

## Rating Rationale

### Omnican 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 20<sup>th</sup> 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.

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.

## **CREDIT RISK ASSESSMENT**

### **Long track record of Omnicane group & experienced promoters**

Omnican 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 2,260 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 155,000 tonnes supplied by Medine Sugar

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Estate) and 3,229 small planters. Accordingly, it produces around 100,000 tonnes of sugar (108,840 tonnes in 2019, representing 33% of sugar produced in Mauritius in 2019), 376,154 tonnes of bagasse, 44,809 tonnes of molasses 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% (774 GWh) of Mauritius' total energy (2,937 GWh) in 2019. While the St. Aubin powerplant generates power only from coal, the powerplant at La Baraque produces power both from coal and bagasse:

Electricity Produced (GWh)	From Bagasse		From Coal		Total	
	2018	2019	2018	2019	2018	2019
La Baraque (90MW)	131	155	381	464	512	619
St. Aubin (35MW)	-	-	246	254	246	254
<b>Total</b>	<b>131</b>	<b>155</b>	<b>627</b>	<b>718</b>	<b>758*</b>	<b>873</b>

*\*lightning strike in 2018 damaged equipment & affected operations*

The Group also owns Holiday Inn Mauritius (3-star category and 140 room Hotel) situated within proximity of the airport of Mauritius and is involved in the property sector with ongoing development of a Smart City in the southern region of Mauritius.

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 Group (Consolidated) are as under:

<b>Omnicane Limited (MUR Million)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Turnover	4,539	4,245	4,553
EBITDA	744	950	1,420
Interest	557	632	631
Non-recurring non-cash impairments			1,061
PAT	(539)	(402)	(1,027)
GCA	93	242	773
Total Debt	10,792	11,006	10,979
Tangible Networkth	11,828	10,753	9,366
EBITDA margin	16%	22%	31%
Overall Gearing	0.91	1.02	1.17
Interest coverage (EBITDA/Interest)	1.34	1.50	2.25

In 2019, Omnicane's revenue improved compared to 2018 mainly due to 2018 being an abnormal year for the energy segment whereby there was an exceptional breakdown in one of the power plant unit (45 MW) in OTEOLB because of a lightning strike. Revenue in 2019 was further abetted by increased refined sugar production and a slightly better price for the sugar segment (MUR 10,000 per tonnes for 2019 compared to MUR 8,800 per tonne in 2018). The Group recorded a non-cash impairment amounting to MUR 1,061 million mainly attributable to expected credit losses in respect of Kwale International Sugar Company Limited ("KISCOL"; MUR 758 million) and other non-cash impairments on recoverable amount of bearer plants.

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### **Long-term Power Purchase Agreement (PPA) with CEB**

OTEOSA has a 20-year PPA with CEB expiring in August 2025. The Government of Mauritius has unconditionally guaranteed the due and punctual performance of 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.

The PPA requires the power plant to be available to CEB for a minimum of 8,000 hours annually. For the last 14 years (2005-2019) 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 8.0% of the total electricity produced in Mauritius in 2019.*

As per the PPA, the major components of revenue are Energy Charge and Capacity Charge.

#### **Energy charge**

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. Coal purchase and delivery are under OTEOSA's responsibility. The CEB pays the coal CIF price for the Contract coal Quantity only.

#### **Capacity charge**

As per the PPA, the capacity charge includes the following:

- Fixed O&M charges; and
- Financial charge.

The Financial charge includes a debt component and an Equity component.

The Actual capacity payment is based on the actual availability of the power plant. The Equivalent Availability Factor was 100% for the past 3 years. The actual Capacity Payment paid by CEB for the years 2017, 2018 and 2019 was MUR 307 million, MUR 306 million and MUR 315 million respectively.

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.

**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. The CEB has a representative on the board of CTMC who acts as an observer to the coal purchase process. When required, the 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 the most economic basis possible. The CEB pays the coal cost, insurance and freight price for the contract coal quantity only.

**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. OTEOSA pays an annual technical fee equivalent to 4% of its EBITDA, as per PPA. With over 500 experts working for Albioma Group in, it has a total installed capacity of 910 MW across 8 countries [Mauritius (195 MW): Terragen (70MW), Saint Aubin (35MW) and La Baraque (90MW)] and its plants generated a total of 3.8 TWh of electricity in 2019. In 2019, Albioma’s generating plants remained available for 88% of the time. In FY18 (Jan – Dec), Albioma achieved a consolidated revenue of EUR 506 million (2018: EUR 428 million), EBITDA of EUR 183 million (2018: EUR 163 million) and PAT of EUR 44 million for 2019 (2018: EUR 44 million). The General Manager of OTEOSA, Mr. Frédéric Robert, is deputed from Albioma to ensure proper running of the plant.

**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 48% of total power supply of Mauritius with its 4 thermal power plants and 10 hydroelectric plants:

In 2019, CEB produced 1,417.8 GWh of energy [accounting for 48.3% of the total energy supply to the national grid for 2019 (2,937.2 GWh)]. Given that CEB is the sole supplier of power to the population, CEB purchased additional 1,519.4 GWh (51.7%) from the following Independent Power Producers (IPPs), who generates power as per requirement of CEB, barring their auxiliary/captive consumption.

IPPs	Installed capacity (MW)	GWh generated in	% of total units (2019)
<i>Thermal</i>			
OTEOLB (Omnicanne)	90.00	539.8	18.4
<b>OTEOSA (Omnicanne)</b>	<b>32.50</b>	<b>233.8</b>	<b>8.0</b>
Terragen (Terra group)	71.20	426.7	14.5
Alteo Energy Limited	36.70	175.6	6.0
Sotravic Ltd	3.45	19.8	0.7
<b>Total Thermal (D)</b>	<b>233.85</b>	<b>1,395.9</b>	<b>47.6</b>
<b>Total photovoltaic* (E)</b>	<b>72.49</b>	<b>110.7</b>	<b>3.8</b>
<b>Total wind (F)</b>	<b>9.35</b>	<b>12.9</b>	<b>0.4</b>
<b>Total IPPs (G=D+E+F)</b>	<b>315.7</b>	<b>1,519.4</b>	<b>51.7</b>

*\*Total PV includes power produced under Small/Medium scale distributed generation scheme. (Source: CEB website)*

As per the latest Annual report of CEB (June 30, 2018), CEB posted a revenue of MUR 16.3 billion and surplus of MUR 2.3 billion for the period of 12 months ended June 30, 2018. As on June 30, 2018 CEB had a total borrowing of MUR 4.5 billion.

CEB pays only for metered energy that has been dispatched by the CEB who settles its dues within 30 days. There are no major concerns regarding timeliness of payment from CEB given that the utility is a profitable one. CEB’s payment obligations are also unconditionally guaranteed by the Government of Mauritius, as co-principal debtor.

### Industry Risk

Mauritius has a total installed capacity of 842.56 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 2019, the total energy supply by the National Grid was 2,937.2 GWh (2018: 2,827.6 GWh) and the average price of electricity charged to customers was around MUR 6.00 per kWh.

CEB is the sole organisation responsible for the transmission and distribution of electricity to the population.

In 2019, CEB produced 1,417.8 GWh of energy, accounting for 48.3% of the total energy supply of the national grid for 2019 (2,937.2 GWh). Given that CEB is the sole supplier of electrical power to the population, CEB purchased additional 1,519.4 GWh (51.7%) 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 has a transmission system is to transmit electricity, at a higher voltage, from sources of generation to Bulk Supply Points or Major Substations. The electricity is then stepped down to lower voltages to supply distribution networks, which in turn supply customers. 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 44.5% of power generated in 2019) and Coal (accounting for 35.9% of power generated in 2019). Bagasse (10.7%) leads the way among other fuels due to the Island's significant sugarcane industry.

Generation in 2019		
Fuel	GWH	%
HFO	1,307.4	44.5%
Coal	1,053.0	35.9%
Bagasse	314.0	10.7%
PV	110.7	3.8%
Hydro	98.6	3.4%
Landfill Gas	19.8	0.7%
Wind	12.9	0.4%
Kerosene	11.7	0.4%
Cane Trash	9.0	0.3%
<b>Total</b>	<b>2,937.2</b>	<b>100%</b>

### 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 support extended in any other form to Omnicane Limited and other group companies which have weaker credit profile.

## FINANCIAL PERFORMANCE

### Standalone Financial performance of OTEOSA

*MUR Million*

For the year ended as on	Dec-17	Dec-18	Dec-19
	Audited		
	12M	12M	12M
Revenue from sale of electricity	897	940	858
Other Income (Interest income/Rental Income)	3	3	0
Total Income	900	943	858
EBITDA	225	224	192
Depreciation & amortisation	83	86	91
Interest	28	19	13
PBT	108	118	77

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For the year ended as on	Dec-17	Dec-18	Dec-19
	<b>Audited</b>		
PAT	91	97	61
Gross Cash Accruals (GCA)	164	175	154
Dividend paid/proposed	90	75	75
<b>Financial Position</b>			
Equity share capital	255	255	255
Tangible networth	556	571	555
Total debt	343	252	126
- Long term debt	342	239	126
- Short term debt	2	13	0
Cash & Bank balances	75	11	6
<b>Key Ratios</b>			
<b>Profitability (%)</b>			
EBITDA / Total operating income	25.04	23.79	22.39
PAT / Total income	10.08	10.28	7.13
ROCE- operating (%)	29.32	14.89	12.51
RONW (%)	32.64	17.21	10.86
<b>Solvency</b>			
Long-term debt to equity ratio	0.61	0.42	0.23
Overall gearing ratio	0.62	0.44	0.23
Interest coverage (times)	8.08	12.01	14.64
Long-term Debt/EBITDA	1.52	1.07	0.66
Total debt/EBITDA	1.52	1.12	0.66
<b>Liquidity</b>			
Current ratio	2.39	1.96	1.67
<b>Turnover</b>			
Average collection period (days)	79	82	81
Average inventory (days)	98	98	107
Average creditors (days)	53	50	47
Operating cycle (days)	124	130	141
Working capital turnover ratio	3.22	3.99	4.95

In FY19, 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 at 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 (overdraft and Letter of Credit) totalling MUR 300 million from SBM Bank (Mauritius) Ltd at a lower interest rate. Accordingly, interest cost will be lower going forward.

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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%.

**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 Network.

**Details of Instrument**

**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
<b>Total</b>		<b>300</b>

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.

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