



**Press Release**  
**Urjankur Shree Datta Power Company Limited**  
**November 27, 2023**  
**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	-	-

**Rating Rationale**

Acuite 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 Reaffirmation**

The rating considers USDPC's long track record of operations, partial holding of GoM in the company along with availability of long term PPA with MSEDCL for offtake of the capacity. The rating further draws comfort from USDPC's healthy net worth and strong liquidity position. The rating is however constrained to some extent by USDPC's intensive working capital operations and susceptibility to its parent's operations. The same is reflected in deterioration in the operating performance marked by lower PLF during FY2023 due to lesser bagasse production from parent company. The PLF stood at around 47% in FY2023 against 57% in FY2022 and 53% in FY2021. This has resulted in deterioration in the overall revenues at Rs. 71 Cr. in FY2023 against Rs. 92 Cr. in FY2022. 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) between Maharashtra Energy Development Agency (MEDA - 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**

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

**Key Rating Drivers**

**Strengths**

**Long track record of operations and partial holding of MEDA.**

The company started initially as partnership between Urjankur Nidhi Trust (UNT) and IL&FS Renewable Limited in 2008 and it has been operational since 2011. However, in 2017 Shree

Datta Sahakari Shetkari Sakhar Karkhana Limited (SDSSSKL) took over IL&FS's stake in the entity while UNT's stake in the company was diluted in FY2023 and currently USDPCL is a SPV between SDSSSKL and Maharashtra Energy Development Agency (MEDA - a Maharashtra

government institute formed to regulate energy conservation and to promote the development of renewable energy in Maharashtra State, including solar energy, bio-energy and wind energy) that operates a 36 MW bagasse based thermal power plant in Kolhapur, Maharashtra. Costs to USDPCL are limited to O&M and fuel costs as it has signed an agreement with its associate SDSSSK for procuring bagasse free of cost and in exchange supplying them with part of its electricity generated. Further, the company has also signed long term PPA with MSEDCL for supply of its entire power which remains post supplying to SDSSSKL.

Acuité believes that USDPCL will continue to benefit from its agreement with associate company for ready resource procurement in the long run.

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

The company has signed 13 year PPA with MSEDCL for offtake of its entire capacity. The PPA has provisions for a levelized fixed tariff (Rs. 2.26/ KWh) and a variable tariff which can be revised yearly. The total tariff stood at Rs. 6.83 / unit and 6.72/ unit for FY2023 and FY2022 respectively. USDPCL has exported 103.51 MU in FY2023 against 130.85 MU in FY2022 and 122.19 MU in FY2021 to MSEDCL. With PPA in place with a levelized fixed tariff and yearly revised variable tariff the company has a fair revenue visibility. This reduces the offtake risk for the plant over a large extent.

### **Healthy financial risk profile.**

The financial risk profile of the company is healthy marked by strong net worth and no long term debt. The aggregate net worth stood at Rs. 248.68 Cr. as on March 31, 2023 against Rs. 264.58 Cr as on March 31, 2022. The net worth during FY2023 reduced due to dilution of one of the equity holders; Urjankur Nidhi Trust whose share was dissolved during the year and the investments to the tune of Rs. 16.89 Cr. were distributed in-specie amongst the beneficiaries of the Trust. Further, though the company has no outstanding debt it has availed Rs. 10 Cr cash credit facility but the utilization is negligible.

### **Weaknesses**

#### **Stagnating scale of operations and declining operating margins.**

The aggregate power generation of the company decreased to 147.53 million units in FY2023 from 179.50 million units in FY2022 with tariff at 6.83 per unit in FY2023 and 6.72 per unit in FY2022. USDPCL sells power solely to MSEDCL. Every year before the sugarcane crushing season starts the Government makes revision in the tariff. However, during FY2023 less crushing happened in its associate company Shree Datta Shetkari Sahakari Sakhar Karkhana Limited (SDSSSKL) and hence less bagasse was available for Co-gen. The aggregate revenue stood at Rs. 71.34 Cr. in FY2023 against Rs. 92.49 Cr in FY2022 and Rs. 81.74 Cr. in FY2021. The increase in revenue during FY2022 is on account of extended cane crushing season during FY2022. The usual season ranges from October to March, however in FY2022 the season lasted till April. Further, the EBITDA margins of the company have reduced to 9.74% in FY2023 against 48.04% in FY2022 and 61.6% in FY2021. The significant reduction in the EBITDA margins during FY2023 is attributable to increase in bagasse procurement cost and one time royalty expenses paid to SDSSSKL in exchange of use of land and machinery. USDPCL has an agreement with SDSSSKL to pay royalty every year to SDSSSKL @ Rs. 27 per tonne of the total cane crushed during the year. However, the same had not been paid for earlier 4 years and an additional royalty of Rs. 30 Cr. was paid during FY2023 to SDSSSKL that was pending for earlier four years which has further resulted in deterioration of EBITDA margins in FY2023. The collective price per metric tonne (bagasse + coal) stood increased at Rs. 2389 in FY2023 against Rs. 2061 in FY2022 and Rs.1988 in FY2021.

Acuité believes USDPCL's ability to expand its source of raw materials while increasing its scale of operations will remain critical towards future growth of the company.

### **Elongated Working Capital Cycle**

USDPCL's operations are working capital intensive marked by GCA days 296 in FY2023 and 732 in FY2022. The GCA during FY2023 have been reduced primarily due to re-classification of its loans & advances of Rs. 80 Cr. extended to its associate company SDSSSKL. These were earlier classified under current assets, however during FY2023 these were re-classified under

noncurrent assets as the repayment period was extended by 1 year. Further, the GCA is 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 as reflected in the debtor days of 102 in FY2023 and 88 in FY2022. Further, bagasse which is used as the primary fuel in the power plants is available only as per the sugarcane crushing season which begins in October and lasts till March. So the company has to maintain sufficient amount of inventory in the form of raw material to ensure uninterrupted supply of fuel to its power plants. The inventory days stood at 89 and 150 during FY2023 & FY2022 respectively. However the company has been able to manage its working capital requirements internally on account of its strong liquid resources also reflected in its limited utilization of limits.

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 the key 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.
- Any significant deterioration in the financial risk profile.

#### **All covenants**

None

#### **Liquidity Position**

##### **Strong**

The liquidity of the company is strong marked by net cash accruals of Rs.12 Cr. in FY2023 while around Rs. 40-42 Cr. through FY2020-22 against no repayment obligation. The cash accruals are expected to remain at its earlier range of Rs. 35-40 Cr. Cr in FY2024 and FY2023. Further, the company has unencumbered cash and bank balance incl. liquid deposits is Rs. 44.53 Cr as on March 31, 2023. Additionally, the company has unutilized bank limits of ~Rs. 5.00 Cr as on October,31 2023.

#### **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.

#### **Other Factors affecting Rating**

Not Applicable.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	71.34	92.49
PAT	Rs. Cr.	0.99	30.15
PAT Margin	(%)	1.38	32.59
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	80.92	251.60

### 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>
- 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

In order to inform the investors about complexity of instruments, Acuite 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Aug 2022	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A   Stable   Reaffirmed

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### About Acuité Ratings & Research

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