

## Omnicane Holdings (La Baraque) Thermal Energy Limited (“OHLB”)

December 21, 2022

### Ratings

Facilities/Instruments	Amount (Mur Million)	Rating <sup>1</sup>	Rating Action
<b>Bond Issue</b>	423.1 (reduced from 488)	<b>CARE MAU A-; Stable</b> <b>[Single A Minus; Outlook: Stable]</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>423.1</b>		

### Rating Rationale

The rating assigned to the bond issue of Omnicane Holdings (La Baraque) Thermal Energy Limited (“OHLB”) continue to derive strength from established presence of Omnicane Group and its experienced promoters, consistent receipt of dividend from Omnicane Thermal Energy Operations (La Baraque) Limited (“OTEOLB”) having strong operational track record of operating a 90MW power plant, satisfactory financial performance of OTEOLB with low business risk due to its regulated operations with ‘cost-plus’ based tariff, Power Purchase Agreement (PPA) with Central Electricity Board (CEB), payment from CEB being additionally backed by GoM guarantee, experienced power plant operator, increasing demand for power in Mauritius and presence of approval from the Board of Directors of OTEOLB that maximum dividend pay-out shall be made to shareholders subject to OTEOLB being profitable and after meeting its scheduled debt repayment obligations.

The rating is, however, constrained by the weak credit profile of Omnicane Group, OHLB being an investment company with only source of revenue being dividend from OTEOLB - contingent upon its performance, OTEOLB’s exposure to regulatory risks, event risk associated with operations of single plant and low standalone debt service coverage ratios in OHLB due to repayment structure of the bond.

### Rating Sensitivities

#### **Positive factors that could, individually or collectively, lead to positive rating action/upgrade**

- Ability of OTEOLB to maintain a strong operational and financial performance
- Improvement in credit profile of OTEOLB

#### **Negative factors that could, individually or collectively, lead to negative rating action/downgrade**

- No dividend payment or support to be extended in any other form by OHLB & OTEOLB to Omnicane Limited and other group companies, barring on event of special dividend paid by OTEOLB
- Any additional debt over and above MUR 550 million in OHLB

### BACKGROUND

Incorporated in 2005, Omnicane Holdings (La Baraque) Thermal Energy Limited (“OHLB”) is the holding company for Omnicane Group’s (Omnicane Limited and subsidiaries; “**Omnicane Group**”) investment in a 90 MW (45 MW\*2) powerplant.

OHLB holds 60% stake in Omnicane Thermal Energy Operations (La Baraque) Limited (“**OTEOLB**”) which owns and operates 90 MW (45 MW\*2) high-efficiency coal and bagasse-based power plant located in the Southern part of Mauritius (La Baraque, L’Escalier). The power plant is operational since 2007.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratingsafrica.com](http://www.careratingsafrica.com).

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The other two shareholders of OTEOLB are Albioma (25%) and Sugar Investment Trust (15%). OHLB is a wholly owned subsidiary of Omnicane Limited. Incorporated in 1926, Omnicane Limited is a public company (SEM) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol and thermal energy.

OTEOLB's 90 MW thermal power plant uses coal and bagasse as fuel to produce power, which is sold to the Central Electricity Board (CEB) as per the Power Purchase Agreement (PPA). ***OTEOLB pays dividend to OHLB, and its sole revenue source is dividend income from OTEOLB. Hence, OHLB indirectly derives its total revenue from sale of electricity to the CEB.***

**Management:** OHLB is governed by a 3-member Board of Directors comprising of Mr. Jacques M. d'Unienville (CEO and Director of Omnicane Limited), Mr. Nelson (CFO of Omnicane Limited) and Mr. Eddie Ah-Cham (Company Secretary of Omnicane Limited).

OHLB's (owning 60% in OTEOLB) main source of revenue is dividend received/receivable from OTEOLB, which has a stable dividend payment track record for last 10-12 years. In FY21, OTEOLB did not make any dividend payment to OHLB and instead it up streamed cash through a shareholder's loan of MUR 80 million which was utilised for debt servicing.

The Bond will be repaid out of the cashflow to be received as dividend from OTEOLB. As per the term sheet, annual repayment will be on 15<sup>th</sup> Oct. every year, since OTEOLB pays dividend on 30<sup>th</sup> Sept. every year, based on the following formula: **90%\* (Dividend received from OTEOLB-operational expenses – Interest)**. OHLB's annual operating expenses are capped at MUR 1.5 million per annum from FY20 (in line with past track record of operational expenses). The principal repayment amount is not fixed and will vary with the dividend received from OTEOLB. The Board of Directors of OTEOLB has unanimously approved that maximum dividend pay-outs shall be made to the shareholders of OTEOLB subject to OTEOLB being profitable and satisfying the terms and conditions of its existing indebtedness. The cashflows to be utilized for repayment of the bond in OHLB will be in the form of dividend or shareholders loan from OTEOLB.

#### **Performance of OTEOLB**

In FY21, revenue from sale of energy was higher at MUR 2,191 million (MUR 1,845 in FY20) as the increase in coal prices was partly passed on to the CEB. The plant was also available for the minimum hours (8,000 hours) which contributed to the higher revenue as it received 100% of the total capacity charge. Due to the increase in coal price, freight cost and depreciation of MUR visa-v-is USD, the value of coal consumed during FY21 was significantly higher by 60% from MUR 915 million in FY20 to MUR 1,475 million, whereas the total income has grown by only 19%, the profitability margins have declined. The company achieved EBIT of MUR 139 million and PAT of MUR 92 million due to majority of coal cost borne during the year and higher freight cost. Overall gearing has improved to 0.46x times as on Dec 31, 2021, as compared to 0.51x times as on Dec 31, 2020, due to scheduled repayment of the term loan/Bond. OTEOLB has fully repaid the Bond. Interest coverage was satisfactory. The company generated cashflow of MUR 205 million. No dividend was paid during the year FY21.

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**Performance of OHLB**

OHLB's (owning 60% in OTEOLB) main source of revenue is dividend received/receivable from OTEOLB, which has a stable dividend payment track record for last 10-12 years. In FY21, OTEOLB did not make any dividend payment. It received other income (interest income & management fees) of Mur 3 million in FY21. Pat was negative at MUR 15 million in FY21.

**Disclaimer**

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### Annexure I

#### *Long /Medium-term Instruments*

<b>Symbols</b>	<b>Rating Definition</b>
<b>CARE MAU AAA</b>	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.
<b>CARE MAU AA</b>	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.
<b>CARE MAU A</b>	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.
<b>CARE MAU BBB</b>	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.
<b>CARE MAU BB</b>	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU B</b>	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU C</b>	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
<b>CARE MAU D</b>	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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