

Press Release

K M Energy Private Limited

11 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.14 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.15.14 crore bank facilities of K M Energy Private Limited (KMEPL). The outlook is '**Stable**'.

The Lucknow-based KMEPL was incorporated in 2014. The company is engaged in power generation. It has a 5 MW solar grid plant at Bundelkhand Region (Uttar Pradesh) that commenced commercial operations in power generation in October 2016. The company supplies power to the Uttar Pradesh Power Corporation Limited (UPPCL).

KMEPL has entered into a PPA with UPPCL to supply solar power for 13 years at a fixed tariff of Rs.9.25 per unit. The total project cost of Rs.33.60 crore was funded through debt of Rs.24.33 crore and rest Rs.9.27 by equity infusion from promoters.

Key Rating Drivers

Strengths

Experienced management

The Directors of the company, Mr. Dev Mani Pandey and Mr. Indra Nath Pandey have a decade of experience in the business. The parent company, M/s K M Sugar Mills Limited already has a Power Purchase Agreement (PPA) with Madhyanchal Vidyut Vitran Nigam Ltd. (MUVNL). The extensive experience and support of the management has helped the company establish long term relations with UPPCL.

Healthy Plant Load Factor (PLF) and stable business profile

The solar grid power plant commenced operations from October 2016 and has been able to maintain a comfortable PLF of 19.30 per cent in the last two quarters of FY2017 with an average PLF of 20.70 per cent in FY2018. UPPCL will be purchasing a maximum of 8.93 million units (21.00 per cent PLF) which provides high revenue visibility.

Weaknesses

Dependent on favourable climatic conditions for power generation

Since the generation of units is influenced by weather conditions and technical factors like degradation of the solar asset, future efficiency of the solar asset at optimal capacity will be critical. Any significant shortfall in units generated will impact revenues and cash flows of the company. The optimal utilisation of the asset will be critical for maintenance of a stable credit profile.

Exposure to regulatory risk

SMERA believes that the company is exposed to regulatory risk. Adverse changes or revision in terms related to tariff and termination clause will have an impact on future cash flows and is a rating sensitivity factor.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a 'Stable' outlook on account of steady cash flows under a PPA with an established capacity. The outlook may be revised to 'Positive' in case of significant capacity addition while maintaining or improving the debt protection indicators. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenues translating to deterioration in debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.79	0.00	-
EBITDA	Rs. Cr.	3.29	(0.04)	(0.01)
PAT	Rs. Cr.	(4.14)	0.02	(0.07)
EBITDA Margin	(%)	86.81	-	-
PAT Margin	(%)	(109.24)	-	-
ROCE	(%)	4.97	5.16	2.33
Total Debt/Tangible Net Worth	Times	3.51	0.00	-
PBDIT/Interest	Times	2.65	1.07	0.33
Total Debt/PBDIT	Times	6.42	0.00	87.55
Gross Current Assets (Days)	Days	131	-	-

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	15.14	SMERA BBB- / Stable

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.