Omnicane Holdings (La Baraque) Thermal Energy Limited ("OHLB")

09 October 2023

Ratings

Instrument	Amount (Mur Million)	Rating[1]	Rating Action
Bond Issue	357.8 (Reduced from MUR 423.1 Million)	CARE MAU A-; Stable [Single A Minus; Outlook: Stable]	Reaffirmed

Rating Rationale

The rating assigned to the bond issue of Omnicane Holdings (La Baraque) Thermal Energy Limited ("**OHLB**") continue to derive strength from established presence of Omnicane Group and its experienced promoters, consistent receipt of dividend from Omnicane Thermal Energy Operations (La Baraque) Limited ("**OTEOLB**") having strong operational track record of operating a 90MW power plant, satisfactory financial performance of OTEOLB with low business risk due to its regulated operations with pass through tariff, long-term Power Purchase Agreement (PPA) with Central Electricity Board (CEB), payments from CEB backed by Government of Mauritius (GoM) guarantee, experienced power plant operator, increasing demand for power in Mauritius and presence of approval from the Board of Directors of OTEOLB that maximum dividend pay-out shall be made to shareholders subject to OTEOLB being profitable and after meeting its scheduled debt repayment obligations.

The rating is, however, constrained by the weak credit profile of Omnicane Group, OHLB being an investment company with only source of revenue being dividend from OTEOLB - contingent upon its performance, OTEOLB's exposure to regulatory & political risks and risk associated with operations of single plant and low standalone debt service coverage ratios in OHLB due to repayment structure of the bond.

Rating Sensitivities

Positive factors that could, individually or collectively, lead to positive rating action/upgrade

- Ability of OTEOLB to maintain a strong operational and financial performance
- Improvement in credit profile of OTEOLB

Negative factors that could, individually or collectively, lead to negative rating action/downgrade

- No significant cash outflow in the form of dividend payment or support extended in any other form by OHLB & OTEOLB to Omnicane Limited and other group companies, barring on event of special dividend paid by OTEOLB
- Any additional debt over and above MUR 550 million in OHLB affecting OHLB's ability to service debt and OTEOLB's ability to pay dividend to OHLB

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

BACKGROUND

Incorporated in 2005, Omnicane Holdings (La Baraque) Thermal Energy Limited ("**OHLB**") is the holding company for Omnicane Group's (Omnicane Limited and subsidiaries; "**Omnicane Group**") investment in a 90 MW (45 MW*2) powerplant. OHLB holds 60% stake in Omnicane Thermal Energy Operations (La Baraque) Limited ("**OTEOLB**") which owns and operates 90 MW (45 MW*2) high-efficiency coal and bagasse-based power plant located in the Southern part of Mauritius (La Baraque, L'Escalier). The power plant is operational since 2007. The other two shareholders of OTEOLB are Albioma (25%) and Sugar Investment Trust (15%). OHLB is a wholly owned subsidiary of Omnicane Limited. Incorporated in 1926, Omnicane Limited is a public company (SEM) engaged in the cultivation of sugarcane, production of refined sugar, bioethanol and thermal energy. OTEOLB's 90 MW thermal power plant uses coal and bagasse as fuel to produce power, which is sold to the Central Electricity Board (CEB) as per the Power Purchase Agreement (PPA). ***OTEOLB pays dividend to OHLB, and its sole revenue source is dividend income from OTEOLB. Hence, OHLB indirectly derives its total revenue from sale of electricity to the CEB.***

Management: OHLB is governed by a 3-member Board of Directors comprising of Mr. Jacques M. d'Unienville (CEO and Director of Omnicane Limited), Mr. Nelson (CFO of Omnicane Limited) and Mr. Eddie Ah-Cham (Company Secretary of Omnicane Limited).

Consistent support from OTEOLB: OHLB's (owning 60% in OTEOLB) main source of revenue is dividend received/receivable from OTEOLB, which has a stable dividend payment track record for last 10-12 years. In FY21, OTEOLB did not make any dividend payment to OHLB and instead it up streamed cash through a shareholder's loan of MUR 80 million which was utilised for debt servicing. In FY22, OTEOLB streamed dividend payment of MUR 54 million to OHLB.

Repayment structure of the Bond: The Bond of OHLB will be repaid out of the cashflow to be received as dividend or shareholders loan from OTEOLB. As per the term sheet, annual repayment will be on October 15th, every year, since OTEOLB pays dividend on September 30th, every year, based on the following formula: **90%* (Dividend received from OTEOLB minus operational expenses minus Interest).** OHLB's annual operating expenses are capped at MUR 1.5 million per annum (in line with past track record of operational expenses). The principal repayment amount is not fixed and will vary with the dividend received from OTEOLB which is contingent to its performance. The Board of Directors of OTEOLB has unanimously approved that maximum dividend pay-outs shall be made to the shareholders of OTEOLB subject to OTEOLB being profitable and satisfying the terms and conditions of its existing indebtedness. The cashflows to be utilized for repayment of the bond in OHLB will be in the form of dividend or shareholders loan from OTEOLB.

Performance of OTEOLB in FY22: In FY22, OTEOLB witnessed a surge of 77% in revenue from MUR 2,439 million in FY21 to MUR 4,311 million due to higher coal prices which was passed on to the CEB. The company posted EBITDA and PAT of MUR 446 million and MUR 224 million respectively in FY22. The plant was available for a minimum of hours (8,000 hours) which contributed to the higher revenue as it received 99% of the total capacity charge. Debt was higher in FY22 due to an increase in import loan and overdraft facility in the event of rising coal prices. Interest coverage was satisfactory at 6.49 times. The company generated cashflow of MUR 342 million and paid dividend of MUR 90 million during the year FY22.

Performance of OHLB in FY22: In FY22, OHLB received MUR 54 million as dividend income from OTEOLB. Post deducting annual expenses and annual interest costs, OHLB posted PAT of MUR 35 million (negative PAT of MUR 15 million in FY21). The company availed a loan of MUR 61.7 million from Omnicane Limited to service the bond repayment of MUR 66.4 million and borrowing costs in FY22. The company will repay an amount of MUR 64.6 million of the Bond issue in October 2023. Accordingly, the outstanding amount of the bond shall stand at MUR 293 million.

Annexure II

Rating Symbols

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category.

Rating Outlook

The rating outlook can be ‘Positive’, ‘Stable’ or ‘Negative’.

A ‘Positive’ outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A ‘Negative’ outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A ‘Stable’ outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

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