Omnicane Thermal Energy Operations (St Aubin) Limited ("OTEOSA")

November 18, 2022

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating[1]	**Rating Action**
Bank Facilities (Short Term)	300	**CARE MAU A1+ [A One Plus]**	**Reaffirmed**
Total	**300**		

Rating Rationale

The ratings assigned to the Bank Facilities of Omnicane Thermal Energy Operations (St Aubin) Limited ("OTEOSA") continue to derive strength from experienced promoters of Omnicane Group, satisfactory operational track record of operating a 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 Government of Mauritius (GoM) guarantee, moderate operational and financial performance in FY21 (FY refers to the period from January 1 to December 31), 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 moderate 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, exposure to regulatory risks 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 on consistent basis
- Ability to renew the PPA post the expiry of the existing agreement

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 (net gearing over 0.6x or group exposure of more than MUR 200 million)
- Any additional debt availed by the company
- Any significant delay in receipt of debtors from CEB

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 commenced the operations of 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.

[1]Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

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Power Purchase Agreement: 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.

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) 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, 2022, Albioma has an installed capacity of 1,029 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. 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: 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 director from Albioma. Mr. Jacques M. d'Unienville (CEO of Omnicane Limited) is the Chairman of the Board.

Performance in FY21: Revenue increased by 35% in FY21 to MUR 1,138 million (MUR 844 million in FY20) due to increase in price of coal which has been partly passed by to OTEOSA in FY21 and the positive shift in demand for energy during the year. The plant operated for 7,995 hours which is close to the minimum required hours of 8,000 hours. In FY21, there was a significant increase in the price of coal from USD 90 per ton in January 2021 to USD 130 per ton in July 2021. In March 2022, coal price increased further to USD 325 per ton and freight cost was around USD 25 per ton for the same period. As per the PPA with CEB, CEB pays for the actual coal, insurance, and freight price for the contracted coal quantity. EBITDA increased to MUR 159 million (MUR 147 million in FY20) and OTEOSA achieved PAT of MUR 81 million in FY21 (MUR 63 million in FY20). A dividend of MUR 70 million was paid during the year.

The overall gearing ratio is 0.37x (0.1x in FY20) due to import loan of MUR 216 million which was availed during the year to cater for the increase in coal price. The company maintained a healthy cash balance of MUR 242 million as at December 31, 2021. Interest coverage was 28.01x and total debt to EBIDTA was 1.36x. 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, 2021, OTEOSA's outstanding long term loan was nil.

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)} 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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