

## Press Release

### Urjankur Shree Datta Power Company Limited

May 31, 2021

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr
<b>Long Term Rating</b>	ACUITE A/Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned its long term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs. 10.00 crore bank facilities of Urjankur Shree Datta Power Company Limited (USDPC). The outlook is '**Stable**'.

The rating draws strength from USDPC's strong operating performance and healthy financial risk profile. The rating also draws comfort from the availability of long term PPA with MSEDCL for offtake of the capacity. The rating is constrained to some extent by USDPC's susceptibility to its parents operations and working capital intensive nature of operations. USDPC's ability to maintain its operating performance and working capital position will remain key rating sensitivities.

#### About the Company

USDPC is a Special Purpose Vehicle (SPV) of Urjankur Nidhi Trust [UNT] (Government of Maharashtra entity formed to facilitate non-conventional energy sources) and Shree Datta Sahakari Shefkari Sakhar Karkhana Limited (SDSSSK) that operates a 36 MW bagasse based thermal power plant in Kolhapur, Maharashtra. It was incorporated in 2008 and began commercial operations in 2011. Mr. MV Patil is currently its managing director. USDPC has signed an agreement with its parent sugar factory for acquisition of bagasse fee cost against supply of part of electricity generated by it. For the rest of its output it has signed a power purchase agreement (PPA) with MSEDCL in 2013 valid for 13 years.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of USDPC to arrive at the rating.

#### Key Rating Drivers

##### Strengths

##### • Improving operating performance

USDPC is SPV of UNT and SDSSSK that operates a 36 MW bagasse based thermal power plant at Kolhapur. It has signed an agreement with its parent SDSSSK for procuring bagasse free of cost and supplying them with part of its electricity generated. The company started initially as partnership between UNT and IL&FS Renewable Limited in 2008 and it has been operational since 2011. However, in 2017 SDSSSK took over IL&FS's stake in the entity. Post that, a continuous improvement in their operating performance has been observed. Power generated stood at 167.92 MU in FY2021 against 156.08 MU in FY2020 and 153.97 MU in FY2019. USDPC has also exported 122.19 MU in FY2021 against 115.78 MU in FY2020 and 111.35 MU in FY2019 to MSEDCL. With PPA in place with a levelized fixed tariff and yearly revised variable tariff the company shown growth in its revenue as well. Revenue stood at Rs. 82.23 crore in FY2020 against Rs. 74.60 crore in FY2019 and 56.32 crore in FY2018. Revenue for FY2021 (Provisional) is ~Rs. 81.00 crore. Costs are limited to operations and maintenance and fuel costs (for bagasse procured from sources besides the parent sugar factory) USDPC's operating profitability has also remained healthy. Operating margins stood at 58.44 percent in FY2020 and 58.40 percent in FY2019. Operating margins stood at ~61 percent for FY2021 (Provisional).

Acuite believes that USDPC's ability to maintain its operating performance will continue to remain a key rating sensitivity.

##### • Long term PPA signed with MSEDCL gives revenue visibility over medium term

The company has signed 13 year PPA with MSEDCL. The PPA has provisions for a levelized fixed tariff (Rs. 2.26/ KWh) and a variable tariff which can be revised yearly. The variable tariff and total tariff

stood at Rs. 4.38 / KWh and Rs. 6.64 / KWh for FY2021 an FY2020. This reduces the offtake risk for the plant and provides with revenue visibility over the medium term.

**• Healthy financial risk profile**

USDPCCL has a healthy financial risk profile with adequate capitalization. Tangible net worth stood at Rs. 195.50 Crore as on March 31, 2020 against Rs. 166.64 crore as on March 31, 2019. The company has paid all its term debt obligations in FY2019 and has no outstanding term debt as on March 31, 2020. It is availing working capital limit of Rs. 10 crore currently which remains largely unutilized. TOL/TNW stood at 0.10 times in FY2020 against 0.22 times in FY2019. Interest coverage stood at 46.52 times in FY2020 against 14.38 times in FY2019. The company also has liquid deposits of Rs. 45.00 crore as on March 31, 2020. Tangible net worth stood at ~Rs. 229.00 crore as on March 31, 2021 (Provisional) with no debt outstanding. Liquid deposits increased to ~Rs. 80 crore as on March 31, 2021 (Provisional).

Acuite expects going forward USDPCCL will maintain a healthy financial risk profile on account of healthy cash flow generation and no term debt.

**Weaknesses**

**• Working capital intensive nature of operations**

USDPCCL's operations are working capital intensive marked by GCA days 230 day in FY2020 and 239 days in FY2019. This is primarily driven by receivable and inventory days. The company faces some delays in receiving money from MSEDCL. It receives its money in around 90 to 100 days. Bagasse which is used as the primary fuel in the power plants available as per the sugarcane crushing season. So the company has to maintain significant amounts raw material inventory to ensure uninterrupted supply of fuel to its power plants. However the company has been able to manage its working capital requirement internally on account of its adequate capitalization.

Acuite believes USDPCCL's ability to maintain working capital position without further deterioration will be a key rating sensitivity going forward.

**• Susceptibility to business of the sugarcane crushing business of parent**

USDPCCL's key raw material is bagasse from its parent sugar factory which it receives free of cost. This is keyreason for the company's healthy profitability. Bagasse is an agro waste product hence it's availability is highly seasonal. Its availability varies with the sugarcane crushing season. This makes the company susceptible to the sugar crushing operations of the parent company. Any adverse impact on sugar manufacturing operations will reduce the availability of the raw material available free of cost impacting their profitability metrics.

**Liquidity Position: Strong**

USDPCCL is expected to generate cash accruals in the range of Rs. 43 – Rs. 44 crore. The company has accumulated deposits of Rs. 45.79 crore as on March 31, 2020 and cash and bank balance of Rs. 3.13. The deposits stood at ~Rs. 80.00 crore as on March 31, 2021 (Provisional). Acuite expects USDPCCL to maintain strong liquidity profile on account of healthy net cash accruals and strong resource mobilization ability.

**Rating Sensitivities**

- Ability to maintain operating performance
- Ability to maintain working capital position without further elongation

**Material Covenants**

None

**Outlook: Stable**

Acuite believes USDPCCL will maintain 'Stable' business risk profile in the medium term on the back of strong operational performance and availability of long term PPA. The outlook may be revised to 'Positive' in case of higher than expected growth in operational performance. Conversely, the outlook may be revised to 'Negative' in case of decline in the operating performance or elongation in working capital position leading to deterioration in liquidity profile.

**About the Rated Entity – Key Financials**

	Unit	FY2020 (Actual)	FY2019 (Actual)
Operating Income	Rs. Cr.	82.23	74.60

Profit after Tax (PAT)	Rs. Cr.	28.85	25.57
PAT Margin	(%)	35.09	34.28
Total Debt/Tangible Net Worth	Times	0.00	0.06
PBDIT/Interest	Times	46.52	14.38

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

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Not Applicable

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A/Stable (Assigned)

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**About Acuité Ratings & Research:**

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