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

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	392.5	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Reaffirmed**
Bank Facilities	1,115 (enhanced from 515)	**CARE MAU A2+ [A Two Plus]**	**Reaffirmed**
Term Loan	36	**CARE MAU A-; Stable [Single A Minus; Outlook: Stable]**	**Initial**

Rating Rationale

The ratings assigned to the bond issue of MUR 392.5 million, bank facilities of MUR 1,115 million and term Loan of MUR 36 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, low business risk due to regulated operations with 'cost-plus' based tariff, long-term Power Purchase Agreement (PPA) with Central Electricity Board (CEB) & payments backed by GoM guarantee, experienced power plant operator, moderate operational & financial performance in FY20, 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 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, market, political & event risk (natural disaster) associated with operations of single plant and significant increase in coal prices in CY21, which can be passed on to CEB, albeit with a time lag of 4-5 months.

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

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 (till repayment of entire Bond in July 2022)
- Any additional long-term debt, affecting OTEOLB's ability to service debt and OTEOLB's ability to pay dividend to 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. The power plant became operational on August 1, 2007.

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, 2021, Albioma has 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.

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.

CREDIT RISK ASSESSMENT

Long track record of Omnicane group & experienced promoters

Omnicane Group is a long-established sugarcane group, with its origins dating back to 1850's. The primary activities of the group are cultivation of sugarcane and the production of refined sugar, bioethanol, thermal energy, and electricity in Mauritius. The group cultivates around 200,000 tonnes of sugarcane over 2,304 hectares of land. Since 2010, post centralisation of cane transformation, all the sugarcane harvested in the south of Mauritius is processed by Omnicane's fully integrated flexi-factory at La Baraque. Annually, the sugar mill crushes over 900,000 tonnes of sugarcane, comprising of their own harvest, that of 13 corporate planters (including around 102,000 tonnes supplied by Medine Sugar Estate) and 3,229 small planters. Accordingly, it produces around 100,000 tonnes of sugar (88,010 tonnes in 2020, representing 33% of sugar produced in Mauritius in 2019), 303,906 tonnes of bagasse and 19 million litres of bioethanol.

The Group's power supplied to the national grid (La Baraque-90 MW and Saint Aubin-35 MW) accounted for 26% (742 GWh) of Mauritius' total energy (2,882 GWh) in 2020. While at La Baraque power is produced both from coal and bagasse, St. Aubin generates power only from coal:

Electricity Produced (GWh)	**From Bagasse**		**From Coal**		**Total**	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**
La Baraque (90MW)	155	129	464	465	619	594
St. Aubin (35MW)	-	-	254	253	254	254
Total	**155**	**129**	**718**	**718**	**873**	**848**

The Group also owns Holiday Inn Mauritius (3-star category and 140 room Hotel) situated within close proximity of the airport of Mauritius and is involved in the property sector. Outside Mauritius, Omnicane group has sizeable investments in hydroelectric projects in East Africa, 20% equity stake in Kwale International Sugar Company Limited (Kenya), 21% shareholding in Real Good Food plc which is a leading group of companies specialising in the production and marketing of value-added sugar products in the United Kingdom.

The past audited financials of Omnicane Limited (Consolidated) are as under:

MUR Million	**FY18**	**FY19**	**FY20**
Turnover	4,245	4,553	4,470
EBITDA	950	1,085	717
Interest	632	664	633
Non-recurring non-cash impairments		971	2,209
PAT	(402)	(1,061)	(3,208)
GCA	242	629	(426)

MUR Million	FY18	FY19	FY20
Total Debt	11,006	10,979	10,685
Tangible Networth	10,753	9,366	6,473
EBITDA margin	22%	31%	16%
Overall Gearing	1.02	1.17	1.65
Interest coverage (EBITDA/Interest)	1.50	2.25	1.13

In FY20, Omnicane Limited's Consolidated revenue dipped because of the challenges faced during the COVID-19 pandemic and 2.5 months' lockdown in Mauritius. The Hospitality and Real Estate clusters were the most affected due to the closure of international borders. Additionally, more repairs and some of the critical equipment's overhaul was delayed thus impacting efficiency for the Energy cluster. The sugar cluster performed well with an increase in refined sugar production from 108,840 tons in 2019 to 156,255 tons in 2020 and a slightly better price for the sugar segment (MUR 12,282 per tons for 2020 compared to MUR 10,000 per ton in 2019). EBITDA was also lower for FY20. However, the Group recorded a non-cash impairment amounting to MUR 1.0 billion of its investment in the sugar project in Kenya, MUR 200 million impairment of the Holiday Inn Airport Hotel's property, plant and equipment following uncertainties on a back-to-normal level of operations and MUR 233 impairment of land conversion rights and real-estate related projects. The group also reported some forex loss of MUR 239 million following the depreciation of the Mauritian rupee and revaluation surplus of MUR 1.9 billion on its land bank. In FY20, the Group posted a cash loss of MUR 426 million (GCA positive at MUR 629 million for FY19).

As on December 31, 2020, Omnicane Limited (Consolidated) reported a debt figure of MUR 10,685 million [MUR 6,481 million at Omnicane Limited (Standalone) and MUR 4,204 million in subsidiaries]. On June 11, 2021, Omnicane Limited signed a deal with the Mauritius Investment Corporation for sale of land aggregating to MUR 4,500 million. OL has received Mur 2,416 million and has utilized the same to repay debt in June 2021. The company will receive additional Mur 2,084 million on execution of Deed of Sale of land (expected by November 2021) and will utilize the same to repay debt.
Post utilization of MIC proceeds, OL (Consolidated) will have total debt of MUR 6,235 million (MUR 2,031 million at the holding company). Finance costs is expected to decrease and gearing of Omnicane Limited will improve going forward.

Experienced plant operator (Albioma): Albioma has been appointed as OTEOLB's plant operator with responsibilities for maintenance since construction phase. This gives the plant access to expertise and technical support from an established international power company. With over 500 experts working for Albioma Group in, it has a total installed capacity of 1,011 MW across 8 countries [Mauritius (195 MW): Terragen (70MW), Saint Aubin (35MW) and La Baraque (90MW)] and its plants generated a total of 3.6 TWh of electricity in 2020. In 2020, Albioma's generating plants remained available for 91.6% of the time. In FY20 (Jan – Dec), Albioma achieved a consolidated revenue of EUR 507 million (2019: EUR 506 million), EBITDA of EUR 206 million (2019: EUR 183 million) and PAT of EUR 55 million for 2020 (2019: EUR 44 million).

Power Purchase Agreement (PPA) with CEB

Low payment Risk: OTEOLB has a 20-year PPA with the CEB expiring in July 2027. The Government of Mauritius has unconditionally guaranteed the due and punctual performance of CEB's payment obligations to OTEOLB contained in the PPA. In the event of any failed payments of the CEB, GoM undertakes to pay any amount owed within 20 business days of the receipt of a written demand from OTEOLB. However, for the last 12 years, CEB has paid all the invoices raised by OTEOLB well within the stipulated timelines and in no instance OTEOLB had approached GoM.

Low offtake Risk: The PPA requires the power plant to be available to CEB for a minimum of 8,000 hours annually. With the exception of 2018, 2019 and 2020, the power plant was available for over 8,000 hours annually (i.e., 334 days @ 24 hours a day) from 2007 to 2017 with the normal 1-month closure for maintenance. In FY18, one of the units (45 MW) was shut down for 135 days due to a lightning strike. Accordingly, the average availability of both units (2 x 45 MW) was around 6,350 hours (79%) as against 8,000 hours. In FY19, the power plant was available for 7,946 hours (99%) because of maintenance exercise overrun of around 2 days. In FY20, the power plant was available for 7,693 hours (96%) because of maintenance exercise overrun for a month because of unforeseen circumstances of the pandemic. The power generation depends on the requirement by CEB on real time basis. During the last 4 years, OTEOLB has exported 87% of its power generated to the National Grid. OTEOLB accounted for 18% of the total electricity produced in Mauritius in 2020.

Energy charge

As per the PPA, the major components of revenue are Energy Charge and Capacity Charge. Energy charge includes cost of coal and bagasse used in production, fuel handling costs and variable operation & maintenance charges, is fully passed through to CEB. Coal purchase and delivery are under OTEOLB's responsibility. The CEB pays the coal cost, insurance, and freight price for the contract coal quantity only.

Capacity charge: As per the PPA, the capacity charge includes the following:

- Fixed O&M charge
- Equity charge
- Financial charge.

Capacity Charge (MUR Million)	2017	2018	2019	2020
Fixed Operational & Maintenance charge	219	196	196	207
Equity Charge	226	231	229	240
Financial Charge	422	383	384	383
Total Capacity Charge	**868**	**811**	**809**	**830**
Plant availability Factor (%)	100	79	99	96
Actual Capacity charge received from CEB	868	641	803	799

* Financial charge will become NIL, post repayment of MUR 780 million debt in OTEOLB.

Total capacity charge is payable by CEB, to OTEOLB, depending on availability of the plant (captured by equivalent availability factor). If the plant is available for at least 8,000 hours per annum, OTEOLB receives the full Capacity charge, and if not, OTEOLB receives a lower amount in proportion to the number of hours the plant was available to CEB. In FY20, OTEOLB's plant was available for 7,693 hours (against 8,000 hours). As the plant was available for less than the minimum hours, OTEOLB has received Mur 799 million from CEB (96% of total capacity charge).

Insurance coverage: OTEOLB has taken insurance covers for Fire & Allied Perils (coverage from damages that fire or perils can cause to its plant & machinery), consequential loss following Fire & Allied Perils (coverage against loss of income due to fire in the plant), Machinery Breakdown (coverage against unexpected accident for machines, including repairs and replacement for the normal course of business), consequential loss following Machinery Breakdown (coverage against other losses cascading from machinery breakdown) and terrorism and sabotage from Swan Insurance, to mitigate the risks inherent in a powerplant. All losses are covered over an excess of MUR 40 million.

Steady fuel Sourcing arrangements: OTEOLB uses both coal and bagasse as input for power generation. During the sugarcane crop season, bagasse is the main source of energy, whilst coal is used during the off-crop season. However, coal is the main fuel accounting for 70-80% of total annual power production. The plant runs on Grade B non-coking coal (Gross Calorific Value of 6,100). The company annually uses 200,000 – 260,000 tons of coal (efficiency of around 500-530 tonnes of coal used to produce 1 Gwh for last 3 years). The coal usage is in line with PPA, and any inefficiency have to be borne by OTEOLB.

The coal procurement is done centrally by Coal Terminal (Management) Co. Ltd ("CTMC") for the account of Independent Power Producers (IPPs) of Mauritius through a transparent tendering process disclosed to the CEB. CTMC is responsible from the tendering to the delivery of coal to OTEOLB. CEB has a representative on the board of CTMC who acts as an observer to the coal purchase process. CEB representative provides to CTMC its views on the coal purchase process to ensure that CTMC purchases coal on behalf of IPPs on most economic basis. CEB pays for the actual coal, insurance, and freight price for the contracted coal quantity.

Bagasse is procured from Omnicane Milling Operations Limited ("OMOL"), which is the sugar mill of Omnicane Group. OMOL derives 300,000-400,000 tons of bagasse annually from its milling operations and supplies 100% of the bagasse to OTEOLB. Under the PPA between CEB and OTEOLB, for Bagasse Energy CEB pays for Variable O&M Charge, Bagasse Transfer Price, Bagasse Maintenance Charge and Bagasse Incentive Charge. The price of bagasse fixed by OMOL is governed by a Product Exchange Agreement between OMOL and OTEOLB, whereby OMOL supplies bagasse to OTEOLB in exchange of steam and electricity.

Impact of higher coal price in CY21: In FY21, the coal price has increased from USD 90 per ton in January 2021 to USD 130 per ton in July 2021. The freight cost also increased from USD 18-20 per ton to USD 26-28 per ton during the same period. Accordingly, in FY21, due increase in coal price, freight cost and depreciation of MUR vis-a-vis USD, the value of coal ordered for each shipment and corresponding L/C requirement increased by 50-60% as compared to FY20.

As per the PPA with CEB, CEB pays for the actual coal, insurance, and freight price for the contracted coal quantity. However, in FY21, the company faced a time lag in passing on the same to CEB, since any increase or decrease in price paid for coal is passed on to CEB with a lag of 4-5 months. For example, if OTEOLB orders for coal purchase at a specific price in September 2021 and opens L/C, it will receive the coal in around 2 months' time (around November 2021), utilize the coal in December 2021, bill CEB in December 2021 and receive the payments in January 2021/ February 2022 (20-30 days from raising the invoice). Hence there is a cycle of 4-5 months whereby the coal price is passed on to CEB. Accordingly, in case of increase in coal price, OTEOLB had to bear the cost for 4-5 months.

In order to match the cashflow and meet the coal requirement to produce & supply the contracted energy to CEB, the company approached its banker for increase in L/C facility and a new bill discounting facility. The same has been approved by its banker in July/August 2021 till normalization of the situation next year.

Central Electricity Board – Sole distributor of electricity in Mauritius with established track record of Invoice payment well within the stipulated timelines:

Established in 1952, the Central Electricity Board ("CEB") is a parastatal body (wholly owned by GoM) and operates under the aegis of the Ministry of Energy and Public Utilities. CEB, is the sole organisation responsible for the transmission and distribution of electricity in Mauritius. CEB also generates approximately 40.8% of total power supply of Mauritius with its 4 thermal powerplants and 10 hydroelectric plants. In 2020, CEB produced 1,176 GWh of energy [accounting for 40.8% of the total energy supply to the national grid for 2020 (2,882 GWh)].

Given that CEB is the sole supplier of power to the population, CEB purchased additional 1,706 GWh (59.2%) from the following Independent Power Producers (IPPs):

IPPs	Installed capacity MW)	GWh generated in 2020
Thermal		
OTEOLB (Omnicane)	90.00	520.8
OTEOSA (Omnicane)	32.50	221.5
Others	111.35	803.0
Total Thermal (D)	**233.85**	**1,545.3**
Others		
Total photovoltaic* (E)	**72.49**	**145.6**
Total wind (F)	**9.35**	**15.1**
Total IPPs (G=D+E+F)	**315.7**	**1,706.0 (59.2%)**

*Total PV includes power produced under Small/Medium scale distributed generation scheme

IPPs produce power as per requirement of CEB, barring their auxiliary/captive consumption. Power is transferred from various powerplants via 66 kV lines interconnecting powerplants and major 66/22 kV substations. As per the latest Annual report (2019), CEB posted a revenue of MUR 16,700 million (Mur 16,000 million in FY18) and PAT of MUR 440 million (Mur 1,900 million in FY18) for the period of 12 months ended June 30, 2019. As on June 30, 2019, CEB had a total borrowing of MUR 4.2 billion.

During discussion, Omnicane management stated that CEB is a stable profitable company with strong financial and operational parameters. They stated that every month-end, OTEOLB invoice CEB based on the total MWh supplied to CEB for the month, post which CEB settles its dues.

Industry Risk

Mauritius has a total installed capacity of 862 MW comprising of capacity of the plants owned by CEB, Independent Power Producers (IPPs), producers under Small Scale Distributed Generation Scheme and Medium Scale Distributed Generation Scheme. In CY20, the total energy supply to the National Grid was 2,882 GWh (2019: 3,237 GWh) and the average price of electricity charged to customers was around MUR 6.00 per kWh.

CEB is the sole organization responsible for the transmission and distribution of electricity to the population. In 2020, CEB produced 1,176 GWh of energy, accounting for 40.8% of the total energy supply of the national grid for 2020 (2,882 GWh). Given that CEB is the sole supplier of electrical power to the population, CEB purchased additional 1,706 GWh (59.2%) from the IPPs. IPPs produce power as per requirement of CEB, barring their auxiliary/captive consumption. The power sector has a mix of different fuels used to produce power. Transmission from various power plants is done via 66 kV lines interconnecting power plants and major 66/22 kV substations. The 22 kV outgoing lines from these substations either supply the rural regions or are used for 'sub-transmission' feeding 22/6.6 kV substations. CEB, being responsible for the transmission and distribution system, operates 24-hour basis System Control Centre situated in Curepipe to ensure system availability.

In terms of fuel used to generate power, Mauritius is still heavily reliant on Heavy Fuel Oil (accounting for 36.7% of power generated in 2020) and Coal (accounting for 39.5% of power generated in 2020). Bagasse (13.3%) leads the way among other fuels due to Island’s significant sugarcane production. In CY20, electricity generation decreased by 11.0% from 3,237 GWh (278 Ktoe) in 2019 to 2,882 GWh (248 Ktoe), of which 76.1% (2,194 GWh or 189 Ktoe) was generated from non-renewable sources and 23.9% (688 GWh or 59 Ktoe) from renewable sources.

Generation in 2020		
Fuel	**GWH**	**%**
HFO	1,056.3	36.7%
Coal	1,137.6	39.5%
Bagasse	383.6	13.31%
PV	145.7	5.05%
Hydro	115.8	4.02%
Landfill Gas	24.8	0.86%
Wind	18.1	0.63%
Kerosene	0.5	0.02%
Total	**2,937.2**	**100%**

Prospects

OTEOLB’s prospects depends on the plant meeting its 8,000 hours availability, as pet the PPA. The rating is sensitive to the operational and financial performance of the company, any additional debt availed in OTEOLB and higher than projected dividend payment or support extended in any other form to Omnicane Limited and other group companies.

FINANCIAL PERFORMANCE

Standalone Financial performance of OTEOLB *MUR Million*

For the year ended as on	Dec-18	Dec-19	Dec-20
		Audited	
Revenue from sale of electricity	1645	1948	1,845
Other Income (Interest income/Rental Income)	12	8	8
Total Income	1658	1956	1,853
EBITDA	487	633	452
Depreciation & amortisation	206	214	116
Interest	101	84	55
PBT	176	297	280
PAT	144	250	227
Gross Cash Accruals (GCA)	382	465	343
Dividend paid/proposed	150	125	150
Financial Position			
Equity share capital	761	761	761
Tangible networth	1,166	1,295	1,375
Total debt	**1,391**	**1,107**	**702**
- Long term debt	1,096	779	312
- Short term debt	295	328	390
Cash & Bank balances	81	29	56
Key Ratios			
Profitability (%)			
EBITDA / Total operating income	29.36	32.34	24.39
PAT / Total income	8.71	12.80	12.24
ROCE- operating (%)	9.49	15.21	13.49
RONW (%)	12.37	20.35	16.99
Solvency			
Long Term			
Long-term debt to equity ratio	0.94	0.60	0.23
Overall gearing ratio	1.19	0.85	0.51
Interest coverage (times)	4.81	7.49	8.15
Long-term Debt/EBITDA	2.25	1.23	0.69
Total debt/EBITDA	2.86	1.75	1.55
Liquidity			
Current ratio	2.02	2.46	1.6
Quick ratio	1.28	1.42	1.0
Turnover			
Average collection period (days)	41	41	64
Average inventory (days)	103	97	95
Average creditors (days)	52	53	51
Operating cycle (days)	92	85	108
Working capital turnover ratio	3.54	3.78	5.3

Adjustments

1. Tangible net worth is calculated by netting off revaluation reserve, and non-purchased intangible assets from total equity.

2. Gross Cash Accruals (GCA) is calculated as PAT+ Depreciation + deferred tax+ other non-cash expenditure.
3. Overall Gearing ratio is calculated as total debt (long term and short-term debt)/Tangible Networth

In FY20, revenue from sale of energy was lower due to lower electricity production (as the plant was unavailable for one month due to delay in repairs and maintenance during the lockdown period). It operated for only 7,693 hours in FY20. Accordingly, the plant was available for less than the minimum hours and OTEOLB received Mur 799 million from CEB (i.e., 96% of the total capacity charge).

During the normal maintenance undertaken in February-March 2020, a team of engineers came from France for overhauling of the turbine and the plant. Due to COVID-19 pandemic they left without completing the full overhauling within the stipulated period of one month. The local team had to complete the work which entailed higher cost and higher no. of days leading to lower availability of the plant and higher maintenance cost. Other expenses also increased due to higher ash related expenses. Accordingly, the company witnessed a dip in EBIT in FY20 vis-à-vis FY19.

Overall gearing has improved to 0.51x times as on Dec 31, 2020, as compared to 0.85x times as on Dec 31, 2019, due to scheduled repayment of the term loan/Bond. Interest coverage was satisfactory. The company generated cashflow of MUR 343 million. There was a release of DSRA of MUR 91 million. The company utilized the same to repay Mur 228 million of term loan and Mur 100 million of Bond.

Short term Rating analysis:

In FY20, OTEOLB has MUR 100 million of overdraft facility and Mur 325 million of Letter of Credit (L/C) and import loan facility. It also has Mur 90 million of Bank Guarantee from banks extended to CEB.

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. Coal purchase and delivery are under CEB's responsibility and the coal price, forex fluctuation is a fully pass-through item. While utilisation of overdraft was around 20-25% in CY20, utilisation was L/C facility was 75-80% in CY20.

However, with increase in coal prices and higher freight cost in CY21, the company's utilisation of overdraft and L/C facility increased to almost 100% in beginning of CY21. While higher coal cost is being passed on to CEB, but with a time lag of 4-5 months, the company approached its bankers for additional L/C facility and bill discounting facility. The same was approved by the bankers in July/August 2021. In between Jan-August 2021, overdraft utilisation was around 80% and L/C facility utilisation was around 80-85%.

Term loan for new Rotor: In FY18, the company's plant faced a lightning strike which impacted its rotor. The company didn't have a spare rotor and hence the plant was closed for more 2-3 months. The entire loss arising out of lower generation, cost of new rotor and installing of the new rotor was borne by the Insurance company. However, the Insurance company advised OTEOLB to maintain a spare rotor or increase in premium by Mur 7-8 million per annum. In order to reduce insurance premium and uncertainty of generation loss, the company purchased a new spare rotor at a cost of MUR 36 million. The same was funded by a term loan from SBM, with an annual repayment of Mur 7 million.

Details of Instrument

Bond issue:

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. OTEOLB has already repaid MUR 428 million in 2020 and MUR 300 million in 2021. The bond has been reduced to MUR 392.5 million and the repayment is as follows:

Instrument	Amount (MUR Million)	Repayment (MUR Million)			
		Nov-21	Feb-22	May-22	Jul-22
Long term Bond	392.5	100.0	100.0	100.0	92.5

Bank Facilities:

The Bank Facilities of MUR 1,151 million, from SBM Bank (Mauritius) Ltd, comprises of the following: -

Facility	Amount (MUR Million)	Interest Rate	Repayment
Fund based			
Overdraft	100	PLR (4.25% as on 27.08.2020)	
Term Loan - Jan 2021	36 (New)	4.50%	5 years Annual Repayment -Mur 7.2 million from July 2021
Bill Discounting	200 (New)	2.90 (SBM PLR 4.25%-1.35%)	
Non-Fund based			
Letter of Credit (L/C)/ Import Loan	725 (Enhancement from 325)	0.45% per LC (3.25% as on 27.08.2020)	
Bank Guarantee	90	0.40%	
Total (MUR million)	**1,151**		