Press Release

Soham Renewable Energy India Private Limited

December 01, 2022

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.41	ACUITE BB- | Stable | Upgraded	-
Total Outstanding Quantum (Rs. Cr)	20.41	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating

The rating upgrade takes into account of improved plant load factor (PLF) during FY22 resulting into improved cashflows to meet its debt obligations.

The rating reflects the experience of promoters in hydel power generation business, improvement in revenue and profitability and moderate financial risk profile of the company. However, the rating is constrained by susceptibility of power generation to hydrological risk.

About the Company

Soham Renewable Energy India Private Limited (SREIPL) was incorporated in the year 1991. The company is promoted by Mr. K Sadananda shetty and family. The company is engaged in power generation. The company is running a 6 mega-watt (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 the 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 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. 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. 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.

Improvement in revenue and profitability
SREIPL revenue has significantly increased to Rs.10.52Cr in FY22 from Rs.5.58Cr in FY21. This is mainly due to increased water flow in KSR Dam during the FY22. Till FY21 SREIPL could managed to generate only 12.5 Million Units of electricity. This is because of the machinery normalization period. In FY22, as water flow increased from upstream, SREIPL managed to generate 24 Million units of electricity in FY22 and this resulted in increase of PLF to 45 percent. Acuite believes that SREIPL will generate similar units of electricity and maintains similar PLF percentage in the medium term as there is good rainfall in FY23 in Karnataka region.

Modest 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 149.78Cr in FY21 to Rs 154.54 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 0.16 times and Total Outside Liabilities to Total Net Worth stood at 0.17 times over the same period. The coverage indicators improved significantly as DSCR improved to 1.52 times in FY22 from 0.65 times in FY21 and it is further expected to improve to 1.81times for FY23. Interest Coverage improved to 6.40 times in FY22 from 1.64 times in FY21. The coverage indicators improved due to the significant improvement in power generation and PLF. 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 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 22 and 24 per cent respectively in FY21 and FY22. Acuité believes that the revenues and cash accruals continue of the company to be susceptible to the adverse monsoon and spread of the rainfall.

Rating Sensitivities

- Timely collection of receivables.

Improvement in power generation

Material covenants

None

Liquidity : Adequate

Liquidity position of the company improved in FY22. SREIPL has adequate NCA's of Rs.7.28Cr to repay its Debt obligations of Rs.4.32Cr in FY22. Going forward, the net cash accruals are expected to improve marginally and is expected in the range of Rs 10.62Cr to Rs 10.75 Cr over the period of FY23-24 while the debt repayments are in the range of Rs 4.8 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 Debt service reserve account (DSRA) under Ambuthirtha Power Private Limited for SREIPL. Acuite believes that with SREIPL liquidity position will remain adeqate in the medium term on account of improving cashflows.

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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	10.52	5.58
PAT	Rs. Cr.	4.75	(1.18)
PAT Margin	(%)	45.18	(21.21)
Total Debt/Tangible Net Worth	Times	0.16	0.19
PBDIT/Interest	Times	6.40	1.64

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
14 Sep 2021	Proposed Bank Facility	Long Term	8.70	ACUITE B+ | Stable (Assigned)
	Term Loan	Long Term	11.71	ACUITE B+ | Stable (Upgraded from ACUITE B | Stable)
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's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.39	ACUITE BB- | Stable | Upgraded
State Bank of India	Not Applicable	Term Loan	Apr 4 2013 12:00AM	11.35	Dec 31 2023 12:00AM	Simple	7.02	ACUITE BB- | Stable | Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.