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 leading to gearing ratio over 0.6x
- 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.

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.

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 2,411 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 102,969 tonnes supplied by Medine Sugar Estate) and 2,991 small planters. Accordingly, it produces around 100,000 tonnes of sugar (104,089 tonnes in 2021), 300,504 tonnes of bagasse and 20.2 million litres of bioethanol.

The Group's power supplied to the national grid (La Baraque-90 MW and Saint Aubin-35 MW) accounted for 25% (742 GWh) of Mauritius' total energy (2,992 GWh) in 2021. 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**		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
La Baraque (90MW)	155	129	123	464	465	494
St. Aubin (35MW)	-	-	-	254	253	248
Total	**155**	**129**	**123**	**718**	**718**	**742**

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.

Past audited financials of Omnicane Group (Consolidated) are as under:

Omnicane Limited (MUR Million) – December	**FY19**	**FY20**	**FY21**
Turnover	4,553	4,470	5,378
EBITDA	1,085	794	920
Interest	664	629	546
Depreciation and amortisation	719	572	555
Non-recurring non-cash impairments	971	2,009	258
PBT	-1,040	-2,762	-692
PAT	-1,061	-3,208	-870
GCA	629	-626	-57
Dividend Paid	80	78	28
Total Debt	10,979	10,772	8,092
Cash & cash equivalents	654	728	687

In FY21, OL's Consolidated revenue increased to MUR 5.4 billion (MUR 4.5 billion in FY20) due to higher revenue from the sugar & ethanol and energy clusters. The Hospitality and Real Estate clusters were the most affected due to the closure of international borders.

The Sugar & Ethanol cluster benefited from higher sugar prices (MUR 14,062 in FY20 to MUR 16,765) and the bagasse remuneration. Higher volumes sold in higher value-added markets for ethanol cluster also contributed to the increase in revenue for the cluster. EBITDA was marginally higher in FY21. There was impairment of assets and allowance for credit losses amounting to MUR 258 million in FY21 which impacted profitability. OL posted a negative PAT of MUR 870 million in FY21 compared to MUR 3.2 billion loss for FY20.

Proceeds from sale of land used to reduce debt: Consolidated debt of Omnicane Limited as on December 31, 2021, was MUR 8 billion. In June 2021, Omnicane Limited sold land for a value of MUR 4,500 million. OL has received MUR 2,416 million in June 2021 and MUR 2,036 million in February 2022 and has utilized the same to repay debt. Omnicane Limited also restructured its remaining debts with MCB and SBM in April 2022.

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 1,029 MW across 8 countries [Mauritius (195 MW): Terragen (70MW), Saint Aubin (35MW) and La Baraque (90MW)] and its plants generated a total of 3.9 TWh of electricity in 2021. In 2021, Albioma's generating plants remained available for 90.5% of the time. In FY21 (Jan – Dec), Albioma achieved a consolidated revenue of EUR 573 million (2020: EUR 507 million), EBITDA of EUR 215 million (2020: EUR 206 million) and PAT of EUR 59 million for 2021 (2020: EUR 55 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 10 years, CEB has paid all the invoices raised by OTEOSA well within the stipulated timelines and in no instance OTEOSA had approached Government of Mauritius.

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. In FY21, the plant was available for 7,995 hours (99.9%). The power generation depends on the requirement by CEB on real time basis. During the last 4 years, OTEOSA has exported around 90% of its power generated to the National Grid (92% in FY21). OTEOSA accounted for 8% of the total electricity produced in Mauritius in 2021.

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 used in production, fuel handling costs and variable operation & maintenance charges, is fully passed through to CEB. Coal purchase and delivery are under OTEOSA's responsibility, and the coal price is a fully pass-through item. Accordingly, OTEOSA is shielded from coal price movements.

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

- Fixed O&M charge
- Financial charge.

Capacity Charge (MUR Million)	2019	2020	2021
Fixed Operational & Maintenance charge (FOMc)	117	124	134
Financial Charge	199	180	125
Total Capacity Charge	**316**	**304**	259
Plant availability Factor	1.0*	1.0*	1.0
Actual Capacity charge received from CEB	315*	302*	258

**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 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. 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. CEB pays the coal cost, insurance and freight price for the contracted coal quantity only.

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. Accordingly, due to the increase in coal price, freight cost and depreciation of MUR visa-v-is USD, the value of coal consumed during FY21 was significantly higher by 56% from MUR 479 million in FY20 to MUR 747 million, whereas the total income has grown by 35%, the profitability margins have declined. As per the PPA, total tariff is divided into two parts as annual capacity charges and Energy charges. Under annual capacity charges, O&M expense, financial charges, and equity component are fixed at the beginning of the year based on the agreed formula. Whereas the variable tariff is decided by reconciliation of many factors including coal price consumed during previous year and other indexation factors including interest rate change, forex rate change, inflation etc. However, since the reconciliation happens at the end of the year, any major price fluctuations have to be borne by the company. As it can be witnessed from the below chart, coal prices increased sharply from USD 90 per tonne to USD 348 per tonne from June 2021 to August 2022. During the month of April 2022, the tariff is revised based on USD 208 per tonne. However, the coal price has even moved further up and the procurement price of OTEOSA is hovering close to USD 336 to 348 per tonne. Given that the company had to procure higher value coal, the company has approached its bankers for higher L/C and import loan facilities.

Stable Financial Performance during 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. Working capital utilization (LC facility and import loan) was 90% for the past 12 months and overdraft utilization was 0.18%.

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% of total power supply of Mauritius with its 4 thermal powerplants and 10 hydroelectric plants. In 2021, CEB produced 1,197 GWh of energy [accounting for 40% of the total energy supply to the national grid for 2020 (2,992 GWh)].

Given that CEB is the sole supplier of power to the population, CEB purchased additional 1,795 GWh (60%) from the following Independent Power Producers (IPPs):

IPPs	Installed capacity (MW)	GWh generated in 2021
Thermal		
OTEOLB (Omnicane)	90.00	543.5
OTEOSA (Omnicane)	32.50	258.0
Others	111.35	832.5
Total Thermal (D)	**233.85**	**1,634.0**
Others		
Total photovoltaic* (E)	**72.49**	**146**
Total wind (F)	**9.35**	**15**
Total IPPs (G=D+E+F)	**315.7**	**1,795 (60%)**

**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.

The past financial performance of CEB (standalone) is as follows:

Central Electricity Board (MUR million)	FY19	FY20	FY21
Standalone		**Audited**	
Turnover	16,120	16,044	15,887
EBITDA	2,846	3,465	2,776
Interest	148	120	60
Depreciation and amortisation	2,161	2,071	1,958
PAT	448	875	536
GCA	2,609	2,945	2,493
Total Debt	4,197	3,727	3,697
Cash & cash equivalents	1,659	2,450	1,822
Tangible Networth	28,107	28,428	29,123
EBIDTA margin	18%	22%	17%
PAT margin	3%	5%	3%
Gearing	0.15	0.13	0.13
Total Debt/EBITDA	1.47	1.08	1.33
Interest coverage (EBITDA/Interest)	19.23	28.83	46.31

As per the latest Annual report (2020-21), CEB (standalone) posted a revenue of MUR 15,887 million (Mur 16,044 million in FY20) and PAT of MUR 536 million (Mur 875 million in FY20) for the period of 12 months ended June 30, 2020. As on June 30, 2021, CEB had a total borrowing of MUR 3.7 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.

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 CY21, the total energy supply to the National Grid was 2,992 GWh (2020: 2,882 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 2021, CEB produced 1,197 GWh of energy, accounting for 40% of the total energy supply of the national grid for 2021 (2,992 GWh). Given that CEB is the sole supplier of electrical power to the population, CEB purchased additional 1,795 GWh (60%) 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 36.5% of power generated in 2021) and Coal (accounting for 41.9% of power generated in 2021). Bagasse (11.7%) leads the way among other fuels due to Island's significant sugarcane production. In CY21, electricity generation increased by 4% from 2,882 GWh (248 Ktoe) in 2020 to 2,992 GWh, of which 78.4% (2,350 GWh) was generated from non-renewable sources and 21.5% (642 GWh) from renewable sources.

Generation in 2021		
Fuel	**GWH**	**%**
HFO	1,094	36.5%
Coal	1,255	41.9%
Bagasse	350	11.7%
PV	151	5.1%
Hydro	107	3.6%
Landfill Gas	19	0.6%
Wind	15	0.5%
Kerosene	-	-
Total	**2,992**	**100%**

Outlook

Total electricity generated (including off-grid) increased by 4% from 2,882 GWh in 2020 to 2,992 GWh in 2021. The main energy-consuming sectors were Transport and Manufacturing accounting to 47% and 22.6% of the final energy consumed. The operation of the Metro Express and re-opening of international borders led to the increase in consumption of energy for the Transport sector. The longer-term outlook of the sector remains dependent on the pace at which renewable generation grows and how same is decentralized and democratized in Mauritius. Government has set as goal to achieve 60% of the country's energy needs from green sources by 2030.

Prospects

OTEOSA's prospects depend 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 a weaker credit profile.

FINANCIAL PERFORMANCE
Standalone Financial performance of OTEOSA *MUR Million*

For the year ended as on	Dec-19	Dec-20	Dec-21
		Audited	
	12M	12M	12M
Revenue from sale of electricity	858	844	1,138
Other Income (Interest income/Rental Income)	0	5	2
Total Income	858	849	1,140
EBITDA	192	147	159
Depreciation & amortisation	91	56	56
Interest	13	7	6
PBT	77	78	95
PAT	61	63	81
Gross Cash Accruals (GCA)	154	120	139
Dividend paid/proposed	75	46	70
Equity share capital	255	255	255
Tangible networth	555	576	591
Total debt	126	56	217
- Long term debt	0	0	0
- Short term debt	126	56	217
Cash & Bank balances	6	93	242
Key Ratios			
EBITDA / Total operating income	22.39	17.36	13.93
PAT / Total income	7.13	7.40	7.09
ROCE- operating (%)	12.51	12.81	13.21
RONW (%)	10.87	11.11	13.84
Long-term debt to equity ratio	0.00	0.00	0.00
Overall gearing ratio	0.23	0.10	0.37
Interest coverage (times)	14.65	20.67	28.01
Long-term Debt/EBITDA	0.00	0.00	0.00
Total debt/EBITDA	0.66	0.38	1.36
Current ratio	1.12	1.27	1.20
Quick ratio	0.66	0.87	0.95
Average collection period (days)	81	50	58
Average inventory (days)	107	90	66
Average creditors (days)	47	31	35
Operating cycle (days)	141	109	89
Working capital turnover ratio	5	5	3.12

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.

Details of Instrument

Details of Bank Facilities

Lender	Facility	Sanctioned Amount (MUR million)	Rated amount (MUR million)	Interest Rate
MCB Bank	Overdraft	40	40	Prevailing PLR 5.25% (October 2022)
	Letter of Credit (L/C)/ Import Loan	1,275	160	LIBOR/SOFR + 2% for USD import loan
SBM Bank	Invoice discounting	100	100	1.35 % below prevailing PLR
Total (MUR million)			**300**	

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Contact us

Chief Executive Officer
Name : Mr. Saurav Chatterjee
Phone : + 230 5862 6551
E-mail : saurav.chatterjee@careratingsafrica.com

Analytical contact
Chief Rating Officer
Name : Mr. Vidhyasagar Lingesan
Phone : +230 5273 1406
E-mail : Vidhya.sagar@careratingsafrica.com

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