

## Press Release

### Hamal Hydel Limited

February 24, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 12.00 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 12.00 crore bank facilities of Hamal Hydel Limited. The outlook is '**Stable**'.

Hamal Hydel Limited (HHL) was incorporated in 2001 by Mr. Achal Dev Sharma and Mr. Kapil Dev Sharma. The company is engaged in the generation of hydro power at Himachal Pradesh.

#### Key Rating Drivers

##### Strengths

- **Low offtake risk due to PPA**

HHL has entered into a 40 year PPA at a fixed tariff of Rs. 2.95 cr per unit (kWh) with Himachal Pradesh State Electricity Board (HPSEB). This substantially mitigates any offtake risk associated with the hydro power project. SMERA believes that the ability of HHL to receive payments from HPSEB shall remain a key credit monitorable. Any delay in collection of payments can adversely impact its ability to service its debt obligations in a timely manner.

- **Experienced management**

SMERA believes that HHL will benefit substantially from its experienced management. The promoters have long standing experience of over a decade in the power industry.

##### Weaknesses

- **Modest financial risk profile**

HHL reported operating losses in FY2016 on account of high operating leverage resulting in high debt servicing obligations. Consequently, the DSCR remained low at 0.50 times in FY2016 and FY2015. The company is dependent on timely infusion of funds by promoters to service its debt obligations in a timely manner. However, SMERA expects its profitability metrics to improve substantially over the near term on account of decline in the overall debt levels due to receipt of subsidy from the HP government.

- **Small scale of operations**

HHL reported low operating income of Rs.2.23 cr in FY2016 as compared to Rs. 2.27 cr in FY2015. The operating cash flow continues to remain susceptible to changes in climatic conditions affecting the availability of water in the tributaries.

##### Analytical Approach

SMERA has taken a standalone view of the above entity.

##### Outlook: Stable

SMERA believes that HHL will maintain a Stable outlook on account of the low offtake risk owing to the power purchase agreements and experienced management. The outlook may be revised to Positive in

case of higher than expected operating efficiency coupled with sustained improvement in debt-equity ratio. Conversely, the outlook may be revised to Negative in case of increase in collection period and/or non-enforcement of the PPA.

#### About the Rated Entity - Key Financials

The company reported net loss of Rs. 1.06 cr on operating income of Rs.2.23 cr in FY2015-16, as compared with loss of Rs.1.28 cr on operating income of Rs.2.27 cr in FY2014-15.

#### Status of non-cooperation with previous CRA (if applicable)

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB- / Stable

#### Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Arindam Som Rating Analyst Tel: 011-49731321 <a href="mailto:arindam.som@smera.in">arindam.som@smera.in</a>	

#### ABOUT SMERA

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