissory notes issued by Miwa Sugar.

The group structure of Miwa as follows:



Under this structure, TPC and TSCL, which are the only operating entities, pay dividends to SML which is up streamed to Miwa. Therefore, the performance Miwa is largely linked to the performance of TPC and TSCL. Miwa Sugar Limited is listed on the Development and Enterprise Market of the Stock Exchange of Mauritius.

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.

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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