Rating Rationale

Omnicane Thermal Energy Operations (Saint 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
- 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 2003, OTEOSA decided to construct and operate a coal-based 34.5MW powerplant in St. Aubin. Accordingly, the company approached Central Electricity Board (CEB) to sign a Power Purchase Agreement (PPA).

Power Purchase Agreement: 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 constructed by Albioma (one of the shareholders) at an aggregate cost of MUR 1.3 billion (debt- MUR 1.04 billion and equity – MUR 0.26 billion i.e., debt: equity ratio of 80:20) and was operational from August 2005. The financing cost and commercial operational date was within the PPA terms. 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 of OTEOSA are Albioma (25%) and Sugar Investment Trust (15%).

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.

Management: 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. OTEOSA has a qualified and experienced employee pool having significant experience in operation of power plant. While, Mr. Frederic Robert, Plant Manager, is from Albioma, the operation, maintenance and finance head has been associated with OTEOSA since construction phase of the power plant. The operations, maintenance, and finance team, altogether comprises of around 50 employees, recruited jointly by OTEOSA and Albioma.

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)
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 13,000 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 OTEOSA'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 the CEB

Low payment Risk: OTEOSA has a 20-year PPA with the CEB expiring in August 2025. The PPA is backed by a Republic of Mauritius guarantee on-demand. The Republic of Mauritius has unconditionally guaranteed the due and punctual performance of each of the CEB's payment obligations to OTEOSA 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 OTEOSA. However, for the last 12 years, CEB has paid all the invoices raised by OTEOSA well within the stipulated timelines and in no instance OTEOSA 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. For the last 15 years (2005-2020) the power plant was available for over 8,000 hours annually (i.e., 334 days @ 24 hours a day) with 1-month closure for maintenance.

The power generation depends on the requirement by CEB on real time basis. During the last 3 years, OTEOSA has exported 91% of its power generated to the National Grid. OTEOSA accounted for 13% of the total electricity produced in Mauritius in 2019.

Pass-through of major operating charges: 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 CEB's responsibility, and the coal price is a fully pass-through item. Accordingly, OTEOSA is shielded from coal price movements.

Capacity charge is made up of the following components:

Capacity Charge (MUR Million)	2017	2018	2019	2020
Fixed Operational & Maintenance charge (FOMc)	114	117	117	124
Financial Charge	193	196	199	180
Total Capacity Charge	**307**	**313**	**316**	**304**
Plant availability Factor	1.0	1.0*	1.0*	1.0*
Actual Capacity charge received from CEB	307	306*	315*	302*

**There were 2-3 days overrun of maintenance exercise. Accordingly actual capacity charge received was slightly lower.*

Total capacity charge is payable by CEB, to OTEOSA, depending on availability of the plant (captured by equivalent availability factor). If the plant is available for at least 8,000 hours per annum, OTEOSA receives the full Capacity charge, and if not, OTEOSA receives a lower amount in proportion to the number of hours the plant was available to CEB. OTEOSA has received full capacity charge since inception. Financial charge declined in FY21, since the company has repaid its entire term debt.

Insurance coverage

OTEOSA 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), *Full cyclone*, *Loss of* *revenue following cyclone* and *terrorism and sabotage* from Swan Insurance, to mitigate the risks inherent in a powerplant. There are no other major risks which are not covered by insurance.

Coal availability risk

OTEOSA uses coal as input for power generation. The plant runs on Grade B non-coking coal (Gross Calorific Value of 6,100). The company annually uses 125,000 – 135,000 tons of coal (at an efficiency of around 514-527 tonnes of coal used to produce 1 Gwh for last 3 years). The coal usage is in line with PPA, and any efficiency or inefficiency have to be borne by OTEOSA.

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 OTEOSA. 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 so as 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.

In FY21, the coal price increased from USD 90 per ton in January 2021 to USD 240 per ton in September 2021 and then reducing to USD 120 per ton in November 2021. Currently it is hovering at USD 150 per ton. 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 visa-v-is 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 1-2 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 September and December 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, OTEOSA invoice CEB based on the total MWh supplied to CEB for the month, post which CEB settles its dues. CEB takes an average of 23 business days to settle its invoices. There are no major concerns regarding timeliness and ability to pay of CEB given that the utility is a profitable one.

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

OTEOSA's prospects depends on the plant meeting its 8,000 hours availability, as per the PPA. The rating is sensitive to the operational and financial performance of the company, any additional debt availed in OTEOSA 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 OTEOSA *MUR Million*

For the year ended as on	Dec-18	Dec-19	Dec-20
12M	**Audited**		
Revenue from sale of electricity	940	858	845
Other Income (Interest income/Rental Income)	3	0	5
Total Income	943	858	849
EBITDA	224	192	148
Depreciation & amortisation	86	91	56
Interest	19	13	12
PBT	118	77	79
PAT	97	61	63
Gross Cash Accruals (GCA)	175	154	120
Dividend paid/proposed	75	75	61
Financial Position			
Equity share capital	255	255	255
Tangible networth	571	555	576
Total debt	252	126	-
- Long term debt	126	-	-
- Short term debt	126	126	-
Cash & Bank balances	11	6	93

For the year ended as on	Dec-18	Dec-19	Dec-20
12M		**Audited**	
Key Ratios			
Profitability (%)			
EBITDA / Total operating income	24	22.39	17.39
PAT / Total income	10	7.13	7.43
ROCE- operating (%)	15	12.51	13.37
RONW (%)	17	10.86	11.15
Solvency			
Long-term debt to equity ratio	0	0.00	0.00
Overall gearing ratio	0	0.23	0.00
Interest coverage (times)	12	14.64	12.22
Long-term Debt/EBITDA	1	0.00	0.00
Total debt/EBITDA	1	0.66	0.00
Liquidity			
Current ratio	2	1.67	1.27
Quick ratio	1	0.99	0.87
Turnover			
Average collection period (days)	82	81	50
Average inventory (days)	98	107	90
Average creditors (days)	50	47	46
Operating cycle (days)	130	141	94
Working capital turnover ratio	4	5	8

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

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.

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%.

Details of Instrument

Bank Facilities:

The Bank Facilities of MUR 420 million, from SBM Bank (Mauritius) Ltd and Mauritius Commercial Bank (MBC), comprises of the following: -

Lender	Facility	Amount (MUR Million)	Interest Rate	Average utilization during the last 12 months
MCB Bank	**Fund based**			
	Overdraft	40	PLR (4.10%)	18%
	Non-Fund based			
	Letter of Credit (L/C)/ Import Loan	160	0.45% per LC PLR for MUR import loan (4.10%) and LIBOR + 2% for USD import loan	70-80%
SBM Bank	Invoice discounting*	100	PLR (1.35%)	Nil*
Total (MUR million)		**300**		