

Brief Rationale

CRAF assigns ‘CARE MAU A1+’ rating to the MUR 300 million Bank Facilities of Omnicane Thermal Energy Operations (St Aubin) Limited (“OTEOSA”)

Ratings

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

Rating Rationale

The ratings assigned to the Short Term Bank Facilities of MUR 300 million of Omnicane Thermal Energy Operations (St Aubin) Limited (“OTEOSA”) derive strength from experienced promoters of Omnicane Group, satisfactory operational track record of operating a 34.5MW 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 also considers 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 OTEOSA’s cash flows if it extends support to its weaker parent, OTEOSA’s exposure to regulatory risks, event risk (natural disaster) associated with operations of single plant and coal availability risk.

The rating is sensitive to any financial support extended by OTEOSA to Omnicane Limited & other group companies and any additional long-term debt in OTEOSA.

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 was the successful bidder of a Request for Proposal issued by CEB in October 2003.

The PPA became effective in August 2005 for an Initial Term, which includes the period from the Effective Date until the 20th Anniversary of the Final Commercial Operation Date.

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.

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Omnican 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) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol, and thermal energy.

Albioma is a 30-year-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 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, 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.

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. 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.

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.

In FY19, (Jan 1-Dec 31), OTEOSA has achieved a revenue of MUR 858 million (MUR 940 million in FY18) and PAT of MUR 61 million (MUR 97 million in FY18). OTEOSA’s revenue declined by 9% due to lower coal cost (MUR 3,231 per ton of coal in FY19 compared to MUR 3,953 per ton of coal in FY18). EBITDA was lower due to higher administrative and staff costs and, coupled with a one-off impairment of investment in Thermal Valorisation Co. Ltd, the company posted a lower PAT of MUR 61 million for FY19 vis-a-vis MUR 97 million for FY18.

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 of November 30, 2020, OTEOSA’s outstanding term loan was NIL

and finance lease obligations was MUR 2.3 million. MUR 0.5 million of the finance lease will be repaid annually.

Till September 30, 2020, OTEOSA has term loan and working capital facility from The Mauritius Commercial Bank Ltd (“MCB”) and ABSA. In September 2020, the company has paid of the entire term loan to MCB and ABSA and in November 2020 has secured bank facilities totalling MUR 300 million from SBM Bank (Mauritius) Ltd at a lower interest rate. Accordingly, interest cost will be lower going forward.

The overdraft and Letter of credit are used on receipt of coal and are repaid from the cash received from CEB. Coal purchase and delivery are under CEB’s responsibility and the coal price, forex fluctuation is a fully pass-through item. Average working capital utilisation during last 12 months (December 2019- November 2020) was around 60%.

Bank Facilities:

The Bank Facilities from SBM Bank (Mauritius) Ltd (“SBM”), comprises of the following: -

Facility	Bank	Amount (MUR Million)
<i>Fund based</i>	SBM Bank (Mauritius) Ltd	
Overdraft		50
<i>Non-Fund based</i>		
Letter of Credit (L/C)/Import Loan		200
Bank Guarantee (Issued in favour of Central Electricity Board for operations of the power plant).		50
Total		300

As per the Sanction letter, if the utilization of the Letter of Credit/Import Loan facility exceeds MUR 200 million, the overdraft limit will be reduced by the corresponding amount so as the total amount of Bank Facilities remain well within MUR 300 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.

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.

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Annexure I

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.