

Brief Rationale

CRAF reaffirms CARE MAU A- (Stable) rating assigned to Bond issue and CARE MAU A- (Stable) & CARE MAU A2+ rating assigned to the bank facilities of Omnicane Thermal Energy Operations (La Baraque) Limited (“OTEOLB”)

Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bond Issue	392.5 (Reduced from 780)	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed
Bank Facilities	1,115	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.

Performance: 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.

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:

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.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

FSC License No.: CR14000001

Telephone: +230 59553060/58626551

www.careratingsafrica.com

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.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com

Annexure I

Rating Symbols

Long /Medium-term Instruments

<i>Symbols</i>	<i>Rating Definition</i>
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

<i>Symbols</i>	<i>Rating Definition</i>
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

CARE Ratings (Africa) Private Limited

Registered Office: 5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius

BRN: C14127054

Telephone: +230 59553060/58626551

FSC License No.: CR14000001

www.careratingsafrica.com