

Press Release

Soham Mannapitlu Power Private Limited

October 12, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its 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**'.

Reason for rating reaffirmation

The rating reaffirmation takes into consideration the sustained business performance of the company reflected by the improvement in power generation and plant load factor (PLF) at 40.12 percent in FY2022 as against 37.01 percent in FY2021. It also takes into consideration the efficient working capital management by the company lead by the timely payments received from Mangalore electricity supply company limited (MESCOM) and the adequate liquidity position of the company. However, the ratings are constrained by the moderate financial risk profile of the company and susceptibility of power generation to hydrological risk.

About the Company

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 Group

Soham Group was established in the year 1991, with Soham Renewable Energy India Private Limited (MW6) 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 (MW22.0) and Soham Phalguni Renewable Energy Private Limited (MW10.50). 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 had 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 tariff as on October, 2022 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 15 working days from the date of receipt of bill. Any delayed payment beyond sixty days shall attract penal interest. Acuité believes that SMPL is expected to enjoy the benefit of experienced management, and assured offtake 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.

Stability in revenues

The revenues of the company stood at similar levels. The revenue of the company stood at similar levels. The revenue stood at Rs.12.10 crore in FY22(Prov) compared to revenue of Rs.11.17 crore in FY21. The operating profit margin of the company declined and stood at 67.88 percent in FY22(Prov) compared against 83.50 percent in FY21. The decline is on account of due to increase in the manufacturing costs caused by the repairs done on a water conducting system. The PAT margin stood at 25.62 percent in FY22(Prov) as against 36.14 percent in FY21.

Acuité believes that SMPL will maintain the stability in the revenues due to the long term PPA agreement with MESCOM till 2029.

Efficient working capital management

The company's working capital operations are managed efficiently wherein the company receives the payment from MESCOM within 15 working days. The GCA days for FY22(Prov) stood at 945 days as against 71 days for FY21. The high GCA days in FY22 are majorly due to the high cash and bank balance led by the disbursement of the long term loan in FY22. The debtors days stood at 3 days for FY22(Prov) as against nil days for FY21. The receivables consists of the amount yet to be received from MESCOM.

Acuité believes that the working capital management will remain efficient in the medium term due to timely receipt of payments from MESCOM.

Weaknesses

Moderate financial risk profile

The company has a moderate financial risk profile marked by tangible net worth of Rs.21.36 crore as on 31 March, 2022(Prov) as against Rs.48.26 crore as on 31 March, 2021. The decline in the networth is due to the amount of quasi equity of Rs.30 crore being withdrawn from the networth. The gearing level of the company stood high at 3.56 times as on 31 March, 2022(Prov) as against 0.34 times as on 31 March, 2021. The total debt outstanding of Rs.76.10 crore consists of long term debt of Rs.25.80 crores and unsecured loan of Rs.46.70 crore as on 31 March, 2022(Prov). The coverage ratios of the company remained comfortable with Interest Coverage Ratio (ICR) of 12.50 times for FY22(Prov) against 29.46 times for FY21. Also,

the Debt Service Coverage Ratio (DSCR) stood at 11.57 times for FY22(Prov) against 1.83 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.64 times as on March 31, 2022(Prov) against 0.39 times as on March 31, 2021. Acuité believes that the financial risk profile of the company will remain a key sensitivity in medium term.

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 FY2022. 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 position: Adequate

The company has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.7.02 crore in FY22(Prov) compared against nil maturing debt obligations over the same period. The cash accruals of the company are estimated to remain around Rs.6.89-7.95 crore during 2023-25 period while its matured debt obligations is estimated to be of Rs.4.20 crore during the same period. The company does not avail any working capital limits. Furthermore, the company maintains unencumbered cash and bank balances of Rs. 30.83 crore as on March 31, 2022(Prov). The cash and bank balance is high in FY22 as the loan amount disbursed was kept in the form of cash. The current ratio also stood moderate at 6.46 times as on March 31, 2022(Prov). Acuité believes that liquidity of SMPL is expected to remain adequate on account adequate net cash accruals against repayment obligations.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	12.10	11.17
PAT	Rs. Cr.	3.10	4.04
PAT Margin	(%)	25.62	36.14
Total Debt/Tangible Net Worth	Times	3.56	0.34
PBDIT/Interest	Times	12.50	29.46

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jul 2021	Term Loan	Long Term	30.00	ACUITE BBB Stable (Reaffirmed)
23 Apr 2020	Term Loan	Long Term	30.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
19 Feb 2019	Term Loan	Long Term	30.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	29.50	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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