

Press Release

Soham Phalguni Renewable Energy Private Limited

January 04, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating

The rating upgrades takes into account the improving production of units as per YTD, Assured cash flows as the company have long term PPA with MESCOM, Improved DSCR in FY22.

The rating reflects the experience of the promoters in hydel power generation business, presence of long term PPA with Karnataka Power Transmission Corporation Ltd, improvement in PLF and power generation, moderate financial risk profile and adequate liquidity. Aforementioned rating strengths are 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 Soham Renewable Energy India 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 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

Acuite has considered Standalone approach to arrive at this rating, as the group consists of Soham renewable Energy India Private Limited, Soham Phalguni Renewable Energy private Limited, Ambuthirtha Power Private Limited and Soham Mannapitlu Private Limited. All the companies has plants located at various locations, have different capacity levels, having different counterparties and power purchase agreements (PPA).

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/unit with no price escalation clause.

PPA with Karnataka Power Transmission Corporation Limited

The company has signed Purchase Power Agreement (PPA) with Karnataka Power Transmission Corporation Limited (KPTCL) (Supplying to Mangalore Electricity Supply Company Limited) on November 26, 2004 for 3.40 per Kilo Watt once after the commencement of operations. The company has started commercial operations in June 2015. As per the PPA agreement, KPTCL is paying Rs. 3.4 per unit for 10 years. Post that, tariff rates can be fixed based on the mutual agreement. The PPA agreement is for 20 years from September 2015 to September 2035. Current tariff rate as on 31 March, 2021 is Rs.3.40/ unit.

Moderate Financial Risk Profile

Financial Risk profile of the company is moderate as observed from the moderate net worth and capital structure. Net worth of the company improved from Rs 45.31Cr in FY21 to Rs47.32 Cr in FY22. The net worth improved marginally primarily due to healthy accretions over of reserves. The gearing of the company remained healthy in FY22 at 0.37 times and Total Outside Liabilities to Total Net Worth stood at 0.44 times over the same period. The coverage indicators improved significantly as DSCR stood at 1.12 times in FY22 and it is further expected to remain in the similar levels in the medium term. Interest Coverage improved to 3.19 times in FY22 from 2.08 times in FY21. Acuite believes that, 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. Acuite 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.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

Liquidity position of the company improved in FY22. SPREPL has adequate NCA's of Rs.4.65Cr to repay its Debt obligations of Rs.3.20Cr in FY22. Going forward, the net cash accruals are expected to improve marginally. Further, the promoters have been infusing capital over the period to support the operations of the company in the form of unsecured loans. The promoters have also started maintaining Debt service reserve mount (DSRA) under Ambuthirtha Power Private Limited for SPEEPL. Acuite believes that with SPREPL liquidity position will remain adequate in the medium term on account of assured cash flows and power purchase agreement (PPA) with government.

Outlook: Stable

Acuite believes that SREIPL will maintain a 'Stable' outlook on account of the low off take risk arising due to the enforcement of the Power Purchase Agreements (PPA), extensive experience of the management in the renewable power sector and support from group companies. 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 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	8.37	7.57
PAT	Rs. Cr.	1.67	0.32
PAT Margin	(%)	19.98	4.29
Total Debt/Tangible Net Worth	Times	0.37	0.45
PBDIT/Interest	Times	3.05	2.08

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Dec 2022	Term Loan	Long Term	15.76	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.24	ACUITE BB Stable (Reaffirmed)
14 Sep 2021	Proposed Bank Facility	Long Term	5.23	ACUITE BB Positive (Assigned)
	Term Loan	Long Term	19.77	ACUITE BB Positive (Upgraded from ACUITE BB- Stable)
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's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	9.24	ACUITE BB+ Stable Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.76	ACUITE BB+ Stable Upgraded

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About Acuité Ratings & Research

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