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CORPORATE NEWS

Mauritius sugar miller closes in on Kenyan company acquisition

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Sugarcane cutters. Mauritius firm to acquire Kenya miller. PHOTO| FILE

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IN SUMMARY

- Alteo, which is listed at the Stock Exchange of Mauritius, on Friday announced it had completed due diligence on Transmara Sugar Company Limited (TSCL), and expects to acquire a 51 per cent stake in it by July.
- TSCL manufactures 400,000 tonnes of sugarcane per annum and the impending takeover could see it this increase to one million in three years.
- Kenya is struggling to boost output as its consumption continues to outpace production as consumption stands at 800,000 tonnes per year against local production of 550,000 tonnes.

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A Mauritius-based investment firm is set to acquire a majority stake in a Kenyan sugar miller, becoming the second company from the island nation eyeing a piece of the local sugar industry.

Alteo, which is listed at the Stock Exchange of Mauritius, on Friday announced it had completed due diligence on four-year-old sugar factory Transmara Sugar Company Limited (TSCL), and expects to acquire a 51 per cent stake in it by July.

TSCL, which is linked to a Mombasa-based Indian family, processes 400,000 tonnes of sugarcane per annum and the impending takeover could see it this increase to one million in three years.

"The transaction…is subject to the fulfilment or waiver of certain conditions precedent, including regulatory approvals in Kenya," Alteo said in a statement to investors.

Kwale International Sugar Company Ltd (Kiscol) — which is 25 per cent owned by Mauritian sugar manufacturer Omnicane, in February commissioned a Sh18 billion factory which has a daily milling capacity of 3,000 tonnes of cane.

Alteo has interests in the sugar industry, energy production, property development and hospitality in Mauritius. The company also operates a profitable sugar milling business in Tanzania through its subsidiary Sukari Investment Company.

Alteo first indicated its intention to buy a stake in Transmara in July 2014, saying that it expected the deal to be concluded by December 2014 — a target it failed to meet.

The acquisition, which Alteo describes as a "promising prospect" now seems to be back on course with sugar miller saying the deal is set to be "completed by end of June 2015" subject to regulatory approvals.

"This transaction is in line with Alteo's strategy to expand into regional growth markets," the company said in its statement.

The sugar industry in Mauritius is very competitive courtesy of modern production technology whereas the Kenyan one is beleaguered by mismanagement.

Kenya currently has 12 millers, but the industry is dominated by loss-making State-owned sugar firms such as Mumias, Nzoia, Sony, Muhoroni and Chemilil which collectively owe the government Sh58.1 billion.

Private players include West Kenya, Soin, Kiscol, Kibos, Butali, Transmara and Sukari. India's Bajarambapu Group in 2013 signed an agreement with the Narok county government to construct a Sh10 billion sugar factory in TransMara.

"Despite predominantly government owned sugar millers and Mumias Sugar struggling, the sugar sector has witnessed the entry of new players," Standard Investment Bank (SIB) said in a note to investors.

"Attractive domestic market prices, efficiency as well as productivity in specific regions within Kenya appear to be key profitability drivers for successful players."

Kenya remains a net sugar importer and is struggling to boost output as its consumption continues to outpace production as consumption stands at 800,000 tonnes per year against local production of 550,000 tonnes.

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