Omnicane Thermal Energy Operations (La Baraque) Limited ("OTEOLB")

December 14,2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	Rating Action
Term Loan	36	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Bank Facilities	1,312 (Increased from 1,115)	**CARE MAU A2+ [A Two Plus]**	**Reaffirmed**
Total	**1,348 (increase from 1,151)**		
Bond Issue	(Reduced from 392.5)	**-**	**Withdrawn**

Rating Rationale

The ratings assigned to the bank facilities and term Loan of Omnicane Thermal Energy Operations (La Baraque) Limited ("OTEOLB") continue to derive strength from experienced promoters of Omnicane Group, satisfactory operational track record of operating a 90MW power plant, low business risk due to regulated operations with 'cost-plus' based tariff, long-term Power Purchase Agreement (PPA) with Central Electricity Board (CEB) and payments backed by GoM guarantee, experienced power plant operator, moderate operational & financial performance in FY21 (FY refers to the period from January 1 to December 31), satisfactory debt coverage indicators and stable demand for power in Mauritius.

The rating is, however, constrained by the weak credit profile of Omnicane Group due to its moderate debt level vis-à-vis cashflow from operations at consolidated level which could entail a drain on OTEOLB's cash flows if it extends support to its weaker parent, OTEOLB's exposure to regulatory risks, market, political & event risk (natural disaster) associated with operations of single plant significant increase in regulatory receivable due to increase in coal prices in CY21, which can be passed on to CEB after the annual reconciliation.

Rating Sensitivities

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

- Ability to maintain a strong operational and financial performance
- Higher plant availability factor and ability to achieve 8,000 hours on consistent basis
- Ability to manage working capital requirements amidst soaring coal prices

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

- Any financial support to be extended in any form to Omnicane Limited and other group companies
- Any significant delay in receipt of debtors from CEB

BACKGROUND

Incorporated in 2005, by Omnicane Group (Omnicane Limited and subsidiaries; "Omnicane Group"), Omnicane Thermal Energy Operations (La Baraque) Limited ("OTEOLB") owns and operates 90 MW (45 MW*2) coal and bagasse based powerplant located in the Southern part of Mauritius (La Baraque, L'Escalier). In 2005, OTEOLB

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

commenced the operations of the coal and bagasse based 90 MW (45MW*2) powerplant next to its sugar mill in La Baraque.

Power Purchase Agreement: The PPA has been signed with CEB for an Initial period of 20 years from the Final Commercial Operation Date -i.e., 01 August 2007. The 90MW power plant was constructed by Albioma (one of the shareholders) at an aggregate cost of MUR 4.0 billion (debt- MUR 3.2 billion and equity – MUR 0.8 billion i.e., debt: equity ratio of 80:20). The financing cost and commercial operational date was within the PPA terms. The dual fuel system of the bagasse and coal fired cogeneration plant allows for continuous generation of power throughout the year due to bagasse being used as main fuel during harvest season (June-December) and coal being the primary fuel for the remaining months.

Shareholders: Omnicane Holdings (La Baraque) Thermal Energy Limited ("OHLB") holds 60% stake in OTEOLB. The other two shareholders of OTEOLB are Albioma (25%) and Sugar Investment Trust (15%).

OHLB (rated CARE MAU A-; Stable) is a wholly owned subsidiary of Omnicane Limited. Incorporated in 1926, Omnicane Limited is a public company (listed on the Stock Exchange of Mauritius) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol, and thermal energy.

Albioma is a French company (listed in the NYSE Euronext Regulated Market in Paris) with over 30 years of operations, which commissioned the world's first hybrid bagasse/coal cogeneration plant (62 MW) on Reunion Island in 1992. In 2000, Albioma commissioned its first bagasse/coal power plant (70 MW) of Mauritius. In 2007, the company commissioned the 90 MW bagasse/coal power plant for OTEOLB in Mauritius. Since incorporation, OTEOLB's plant operation and maintenance is supervised by officials of Albioma. As on June 30, 2022, Albioma has an installed capacity of 1,029 MW of solar and bagasse/coal cogeneration power plant located in France, Mauritius, Reunion Island, Brazil, and other French territories.

Sugar Investment Trust (SIT), a corporate body established in 1994 by an Act of Parliament, was set up as a participation scheme offering sugar cane planters and employees of the sugar industry the opportunity to participate in the ownership of sugar milling companies through equity. GoM owns 6.5% and National Pension Fund owns 10.6% stake in SIT.

Operation and Maintenance of the Plant: OTEOLB has entered into an agreement with Albioma for construction, operation, and maintenance of the plant. The technical services agreement with Albioma for operation and maintenance of the plant is as per the agreed terms of the PPA. In the PPA there are different charges to be paid by CEB. These charges include the cost of operation and maintenance. A reference amount for each of these charges are listed in the PPA, together with the respective indexation formula applicable annually. This reference amount corresponds on normal cost of operation and maintenance.

Management: OTEOLB is a professionally managed company. It is governed by an 8-member Board of Directors comprising of 3 executive members and 5 non-executive members, including a director from Albioma. Mr. Jacques M. d'Unienville (CEO of Omnicane Limited) is the Chairman of the Board.

Performance in FY21: 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. The company had unbilled revenue of MUR 270 million, including which, the EBIDTA would be in line with past levels. 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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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.

Short term Instruments

Symbols	***Rating Definition***
CARE MAU A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.
CARE MAU A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations, in Mauritius. Such instruments carry very high credit risk and are susceptible to default.
CARE MAU D	Instruments with this rating are in default or expected to be in default on maturity.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifiers reflect the comparative standing within the category

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