Brief Rationale

CRAF reaffirms CARE MAU A- (Stable) rating assigned to the MUR 780 million Bond Issue of Omnicane Thermal Energy Operations (La Baraque) Limited ("OTEOLB") and reaffirms rating of CARE MAU A2+ assigned to the MUR 515 million Bank Facilities of OTEOLB

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	780	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Bank Facilities	515	**CARE MAU A2+ [A Two Plus]**	**Reaffirmed**

Rating Rationale

The ratings assigned to the bond issue of MUR 780 million and Bank Facilities of MUR 515 million of Omnicane Thermal Energy Operations (La Baraque) Limited ("OTEOLB") derive strength from experienced promoters of Omnicane Group, satisfactory operational track record of operating a 90MW power plant with plant availability higher than normative levels since inception (barring FY18 due to closure of unit on account of damage caused by lightning strike), low business risk due to regulated operations with 'cost-plus' based tariff, long-term Power Purchase Agreement (PPA) with Central Electricity Board (CEB) with payments backed by GoM guarantee, experienced power plant operator, strong operational & financial performance with comfortable liquidity and increasing demand for power in Mauritius.

The rating is, however, constrained by the weak credit profile of Omnicane Group due to its high 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 and event risk (natural disaster) associated with operations of single plant.

The rating is sensitive to any higher than envisaged dividend payment or financial support extended by OTEOLB to Omnicane Limited & other group companies and increase in debt levels over and above the bond issue in OTEOLB which can impact OTEOLB's debt-servicing capacity and dividend payment capability to Omnicane Holdings (La Baraque) Thermal Energy Limited ("OHLB").

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 decided to construct and operate a coal and bagasse based 90 MW (45MW*2) powerplant next to its sugar mill in La Baraque. Accordingly, the company was the successful bidder of a Request for Proposal issued by CEB in December 2003.

The PPA became effective on the Effective Date (i.e. 17 November 2005) for an Initial Term, which includes the period from the Effective Date until the 20th Anniversary of the Final Commercial Operation Date.

The Final Commercial Operation Date was on the 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) and was operational from August 2007. 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.

Omnicane Holdings (La Baraque) Thermal Energy Limited (OHLB; rated CARE MAU A-; Stable) holds 60% stake in OTEOLB. 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 (listed on the Stock Exchange of Mauritius) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol and thermal energy.

Albioma is a 30 years old French company (listed in the NYSE Euronext Regulated Market in Paris), which commissioned the world's first hybrid bagasse/coal cogeneration plant (62 MW) on Reunion Island in 1992. 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, 2020, Albioma had an installed capacity of 910 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.

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.

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.

In FY19, (Jan 1-Dec 31), OTEOLB has achieved a revenue of MUR 1,948 million (MUR 1,646 million in FY18) and PAT of MUR 250 million (MUR 144 million in FY18).

In FY18 OTEOLB's revenue was lower due to closure of one of the units (45 MW) for 135 days due to a lightning strike which impacted the plant availability factor and, in turn, the company received only 79% of the total capital charge for FY18. The cost of the incident (MUR 227 million) to the financials of OTEOLB was mitigated by receipt from insurance (MUR 177 million). Hence, EBITDA and PAT were lower in FY18. Both plants are operational since July 2018 and were fully available in 2019. Accordingly, in 2019 OTEOLB witnessed an 18% increase in revenue from sale of electricity (6% increase compared to 2017) and a 30% improvement in EBITDA compared to 2018 (5% increase compared to 2017). PAT improved significantly to MUR 250 million in 2019 (27% increase compared to 2017) and OTEOLB made a dividend distribution of MUR 125 million to OHLB. On July 31, 2020, with term loans outstanding amounting MUR 768 million, OTEOLB issued Bonds aggregating to MUR 780 million, repaid its existing high cost term loan (MUR 768 million) and met its issue expenses. Accordingly, interest cost will be lower going forward.

<u>Bond issue</u>:

OTEOLB issued Bonds aggregating to MUR 780 million on July 30, 2020 to repay its existing high cost term loan (MUR 768 million) and meet its issue expenses. The repayment of the Bond will be done on a quarterly basis up to July 2022. Post repayment of the term loan from the Bond issue in OTEOLB, there has been a DSRA release of around MUR 91 million.

Bond issue

Instrument	Amount (MUR Million)	Repayment (MUR Million)							
		Nov-20	Feb-21	May-21	Aug-21	Nov-21	Feb-22	May-22	Jul-22
Long term Bond	780	100.0	100.0	100.0	100.0	100.0	100.0	100.0	80.0

<u>Bank Facilities</u>:

The Bank Facilities of MUR 515 million, from SBM Bank (Mauritius) Ltd ("**SBM**"), comprises of the following: -

Facility	Bank	Amount (MUR Million)
Fund based	SBM Bank (Mauritius) Ltd	
Overdraft		100
Non-Fund based		
Letter of Credit (L/C)/Import Loan		325
Bank Guarantee (Issued in favour of Central Electricity Board for operations of the power plant).		90
Total		**515**

As per the Sanction letter, if the utilization of the Letter of Credit/Import Loan facility exceeds MUR 325 million, the overdraft limit will be reduced by the corresponding amount so as the total amount of Bank Facilities remain well within MUR 515 million. The Letter of Credit/Import Loan are mainly used for import of coal (upon receipt of coal) and are repaid from the receipt of sale proceeds from Central Electricity Board.

Annexure I

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.

Rating Symbols
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