# Omnicane Ethanol Production Ltd

**07 May 2024**

**Ratings**

| Facilities/Instruments | Amount (MUR Million) | Rating[1] | Rating Action |
|---|---|---|---|
| **Bank Facilities - Term Loan** | **MUR 92 million** | **CARE MAU A-; Stable** | Assigned |
| **Bank Facilities - Overdraft** | **MUR 40 million** | **CARE MAU A2+** | Assigned |
| **Total** | **MUR 132 million** | | |

**Rating Rationale**

The ratings assigned to the Bank Facilities of Omnicane Ethanol Production Ltd ("**OEPL**") derives strength from the satisfactory track record of the company and parentage from Omnicane Limited ("**OL**"), its association with Alcogroup SA ("**ALCO**") which is one of the biggest producers and distributors of ethanol in Europe, the agreement with sister company, Omnicane Milling Operations Limited **("OMOL")**, acting as an in-house supplier of molasses, stable operational and financial performance, comfortable debt coverage indicators and growing demand for ethanol based products.

The rating is however constrained by the availability of molasses capping the production volume of ethanol, disruption in operations due to breakdown of the plant, exposure to interest rate risk and foreign currency risk as majority of sale happens in the foreign market and international competition which may impact adversely the performance of OEPL.

**Rating Sensitivities:**

***Positive Factors -*** Factors that could lead to positive rating action/upgrade:

- Ability to maintain its profitability margins above 13%
- Increase in the availability of molasses leading to an increase in production of ethanol
- Ability to produce more value-added products thus increasing revenue of OEPL

***Negative Factors -*** Factors that could lead to negative rating action/downgrade:

- Significant reduction in the supply of molasses from OMOL which impacts revenue from ethanol production
- Additional debt taken by OEPL over and above envisaged level.
- Any financial support to be extended in any form to Omnicane Limited and other group companies

**BACKGROUND**

Omnicane Ethanol Operations Ltd **("OEPL")** was incorporated in April 2011 to operate a bioethanol distillery with a capacity of 24 million litres production annually in the south of Mauritius.

**Shareholdings:** Omnicane Ethanol Holdings Ltd **("OEHL")** holds 100% stake in OEPL and Omnicane Limited holds 60% of OEHL while the remaining 40% is owned by Alcogroup S.A **("ALCO")**. ALCO group has headquarters in Brussels and its operations span on several continents. It is one of the biggest producers and distributors of ethanol in Europe and has established business relationships with blue-chip clients such as NCPALCOHOL and DIAGEO. ALCO group distributes the products of OEPL to the foreign market on their behalf. Around one-third of the ethanol produced of OEPL is sold locally

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

while the remaining is exported to Madagascar, Kenya, and South Africa. OEPL won the award for high quality bioethanol with a purity of 94% in 2019 in Spain.

**Operations:** OEPL is the only major producer of bioethanol from sugarcane in the region. The distillery is in operations since 2014 and has an annual production capacity of 24 million litres per year while having a storage capacity of 45,000 Tons of molasses. Molasses is the main input to produce bioethanol which is supplied by Omnicane Milling Operations Limited **("OMOL")**.

The ultimate shareholder of both OEPL & OMOL is Omnicane Limited **("OL")** with 60% and 80% holdings respectively. OL was incorporated in 1926 and is engaged in the cultivation of sugarcane, production of refined sugar, bioethanol, thermal energy, and electricity. It is a listed company on the Stock Exchange of Mauritius.

**Management:** OEPL is governed by a 4-member Board of Directors comprising of two executive directors and two non-executive directors. Mr. Jacques M. d'Unienville, Chairperson, is the Chief Executive officer of Omnicane Limited. He sits on the board of various sugar-sector institutions in Mauritius including the MSS. The daily operations are supervised by Mr. Rouillard Jean Pierre, the general manager for OEPL. He has over 30 years' experience managing production industries in different sectors. They are assisted by a team of professionals.

**Satisfactory financial performance and comfortable debt indicators**

OEPL is in operations since 2014 and is a major producer of bioethanol from sugarcane molasses. OEPL derives revenue primarily from sale of ethanol and other by-products such as Head & Tail, Light Rum, Sanitizers, Consolidated molasses stillage and carbon dioxide. The major costs of OEPL consist of the purchase of inventories, rental of turbine and the purchase of steam and electricity. The main components of the inventory of OEPL are molasses, ethanol, and chemicals. OEPL has an agreement for rental of turbine with OMOL to generate electricity for the plant. The agreement was signed for 20 years with an option to extend for another 10 years. The rental fees are indexed to inflation, hence from 2019 it has increased from MUR 39 million to reach MUR 47 million in FY22. The cost of steam and electricity was only MUR 47 million in FY19 and increased to MUR 100 million in FY22.

In 2019, OEPL posted a revenue of MUR 409 million which grew consistently up to 2022. In FY21, OEPL posted a revenue of MUR 512 million compared to MUR 420 million in FY20. The increase was attributed due to higher demand for ethanol following the COVID-19 pandemic which resulted in mass production of products such as sanitizers and alcohol and also due to the introduction of light rum in 2021 by OEPL. This has in turn boosted profitability with OEPL posting a PAT of MUR 47 million in FY21 against a negative PAT of MUR 1 million in FY20. OEPL sustained the positive trend with a 20% increase in revenue from MUR 512 million in FY21 to MUR 615 million in FY22 driven by increase in the sale of light rum (MUR 8 million to MUR 83 million) and strong demand for ethanol. In FY22, OEPL posted a PAT of MUR 87 million, hence an 85% increase from FY21 PAT of MUR 47 million.

In FY23, revenue decreased by 22% to reach MUR 479 million from MUR 615 million driven partially by a reduction of 13% and 48% in the revenue from ethanol and light rum respectively. The decline was due partially to a lower supply of molasses that reduce quantity produced from 17 million litres to 13 million litres. Additionally, in 2020 to 2022 revenue increased because of higher demand for alcohol-based products during the pandemic. Accordingly, total income and EBITDA decreased to MUR 490 million (FY22: MUR 626 million) and MUR 118 (FY22: MUR 155 million). PAT was MUR 65 million in FY23, decreased from MUR 87 million in FY22. GCA was satisfactory at MUR 109 million. OEPL paid around MUR

60 million of debt in FY23, to reduce its total debt to MUR 100 million. Accordingly, debt-to-equity ratio and overall gearing ratio improved to 0.09x (FY22: 0.24x) and 0.23x (FY22: 0.39x) as on December 31, 2023. Interest coverage ratio was 10.97x in FY23 (FY22: 8.52).

## Annexure I

**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.

**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. |

***Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE MAU A1 to CARE MAU A4. The modifier reflects the comparative standing within the category.***



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CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.