



Press Release
URJA NKUR SHREE DATTA POWER COMPANY LIMITED
August 29, 2022
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs. 10.00 Cr bank facilities of Urjankur Shree Datta Power Company Limited (USDPC). The outlook is '**Stable**'.

Rationale for rating reaffirmation

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 Shetkari 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 associate 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

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

Key Rating Drivers

Strengths

- Improving operating performance:

USDPCCL 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 associate 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 179.50 MU in FY2022 (Provisional) against 167.93 MU in FY2021 and 156.08 MU in FY2020. USDPCL has also exported 130.83 MU in FY2022 (Provisional) against 122.19 MU in FY2021 and 115.78 MU in FY2020 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 from generation stood at Rs. 86.88 crore in FY2022 (Provisional) against Rs. 81.14 crore in FY2021 and 76.88 crore in FY2020. Costs are limited to operations and maintenance and fuel costs (for bagasse procured from sources besides the associate sugar factory) USDPCL's operating profitability has also remained healthy. Operating margins stood at 57.29 percent in FY2022 (Provisional) against 61.58 percent in FY2021. The reduction in operating margins is attributable to increased bagasse cost in FY2022. Acuité believes that USDPCL'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 FY2022 and FY2021. This reduces the offtake risk for the plant and provides with revenue visibility over the medium term.

- **Healthy financial risk profile:**

USDPCL has a healthy financial risk profile with adequate capitalization. Total net worth stood at Rs. 271.67 Crore as on March 31, 2022 (Provisional) against Rs. 234.45 crore as on March 31, 2021. The company has paid all its term debt obligations in FY2019 and has no outstanding term debt as on March 31, 2022 (Provisional). It is availing working capital limit of Rs. 10 crore currently which remains largely unutilized. TOL/TNW stood at 0.06 times in FY2022 (Provisional) against 0.07 times in FY2021. The company also has liquid deposits of Rs. 91.13 crore as on March 31, 2022 (Provisional).

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

Weaknesses

- **Stagnating scale of operations and declining operating margins:**

USDPCL's operations are working capital intensive marked by GCA days 352 days in FY2022 (Provisional) and 282 days in FY2021. 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 (October to March). 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.

Acuité believes USDPCL'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 associate:**

USDPCL's key raw material is bagasse from its associate sugar factory which it receives free of cost. This is key the reason 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.

Rating Sensitivities

- Ability to maintain operating performance.

- Ability to maintain working capital position without further elongation.

Material covenants

None.

Liquidity Position: Strong

The liquidity of the company is strong marked by net cash accruals in the range of 40-50 through FY2020-22 against no repayment obligation. The cash accruals are expected to remain at 51-52 Cr in FY2023 and FY2024. Further, the company has unencumbered cash and bank balance (incl. deposits) of Rs. 93.22 Cr as on March 31, 2022 (Provisional). Additionally, the company has unutilized bank limits of Rs. 10.00 Cr as on July 31, 2022.

Acuité expects USDPCL to maintain strong liquidity profile on account of healthy net cash accruals and strong resource mobilization ability.

Outlook: Stable

Acuité believes USDPCL 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	93.37	81.74
PAT	Rs. Cr.	37.24	38.95
PAT Margin	(%)	39.88	47.65
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	517.63	630.98

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

Care Ratings vide its press release dated 24 August 2021, has classified USDPCL as 'Issuer Not Cooperating' and rated 'CARE BB/Stable/A4'.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2021	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A Stable Reaffirmed

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About Acuité Ratings & Research

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