

## Press Release

### Soham Renewable Energy India Private Limited

April 03, 2019



#### Rating Assigned

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.20.41 Crore.            |
| <b>Long Term Rating</b>             | ACUITE B / Outlook: Stable |

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned long term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs.20.41 crore bank facilities to Soham Renewable Energy India Private Limited (SRPL). The outlook is '**Stable**'.

SRPL, incorporated in 1991, is engaged in power generation. The company is running a 6 mega-watt (MW) hydel power plant from Kaveri downstream to Kishoreganga dam at Mahadevpura village in Mandya district (Karnataka). The company has commenced commercial operations on March 28, 2014. SRPL is the flagship entity of the Soham group. SRPL entered into power purchase agreement with Tanglin Development Limited for 10 years from September 2014, and Umiya Holdings Private Limited for one year for supply of 2 million units and 0.06 million units per annum respectively besides supplying to other consumers in open when production is in excess.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SRPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

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. SRPL has signed a power purchase agreement with Tanglin Development Limited (TDL) for 10 years and Umiya Holdings Private Limited (UHPL) for one year for supply of 2 million units and 0.06 million units (MU) per annum respectively. Supply of power to TDL and UHPL are at Rs.5.5 per Kwh. The balance units of power generated are sold to open market customers. Acuité believes that the experienced management and healthy relations are expected to support in regular addition of new clientele, and healthy off-take of units generated.

Soham group promoters hold majority shareholding in SREIPL. Apart from equity capital, the promoters and other group/related companies have supported the borrowings of SREIPL by unsecured loans from the promoters. Acuité believes that continued ownership pattern of SREIPL by promoters of Soham group and the credit profile of Soham group will remain key rating sensitivities.

##### 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. 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 45-50 percent during August and September; and for periods October – January, it operates at about 20 per cent. SRPL's average PLF is about 31.6 and 19.12 per cent respectively in FY2018 and provisional year FY2019. Sharp decline in unit generation from 16.6 million in FY2018 to 10.0 million in FY2019 is owing to excess water flow leading to break-down and shut down of operations; though it is partly mitigated by the insurance claim raised for loss of profit. SRPL's PLF was erratic with low PLF of 13 per cent in FY2015 and FY2019, though it was moderate during FY2016-18. Acuité believes that SRPL's revenues and cash accruals continue to be susceptible to the adverse monsoon and spread of the rainfall.

- **Offtake risk in the absence of long term PPA**

SRPL has signed a PPA with TDL and UHPL for supply of 2 MU and 0.06 MU power respectively per annum. However, given that major portion of the power generated is not covered under PPA, SRPL's revenues and cash flows are at risk of off-take.

#### **Liquidity position**

SRPL has weak liquidity marked by negative net cash accruals to its maturing debt obligations. The company's cash accruals are negative at Rs.0.74 crore, while its maturing debt obligations are Rs.4.20 crore in FY2018. However, SRPL has got support from its group entities and promoters in the form of Unsecured Loans; it has received Rs.7.11 crore in FY2019 in comparison to Rs.3.79 crore in FY2018. The cash accruals of the company are estimated to remain negative at about Rs.2.0 crore in FY2019; however, FY2019 being an exceptional year after FY2015, cash accruals are expected to improve to Rs.0.2 – 0.3 crore over the medium term. SRPL's repayment obligations are estimated to be about Rs.4.3 crore over the medium term. Acuité believes that the liquidity of the SRPL is expected to be weak over the medium term and the timely support from the Soham group for servicing its debt obligation will be critical.

#### **Outlook: Stable**

Acuité believes that SRPL will maintain a 'Stable' outlook on account of extensive experience of the management in the power generation industry. The outlook may be revised to 'Positive' in case of higher than expected PLF and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any significant dip in power generation further leading to deterioration of its liquidity and accruals.

#### **About the Rated Entity - Key Financials**

|                               | Unit    | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 5.23          | 4.76          | 5.16          |
| EBITDA                        | Rs. Cr. | 3.08          | 2.19          | (0.57)        |
| PAT                           | Rs. Cr. | (3.35)        | (4.56)        | (7.70)        |
| EBITDA Margin                 | (%)     | 58.87         | 46.05         | (11.12)       |
| PAT Margin                    | (%)     | (63.99)       | (95.82)       | (149.08)      |
| ROCE                          | (%)     | 0.11          | (0.20)        | (3.08)        |
| Total Debt/Tangible Net Worth | Times   | 0.17          | 0.20          | 0.21          |
| PBDIT/Interest                | Times   | 0.79          | 0.53          | (0.15)        |
| Total Debt/PBDIT              | Times   | 9.99          | 14.73         | (53.63)       |
| Gross Current Assets (Days)   | Days    | 134           | 27            | 30            |

#### **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-6.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 | 20.41                         | ACUITE B/Stable (Assigned) |

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### About Acuité Ratings & Research:

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