

Press Release

K M Energy Private Limited

June 28, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.15.14 Crore
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.10.11 crore bank facilities of K M Energy Private Limited (KMEPL). The outlook is '**Stable**'.

Further, Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.5.03 crore bank facilities of K M Energy Private Limited (KMEPL). The outlook is '**Stable**'.

Lucknow based KMEPL was incorporated in 2014. The company is engaged in power generation through its 5 Mega Watts (MW) solar grid plant at Bundelkhand Region (Uttar Pradesh). The company commenced its operations from October, 2016. Further KMEPL has entered into a Power Purchase Agreement (PPA) with Uttar Pradesh Power Corporation Limited (UPPCL) to supply solar power for 13 years at a fixed tariff of Rs.9.25 per unit.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KMEPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

Directors of the company Mr. Dev Mani Pandey and Mr. Indra Nath Pandey have a decade of experience in the said industry. The experience and support of the management has helped the company establish long term relations with UPPCL.

- **Average Financial Risk Profile**

KMEPL has average financial risk profile marked by average net worth and gearing, and healthy debt protection metrics. Tangible net worth of the company stood at Rs.7.51 crore as on 31st March, 2019 (Provisional) as against Rs.6.43 crore as on 31st March, 2018. Gearing levels (debt-equity) of the company stood at 1.51 times as on 31 March 2019 (Provisional) as against 2.37 times as on 31 March 2018. Interest coverage ratio (ICR) stood at 5.01 times for FY2019 (Provisional) as against 3.50 times for FY2018. DSCR stood at 5.50 times for FY2019 (Provisional) as against 1.45 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.02 times as on 31 March 2019 (Provisional) vis-à-vis 3.29 times as on 31 March 2018.

Weaknesses

- **Susceptibility of the cash flow to the reduction in Product Load Factor**

Since the generation of units is dependent on the weather conditions and Photovoltaic cells, further the future efficiency of the solar asset at optimal capacity and deterioration of Photovoltaic cells will be critical. Any significant shortfall in Product Load Factor will impact the revenues and cash flows of the company. The optimal utilization of the asset will be critical to the maintenance of 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.

Liquidity position

KMEPL has adequate liquidity marked by average net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.38 crore for FY2019 (Provisional) while no maturing debt obligations for the same period. The cash accruals of the company are estimated to remain around Rs.5.51 crore to Rs.5.38 crore during 2020-22 against repayment obligations of around Rs.2.70 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 183 days for FY2019 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.27 crore as on 31 March 2019 (Provisional). The current ratio stands at 42.48 times as on 31 March 2019 (Provisional).

Outlook: Stable

ACUITE 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	7.91	8.30	3.79
EBITDA	Rs. Cr.	7.10	7.67	3.28
PAT	Rs. Cr.	0.97	(0.09)	(4.14)
EBITDA Margin	(%)	89.72	92.36	86.70
PAT Margin	(%)	12.28	(1.04)	(109.24)
ROCE	(%)	6.96	9.30	4.95
Total Debt/Tangible Net Worth	Times	1.51	2.37	3.51
PBDIT/Interest	Times	5.01	3.50	2.66
Total Debt/PBDIT	Times	1.60	1.97	6.43
Gross Current Assets (Days)	Days	183	124	151

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

Not Applicable

Any other information

None

Applicable Criteria

- Manufacturing entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Default Recognition -<https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
11-Apr-18	Term Loans	Long term	15.14	ACUITE BBB-/Stable (Assigned)

***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	10.11	ACUITE BBB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.03	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

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