

Press Release

Soham Mannapitlu Power Private Limited

July 14, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BBB/Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.30.00 Cr bank facilities of Soham Mannapitlu Power Private Limited. The outlook is '**Stable**'.

The reaffirmation in the rating is basis the sustained improvement in the financial risk profile on account of scheduled repayments which has led to improvement in the capital structure. The company has repaid its entire borrowings by August, 2020. The company is expected to remain debt free with no additional debt funded capital expenditure plans in the medium term. The ratings have also factored the sustainment in the business performance reflected by the improvement in power generation and plant load factor (PLF) at 37 percent in FY2021 against 40 percent in FY2020. Further, Acuité has also factored the benefit of experienced management, and assured off-take with long-term PPA with MESCOM and its credit risk profile along with the efficient realizations from the same.

Soham Mannapitlu Power Private Limited (SMPL) was incorporated in the year 1993 and is engaged in power generation. The company is running 15 MW hydel power plant at Gurupur stream of Nethravathi river in Dakshina Kannada district in Karnataka. The company has commenced commercial production on September 07, 2009. It is a part of Soham Group and it is a 100 percent subsidiary company of Ambuthirtha Power Private Limited.

About the Soham Group

Soham Group was established in the year 1991, with Soham Renewable Energy India Private Limited (MW-6) being the flagship company of the group. Soham Group operates hydro power projects with a cumulative capacity of 53.5 MW in Karnataka. Other entities are Ambuthirtha Power Private Limited (MW-22.0) and Soham Phalguni Renewable Energy Private Limited (MW-10.50). The entities in the group have long term power purchase agreements (PPA) with several DISCOMs and corporates based out of Karnataka.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and assured off-take**

The company is promoted by Mr. K Sadananda Shetty and family members who possess more than two decades of experience in the renewable energy sector. It is a fully owned subsidiary of Ambuthirtha Power Private Limited and is a part of Soham group, which operates hydro power projects with a cumulative capacity of 53.5 MW in Karnataka. SMPL has signed PPA agreement with MESCOM for the entire capacity at a rate of Rs.2.90/- with price escalation at 2 percent every year from Sept 2009 to Sept 2019. For the next 20 years, price will be fixed on mutual agreement between the parties. Current price as on June, 2021 stood at Rs.3.422/- per Kwh. This substantially mitigates any off-take risk associated with the project. Further, the PPA is also secured by an irrevocable revolving LC opened by the MESCOM in favour of SMPL. MESCOM shall make payment to SMPL within 30 days from the date of receipt of bill. Any delayed payment beyond sixty days shall attract penal interest for the period beyond 30 days.

Acuité believes that SMPL is expected to enjoy the benefit of experienced management, and assured off-take with long-term PPA, though the credit risk profile of the sole off-taker for SMPL, i.e. MESCOM, will be a key rating sensitivity factor.

• **Comfortable financial risk profile**

Financial risk profile of the company is comfortable marked by healthy gearing, total outside liabilities to tangible net worth (TOL/TNW), moderate debt protection metrics and debt service coverage ratio. Gearing stood healthy at 0.34 times as on 31 March, 2021 (Prov) against 0.50 times as on 31 March, 2020. Acuité has considered unsecured loans of Rs.30.00 Cr from the promoters and group entities as quasi equity while arriving at the gearing, as the same were deployed for the construction of the project. Gearing improved on account of moderate accretions to reserves and repayment of term loans. TOL/TNW stood healthy at 0.39 times as on 31 March, 2021 (Prov) as against 0.54 times as on 31 March, 2020. Net worth is moderate at Rs.48.38 Cr as on 31 March, 2021 (Prov) as against Rs.44.23 Cr as on 31 March, 2020 (Includes quasi equity of Rs.30.00 Cr).

Debt protection metrics of interest coverage ratio and net cash accruals to total debt have considerably improved and stood healthy at 41.85 times and 0.49 times respectively in FY2021 (Prov) on account of reduced interest outgo and nominal repayment of loan against cash accruals. It is further expected to improve going forward on account of closure of the loan and therefore no outstanding debt in the books. SMPL reported cash accruals of Rs.8.07 Cr for FY2021 (Prov) against debt obligations of about Rs.4.20 Cr. Further, in compliance with the scheduled repayments, the borrowings have been repaid off by August, 2020, which leaves adequate net cash accruals, in the range of Rs.8-10 Cr over the medium term. Acuité believes that the financial risk profile of the company is expected to improve in the absence of major debt funded capital expenditure plans and scheduled repayment of term loans.

Weaknesses

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

The operations of hydro power plants are largely dependent on the monsoon and the spread of the monsoon. As the project being run-of-the river, well spread monsoon is expected to support in higher unit generation and higher cash accruals. The project receives major rainfall during the period June to October with peak plant load factor (PLF) of about ~72 percent during July – August and low PLF of 5-10 percent in September to December. SMPL's average PLF is about 37 and 40 percent in FY2021 and FY2020. Though the PLF of SMPL is over 25 percent over the past five years, however any adverse monsoon may severely impact the cash flows and the financial flexibility, though partly mitigated by the group's support, in case of need.

Rating Sensitivities

- Timely receipt of payments from MESCOM
- Improvement in power generation

Material Covenants

None

Liquidity: Adequate

SMPL has adequate liquidity marked by adequate net cash accruals to nil debt obligations. The company generated cash accruals of Rs.8.07 Cr for FY2021 while its maturing debt obligations are Rs.4.20 Cr for the same period. The cash accruals of SMPL are further expected to improve on account of no interest outgo from FY22 due to complete repayment of the borrowings. The cash accruals are estimated at Rs.8 Cr to Rs.10 Cr in the medium term against no debt obligation. The unencumbered cash and bank balance stood at Rs.1.55 Cr as on March, 2021 (Prov). Acuité believes that liquidity of SMPL is expected to remain adequate on account adequate net cash accruals against repayment obligations with additional comfort of complete repayment of the borrowings in the medium term.

Outlook: Stable

Acuité believes that SMPL will maintain a 'Stable' outlook on account of the low off take risk arising due to the enforcement of the Power Purchase Agreements (PPA) and extensive experience of the management in the renewable power sector. The outlook may be revised to 'Positive' in case of higher than expected PLF leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any significant drop in power generation levels, or any significant delay in receivables or any unplanned debt funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity – Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	11.17	10.68
PAT	Rs. Cr.	4.16	3.78
PAT Margin	(%)	37.20	35.38
Total Debt/Tangible Net Worth	Times	0.34	0.50
PBDIT/Interest	Times	41.85	9.57

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

None

Any other information

None

Applicable Criteria

- Financial Ratios and Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Apr-2020	Term Loan	Long Term	30.00	ACUITE BBB/Stable (Upgrade)
19-Feb-2019	Term Loan	Long Term	30.00	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. Cr.)	Ratings/Outlook
Term Loan	06-Nov-2015	Not Available	31-Dec-2020	30.00	ACUITE BBB/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Sagarikaa Mukherjee Senior Analyst - Rating Operations Tel: 022-49294033 sagarikaa.mukherjee@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.