

Press Release

Soham Phalguni Renewable Energy Private Limited

April 03, 2019



Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs.25.00 Crores. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.25.00 crores bank facilities of Soham Phalguni Renewable Energy Private Limited. The outlook is '**Stable**'.

Soham Phalguni Renewable Energy Private Limited (SPREPL) was incorporated in the year 2002. The company is running 10.5 MW mini hydel power plants at Gurupur Stream of Nethravathi River (downstream to Mannapitlu project) in Dakshina Kannada district in Karnataka. The company has commenced commercial production on June 27, 2015. It is a part of Soham group and it is a fellow subsidiary company of Soham Renewable Energy India Private Limited (~62%) and Ambuthirtha Power Private Limited (~38%).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SPREPL to arrive at this 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 part of Soham group, which operates hydro power projects with a cumulative capacity of 53.5 MW in Karnataka. SPREPL had signed a PPA agreement with KPTCL for the entire capacity at a rate of Rs.2.90/- with price escalation at 2 percent every year from June 2015. Current price as of December 2018 stood at Rs.3.40/- per Kwh.

SPREPL has signed a PPA with Karnataka Power Transmission Corporation Limited (KPTCL) for the entire capacity at fixed tariff rate of Rs.3.4 per unit (kWh) for the next 20 years. This substantially mitigates any off-take risk associated with the projects. Further, the PPA is also secured by an irrevocable revolving LC opened by the KPTCL in favor of the SPREPL. KPTCL shall make payment to SPREPL within 15 days from the date of receipt of bill. Any delayed payment beyond sixty days shall attract penal interest for period beyond 30 days. The company entered into an agreement in November 26, 2004 and commenced operations in June, 2015. However going forward, the credit risk profile of the sole off-taker for SPREPL i.e. KPTCL will be a key rating sensitivity factor.

Weaknesses

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

The operations of hydro power plants are largely dependent on the environmental factors. Any adverse rainfall condition is likely to affect the availability of water for power generation, thus impacting the revenues and profitability of the company. Acuité believes the availability of continuous water supply and ability to achieve high PLF would be a key rating sensitivity.

- **Exposure to regulatory risks**

SREPL is exposed to regulatory risk as it is associated with the State Electricity Board. The company may face revision in the tariff as there have been instance of tariff revision by several other State Electricity Boards.

Liquidity position

SPREPL has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The Company generated cash accruals of Rs.2.67 crores for FY2018 while its maturing debt obligations are Rs.2.16. The cash accruals of the SPREPL are estimated to remain around Rs.2.64 to 3.07 crore during 2019-21, while its repayment obligations are estimated to be Rs.2.58-3.30 crores over the medium term. The Company's operations are relatively moderate working capital intensive as marked by Gross Current Assets (GCA) of 114 days in FY 2018.

Outlook: Stable

Acuité believes that SPREPL 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 or withdrawal of unsecured loans leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 7.47 | 5.70 | 2.65 |
| EBITDA | Rs. Cr. | 6.43 | 4.64 | 1.95 |
| PAT | Rs. Cr. | (0.08) | (2.17) | (3.61) |
| EBITDA Margin | (%) | 86.13 | 81.45 | 73.71 |
| PAT Margin | (%) | (1.03) | (38.09) | (136.39) |
| ROCE | (%) | 5.68 | 2.97 | (0.27) |
| Total Debt/Tangible Net Worth | Times | 0.85 | 1.12 | 2.18 |
| PBDIT/Interest | Times | 1.70 | 1.13 | 0.55 |
| Total Debt/PBDIT | Times | 4.54 | 7.55 | 22.86 |
| Gross Current Assets (Days) | Days | 114 | 111 | 70 |

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-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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>

*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 | 25.00 | ACUITE BB-/Stable (Assigned) |

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About Acuité Ratings & Research:

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