

## Press Release

### K M Energy Private Limited

11 April, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 15.14 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 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. (MVVNL). 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

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