

## Press Release

**Soham Phalguni Renewable Energy Private Limited**

September 14, 2021



### Rating Upgraded & Assigned

<b>Total Instruments Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BB/ Positive (Upgraded from ACUITE BB-/Stable; Outlook Revised from Stable to Positive)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE Double B**) from '**ACUITE BB-**' (**read as ACUITE Double B Minus**) to the Rs. 25.00 Cr bank facilities of Soham Phalguni Renewable Energy Private Limited (SPREPL). The outlook is revised from '**Stable**' to '**Positive**'.

The rating upgrade and revision in outlook is driven by improvement in revenue of the company from Rs 7.17 Cr in FY20 to 7.58 Cr in FY21 (Prov.) as a result of improvement in Plant Load Factor (PLF) and increase in power generation. This coupled with the improvement in capital structure with gearing improving from 0.52 times in FY20 to 0.44 times in FY21 (Prov.) and Total Outside Liabilities to Total Net Worth improved from 0.60 times to 0.52 times over the same period. Further, DSCR improving to 1.30 times in FY21 (Prov.) as against 0.97 times in FY20. Further the Interest Coverage improved to 2.23 times from 1.68 times over the same period.

The rating reflects the experience of the promoters in hydel power generation business, presence of long term PPA with Karnataka Power Transmission Corporation Ltd with price escalation clauses, improvement in PLF and Power generation, moderate financial risk profile and adequate liquidity. Aforementioned rating strengths were constrained by susceptibility of power generation to hydrological risk and exposure to regulatory risk.

### About the Company

Soham Phalguni Renewable Energy Private Limited (SPREPL) was incorporated in the year 2002. The company is promoted by Mr. Suchindra Sadananda Shetty and family. SPREPL is an entity under the Soham Group and a subsidiary of Ambuthirtha Power Private Limited and is engaged in power generation. 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 is a subsidiary company of Soham Renewable Energy India Private Limited (~52%) and Ambuthirtha Power Private Limited (~48%).

### About Soham group

Soham group is promoted by Mr. K Sadananda Shetty and family who possess around two decades of experience in the renewable energy industry. Soham Renewable Energy India Private Limited (6 MW) is the flagship entity of the group incorporated in the year 1991. Soham group operates hydro power projects with a cumulative capacity of 53.5 MW in Karnataka. Other entities are Ambuthirtha Power Private Limited (22 MW), Soham Phalguni Renewable Energy Private Limited (10.5 MW) and Soham Mannapitlu Power Private Limited (15 MW).

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SPREPL to arrive at the credit 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.3.40/- with no price escalation clause.

- **PPA with Karnataka Power Transmission Corporation Limited**

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. Acuité believes, having a steady PPA, provides revenue visibility for long term for the company.

- **Improvement in PLF and Power Generation**

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 makes 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.

- **Moderate Financial Risk Profile**

Financial Risk profile of the company was moderate as observed from the moderate net worth and capital structure, and adequate coverage indicators. Net worth of the company improved marginally from Rs 44.13 Cr in FY20 to 45.72 Cr in FY21 (Prov.) The improvement in net worth was primarily due to accretion of profits to reserves and capital addition by promoters to the tune of Rs 0.64 Cr in FY21. As such, the capital structure improved with gearing improving from 0.52 times in FY20 to 0.44 times in FY21 (Prov.) and Total Outside Liabilities to Total Net Worth improved from 0.60 times to 0.52 times over the same period.

The coverage indicators were adequate with DSCR improving to 1.30 times in FY21 (Prov.) as against 0.97 times in FY20. Further the Interest Coverage improved to 2.23 times from 1.68 times over the same period. The improvement in coverage indicators can be primarily attributed to the gradual improvement in power generation and PLF.

Acuité believes, going forward, the PLF and power generation will improve resulting in improved operating and financial performance positively impacting the financial risk profile of the company.

### **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 in catchment area of the water sources are likely to impact 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**

SREIPL 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. The company in FY20 won the case against KPTCL for fixed tariff of Rs 3.40 per unit for rest of the tenure of the PPA.

### **Liquidity Position: Adequate**

Liquidity position of the company is adequate as observed. The Net Cash accruals were in the

range of Rs 2.21 Cr to Rs 3.41 Cr over past 3 years ended FY21 (Prov.) while the debt repayments were in the range of Rs 2.00 Cr to 3.20 Cr. Going forward, the net cash accruals are expected to improve marginally and is expected in the range of Rs 4.6 Cr to Rs 6.2 Cr over the period of FY22-24 while the debt repayments are in the range of Rs 3.7 Cr to Rs 4.2 Cr. Further, the promoters have been infusing capital over the period to support the operations of the company. The promoters have also started maintaining DSRA under Ambuthirtha Power Private Limited for SPREPL. We believe, with company achieving planned PLF of around 24 per cent over medium term will positively impact the liquidity position.

### Rating Sensitivities

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

### Outlook: Positive

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	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	7.58	7.17
PAT	Rs. Cr.	0.72	(0.35)
PAT Margin	( percent)	9.54	(4.91)
Total Debt/Tangible Net Worth	Times	0.44	0.52
PBDIT/Interest	Times	2.23	1.68

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

ICRA, vide its press release dated December 11, 2020 had denoted the rating as 'ICRA B' (Issuer Not Cooperating) on account of lack of adequate information required for monitoring of ratings.

### Any other information

Not Applicable

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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 (Up to last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12 Jun 2020	Term Loan	Long term	25.00	ACUITE BB-/Stable (Reaffirmed)
03 Apr 2019	Term Loan	Long term	25.00	ACUITE BB-/Stable (Assigned)

**\*Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Term Loan	26/03/2013	11.35%	31/08/2026	19.77	ACUITE BB/ Positive (upgraded)
Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	5.23	ACUITE BB/ Positive (Assigned)

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**About Acuité Ratings & Research:**

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