

### Brief Rationale

## CRAF reaffirms CARE MAU A1+ rating assigned to the bank facilities of Omnicane Thermal Energy Operations (St Aubin) Limited (“OTEOSA”)

### Ratings

Instrument	Amount (MUR Million)	Rating	Rating Action
Bank Facilities	300	CARE MAU A1+ [A One Plus]	Reaffirmed

### Rating Rationale

The rating assigned to the short-term bank facilities of MUR 300 million of Omnicane Thermal Energy Operations (St Aubin) Limited (“OTEOSA”) has been reaffirmed at CARE MAU A1+. The rating continues to derive strength from experienced promoters of Omnicane Group, satisfactory operational track record of operating a 34.5 MW power plant with plant availability equivalent to normative levels since inception, 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 takes into consideration 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 OTEOSA’s cash flows if it extends support to its weaker parent, OTEOSA’s exposure to regulatory risks, market, political & event risk (natural disaster) associated with operations of single plant, significant increase in coal prices in CY21 and coal availability risk.

### 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
- Any additional long-term debt availed by the Company

### BACKGROUND

Incorporated in 2003, by Omnicane Group (Omnicane Limited and subsidiaries; “Omnicane Group”), Omnicane Thermal Energy Operations (St Aubin) Limited (“OTEOSA”) owns and operates 34.5 MW coal-based powerplant located in the Southern part of Mauritius (St. Aubin).

In October 2003, the company entered into a PPA with CEB for 20 years (with effect from August 2005 – when the power plant commenced operations). The 34.5MW power plant was operational from August 2005. The coal fired plant allows for continuous generation of power throughout the year.

**Shareholders:** Omnicane Thermal Energy Holdings (St Aubin) Limited (“OHSA”) holds 60% stake in OTEOSA. The other two shareholders are Albioma (25%) and Sugar Investment Trust (15%).

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**OHSA** is a wholly owned subsidiary of Omnicane Limited. Incorporated in 1926, Omnicane Limited is a public company (listed on the Stock Exchange of Mauritius with a market capitalisation of MUR 1.3 billion as on July 30, 2021) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol, and thermal energy. Omnicane Limited had a total consolidated group debt of MUR 10.7 billion as at 31st December 2020 (latest audited annual report).

**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 2005, the company commissioned the 34.5 MW bagasse/coal power plant for OTEOSA in Mauritius. Since incorporation, OTEOSA's plant operation and maintenance are 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:** OTEOSA 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. The entire cost of operation and maintenance is pass through as per the PPA.

OTEOSA 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 2 directors 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 the drop in demand for energy due to the lockdown and pandemic in FY20. EBITDA was also lower due to increase in price of coal and other operational expenses. Repairs and maintenance 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.

OTEOSA achieved EBITDA of MUR 148 million and PAT of MUR 63 million in FY20. At inception, OTEOSA took a MUR 1.3 billion term loan to finance construction of the powerplant. In FY20, the loan was fully repaid. As at December 31, 2020, OTEOSA's outstanding term loan was NIL.

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**Short Term Rating/Liquidity Analysis:** OTEOSA has working capital facility (L/C and import line) of MUR 320 million which can be used interchangeably. Both the import line and Letter of credit are used on receipt of coal and are repaid from the cash received from CEB. As discussed earlier, Coal purchase and delivery are under CEB's responsibility and the coal price, forex fluctuation is a fully pass-through item. In between December 2020-November 2021, overdraft utilisation was around 18% and L/C facility utilisation was 74%.

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## Annexure I

### Rating Symbols

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

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

#### **Short term Instruments**

<i>Symbols</i>	<i>Rating Definition</i>
<b>CARE MAU A1</b>	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.
<b>CARE MAU A2</b>	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.
<b>CARE MAU A3</b>	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.
<b>CARE MAU A4</b>	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.
<b>CARE MAU D</b>	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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