

## Press Release

### SANDHYA HYDRO POWER PROJECTS BALARGHA PRIVATE LIMITED

March 23, 2018



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 100.00 Cr.
<b>Long Term Rating</b>	SMERA BBB / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) on the Rs. 100.00 crore proposed bank facilities of SANDHYA HYDRO POWER PROJECTS BALARGHA PRIVATE LIMITED. The outlook is '**Stable**'.

Sandhya Hydro Power Projects Balargha Private Limited (SHPPBPL), a SPV of the Continuum group, which has a significant interest in renewable energy, was incorporated in 2010 by Mr. Arvind Bansal, Mr. Ranjeet Kumar Sharma and Mr. K. Ramakrishnan Iyer. SHPPBPL has a 9.9 MW Small Hydro Electric Power Project located at Kullu District, Himachal Pradesh, which is engaged in running a hydro power plant on the River - Parbati - in Himachal Pradesh. The plant has commenced its commercial operations recently.

#### Key Rating Drivers

##### Strengths

- **Experience of the Continuum group in renewable energy sector**

The promoters of the company have executed several renewable energy projects in the past. Mr. Arvind Bansal a graduate of IIT, Delhi and IIM, Ahmedabad is the CEO of Continuum Wind Energy Limited and has decades of experience in renewable energy projects such as wind power projects in India. Continuum Wind Energy Limited, a joint venture between the Continuum Singapore and Morgan Stanley Infrastructure Partners. The JV company owns and operates 458 MW of wind power capacity, is constructing additional 96 MW and is developing additional 1500 MW wind power projects in India. The company enjoys strong group support in terms of corporate guarantee from Continuum Energy Pte. Ltd., Singapore (Ultimate holding company) and Skyzen Infrabuild Pvt. Ltd. (Parent Company) and unsecured loans from Skyzen.

- **Low offtake Risk Due to Presence of Power Purchase Agreement (PPA)**

SHPPBPL will be supplying power to Max group hospitals, Hyatt Hotels Chain, Grand Hotel and Venkateswar Hospital and has entered into 12 year PPAs with all the clients. This substantially mitigates any offtake risk with hydro power project. The power supply is under group captive consumption scheme; hence the supply of power will be at favourable rates to the buyers.

##### Weaknesses

- **Counterparty risk**

The company would be supplying power to the Max group hospitals, Hyatt Hotels Chain, Grand Hotel and Venkateswar Hospital and has entered into PPA with all of the clients. The company would remain dependent on the credit profiles of the counterparties. Any slowdown in their businesses or strain on their cash-flows will impact their offtake from Sandhya and this would further impact the risk profiles of SHPPBPL and repayment obligations.

- **Initial stage of operations**

The company has begun operations from Jan 22, 2018 and is currently supplying to the HP Government for the interim period till Mar, 2018. Post which the supply will be to the PPA clients. Thus the full scale operations of the plant are yet to stabilise which exposes the project to the business risks associated with

the hydro plant.

• **Susceptibility of power generation to hydrological risk**

The operations of hydro power plants in HP are largely dependent on the environmental factors. Any adverse rainfall condition is likely to affect the availability of water for power generation, thus impacting the revenues and profitability of the company. SMERA believes the availability of continuous water supply and ability to achieve high PLF would be a key rating sensitivity.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the company.

**Outlook: Stable**

Team believes that the outlook of the SHPPBPL will remain stable over the medium term on account of revenue visibility. Outlook will be revised to positive if company is able to maintain the high PLF in the future while maintaining healthy profitability. On the contrary; the outlook will be revised to negative in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.06	0.00	0.00
EBITDA	Rs. Cr.	0.01	-0.06	0.00
PAT	Rs. Cr.	-0.08	0.00	0.00
EBITDA Margin	(%)	14.79	0.00	0.00
PAT Margin	(%)	-120.83	0.00	0.00
ROCE	(%)	-0.05	-0.09	-0.16
Total Debt/Tangible Net Worth	Times	-304.98	-308.96	-425.03
PBDIT/Interest	Times	1.41	-0.01	1.38
Total Debt/PBDIT	Times	5172.98	-241288.42	4743.82
Gross Current Assets (Days)	Days	3949	0	0

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

NA

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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. Cr.)	Ratings/Outlook
Proposed Term Loan	N.A.	N.A.	N.A. .	100.00	SMERA BBB/ Stable (Assigned)

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### ABOUT SMERA

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