

Press Release

Soham Renewable Energy India Private Limited

September 14, 2021

Rating Upgraded & Assigned



Total Instruments Rated*	Rs. 20.41 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable (Rating Upgraded from ACUITE B/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE B+**' (read as **ACUITE B Plus**) from '**ACUITE B**' (read as **ACUITE B**) to the Rs. 20.41 Cr bank facilities of Soham Renewable Energy India Private Limited. The outlook is 'Stable'.

The rating upgrade is driven by improvement in revenue from Rs 4.82 Cr in FY20 to Rs 5.58 Cr in FY21 (Prov.) and the improvement in operating margins from 41.1 per cent in FY20 to 62.2 per cent in FY21 (Prov.). Further, the PLF improved from 19.78% to 23% and coverage indicators turned positive. The group also started maintaining DSRA under Ambuthirtha Power Private Limited.

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 and modest financial risk profile. Aforementioned rating strengths were constrained by susceptibility of power generation to hydrological risk, exposure to regulatory risk, stretched liquidity position and offtake risk.

About the company

Soham Renewable Energy India Private Limited (SREIPL) incorporated in the year 1991. The company is engaged in power generation. The company is running a 6 MW hydel power plant at Kaveri downstream to Kishoreganga dam at Mahadevpura village, Mandya district in Karnataka. The company has commenced commercial production on March 28, 2014. It is a part of Soham group.

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

Acuite has considered the standalone business and financial risk profiles of SREIPL 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. SREIPL has signed long term power purchase agreements with tech park companies based out of Bangalore for supply of 2.06 million units. Supply of power are at Rs.5.5 per Kwh. The balance units of power generated are sold to open market customers. Acuite 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.

- **Improvement in revenue and profitability**

Revenue improved from Rs 4.82 Cr in FY20 to Rs 5.58 Cr in FY21 (Prov.) and the operating margins improved from 41.1 per cent in FY20 to 62.2 per cent in FY21 (Prov.) The primary reason for improvement in revenue and profitability are improvement in PLF and power generation. The company increased height of embankments and completed the maintenance of turbines resulting in increased PLF and power generation. Acuité believes, improvement in PLF will result in improvement in revenue, profitability and credit profile of the company.

Weaknesses

- **Modest Financial Risk Profile**

Financial Risk profile of the company was modest as observed from the moderate net worth and capital structure, and weak coverage indicators. Net worth of the company marginally deteriorated from Rs 150.95 Cr in FY20 to Rs 149.88 Cr in FY21 (Prov.) The net worth deteriorated marginally primarily due to continuous net losses over past few years. However, the capital structure was unchanged with gearing in the range of 0.18 times to 0.20 times over past 3 years ended FY21 (Prov.) and Total Outside Liabilities to Total Net Worth unchanged around 0.20 times over the same period.

The coverage indicators were weak with DSCR of 0.66 times in FY21 (Prov). Further the Interest Coverage was 1.72 times. The coverage indicators turned positive due 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.

- **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 20 and 23 per cent respectively in FY20 and FY21. Acuité believes that the revenues and cash accruals continue of the company to be susceptible to the adverse monsoon and spread of the rainfall.

Liquidity Position: Weak

Liquidity position of the company is weak as observed from Net Cash accruals were marginal compared to the debt repayments. Going forward, the net cash accruals are expected to improve marginally and is expected in the range of Rs 1.5 Cr to Rs 2.5 Cr over the period of FY22-24 while the debt repayments are in the range of Rs 4.3 Cr to Rs 5.1 Cr. 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 DSRA under Ambuthirtha Power Private Limited for SREIPL. We believe, with company achieving planned PLF of around 24 per cent over medium term will positively impact the liquidity position.

Rating Sensitivities

- Timely collection of receivables.
- Improvement in power generation

Outlook: Stable

Acuité 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.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	5.58	4.82
PAT	Rs. Cr.	(1.08)	(5.74)
PAT Margin	(percent)	(19.30)	(118.95)
Total Debt/Tangible Net Worth	Times	0.19	0.20
PBDIT/Interest	Times	1.72	(0.23)

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	20.41	ACUITE B/Stable (Reaffirmed)
03 Apr 2019	Term Loan	Long term	20.41	ACUITE B/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	04/04/2013	11.35%	31/12/2023	11.71	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	8.70	ACUITE B+/Stable (Assigned)

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About Acuité Ratings & Research:

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