



Press Release
Magpie Hydel Construction Operation Industries Private Limited
April 17, 2024

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	120.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	120.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on Rs.120.00 Cr. bank facilities of Magpie Hydel Construction Operation Industries Private Limited (MHCOIPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects the established track record of the company and the extensive experience of the promoters in the hydel power generation sector. The rating reaffirmation further factors in the moderation recorded in the average PLF in all three plants of the company in FY2023, with marginal improvement in FY2024E. However, during the same period, on the back of improved per unit power prices realized during FY2023 and FY2024E, MHCOIPL was able to grow its revenue to Rs.87.73 Cr. in FY2023 from Rs.69.92 Cr. in FY2022. However, it is estimated to moderate to ~Rs.84.51 Cr. in FY2024 on account of lower price realizations when compared to FY2023 levels.

The rating further draws comfort from MHCOIPL's improved financial risk profile, which stood moderate with a healthy net worth, low gearing levels, and moderate debt coverage indicators. The gearing levels improved to 1.34 times as of March 31, 2023, from 2.60 times as of March 31, 2022. The liquidity position of the company remains comfortable, supported by healthy cash accruals, an efficient working capital cycle, and healthy cash and bank balances.

These strengths are partly offset by the absence of a long-term power purchase arrangement, which adds to the uncertainty of revenue generation, the risk of under recovery of fixed costs in the event of any decline in power demand, and the susceptibility of power generation to hydrological risk.

About the Company

Incorporated in 2003, Magpie Hydel Construction Operation Industries Pvt Ltd (MHCOIPL) is engaged in generation of hydroelectric power. The company is an independent power producer in the union territory of Jammu and Kashmir. The company has three hydro power plants in Kashmir with of with total generation capacity of 35 MW. Sale of power is made through bilateral agreements or through exchange. MHCOIPL is promoted by Mr. Nazir Mir, Mr. Mudasir Mir and Mrs. Masooda Mir who have over two decades of experience in constructing and operating hydel power projects.

Unsupported Rating

Not Applicable

Analytical Approach

Acuitè has taken a standalone approach to arrive at the rating of Magpie Hydel Construction Operation Industries Pvt Ltd (MHCOIPL)

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Incorporated in 2003, Magpie Hydel Construction Operation Industries Pvt Ltd (MHCOIPL) is a part of M & Co Group which is engaged in various segments like construction of hydel power plant and generation of power. The company is promoted by Mr. Nazir Mir, Mr. Mudasir Mir and Mrs. Masooda Mir who have over two decades of experience in constructing and operating hydel power projects. The company sells the power generated to open market customers through exchanges or through bilateral agreements. The management through its other associates is also engaged in civil construction and hydel power generation in other areas of J&K.

Acuité believes that the experienced management and its relationships with customers are expected to support the regular addition of new clientele under its bilateral tie-ups and a healthy off-take of generated power.

Moderation in PLF, albeit growth in revenues

The company operates three power plants at Poonch, Bandipora, and Tangmarg, with a total generation capacity of 35 MW. It has recorded a moderation in the average PLF for all three plants in FY2023 as compared to FY2022 levels. However, there has been some improvement in average PLF in FY2024 (estimates), yet it remains subdued when compared to FY2022 levels. The Poonch plant recorded an average PLF of 77.45% in FY2024E, 77.21% in FY2023, and 87.97% in FY2022. The Bandipore plant recorded an average PLF of 57.16% in FY2024E, 58.00% in FY2023, and 63.70% in FY2022. The Tangmarg plant has the lowest PLF as compared to the other two plants. The average PLF for the Tangmarg plant stood at 32.22% in FY2024E, 23.84% in FY2023, and 38.67% in FY2022.

The company sells power to open-market customers where the prices are market determined or through bilateral agreements. MHCOIPL has seen a healthy growth in the scale of operations, marked by a 25.47 percent growth in revenue in FY2023 to Rs.87.73 Cr. from Rs.69.92 Cr. in FY2022. The revenue growth in FY2023 is driven by high per-unit electricity prices realized during the year, although moderation was recorded in the total power generation. Further, the company recorded revenue of Rs. 84.51 Cr. in FY2024 (estimated). The moderation in revenue in FY2024 is on account of lower per unit electricity prices during the year as compared to FY2023 levels, albeit improved generation when compared to FY2023 levels.

Acuite believes that the operations of the company will remain susceptible to the volatility of the PLF due to hydrological risks and price realizations being susceptible to market dynamics based on demand-supply situations.

Improved financial risk profile

The financial risk profile of MHCOIPL improved and stood moderately, marked by a healthy net worth, low gearing, and above-average debt protection metrics. The tangible net worth of the company grew to Rs. 81.69 Cr. as on 31st March 2023 as against Rs. 56.69 Cr. as on 31st March 2022. The strengthening of net worth is on account of an increase in the accretion of profit to reserves. The company had followed a moderately aggressive financial policy in the past, as reflected by peak gearing levels of around 8.55 times as on March 31, 2020, which is typical for a hydropower generating unit in its initial years of operations. The current gearing levels have improved significantly to 1.34 times as on March 31, 2023 as against 2.60 times as on March 31, 2022. Acuite believes that the gearing levels are likely to further improve in the near to medium term on account of the repayment of existing term loans and the increase in the accretion of profits to reserves. The debt protection metrics of the company remained moderate, with a DSCR of 1.11 times in FY2023 as against 1.18 times in FY22. The interest coverage ratio stood at 4.91 times in FY23 as against 4.45 times in FY22.

Acuite believes that the financial risk profile of MHCOIPL would improve over the medium term on account of healthy accrual generation and repayment of existing term loans.

Weaknesses

Susceptibility to fluctuation in power prices and uncertainty of offtake

The company sells powers to open market customers where the power prices are market determined. The operating income and profitability of the company is susceptible to the volatility in the power prices in open market. Further, the company also sells power through bilateral agreements which are short term in nature, usually for 1-3 months. The ability of the company to acquire such bilateral agreements on a recurring basis will remain a key rating sensitivity.

Susceptibility of power generation to hydrological risks

The hydro power plants of MHCOIPL are located in the union territory of Jammu and Kashmir and are not able to generate to their full capacity on account of low hydrology during the month of September to March. The peak PLF at all the three plants combined remained during the months of March to September and the lowest PLF during October to February. The generation is highly dependent on adequate flow of water from melting of ice and rainfall. Any adverse natural calamity in the location of the power plant may adversely impact the generation levels, thereby leading to stretched liquidity and financial flexibility.

Rating Sensitivities

- Any significant deterioration in generation levels
- Any significant decline in power tariff due to lower power demand resulting in deterioration of the financial risk profile, particularly the liquidity position.

Liquidity Position Adequate

Liquidity of the company is adequate marked by healthy net cash accruals generation to meet its debt service obligations and efficient working capital operations. The net cash accruals of the company are stood at Rs. 38.73 Cr. in FY23 as against Rs.33.87 Cr. repayment obligation. Liquidity of the company is further supported by the efficient working capital operation of the company. The debtor collection period of the company stood at 1 day in FY23 as against 12 days in FY22. MHCOIPL maintained cash and bank balance of Rs.35.27 Cr. as on 31st March, 2023 further providing comfort to the liquidity position. The team believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its debt service obligations.

Outlook: Stable

Acuité believes that the outlook on the company will remain 'Stable' over the medium term on account of the entity's track record, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue most likely as a result of further augmentation and stabilization of generation capacity. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in the PLF or tariff levels leading to deterioration of the financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	87.73	69.92
PAT	Rs. Cr.	26.05	26.43
PAT Margin	(%)	29.70	37.81
Total Debt/Tangible Net Worth	Times	1.34	2.60
PBDIT/Interest	Times	4.91	4.45

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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. Acuité'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
18 Jan 2023	Term Loan	Long Term	5.24	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	77.31	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	14.20	ACUITE BBB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.86	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	19.39	ACUITE BBB 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
J&K Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	Simple	12.98	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.36	ACUITE BBB Stable Reaffirmed
J&K Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2030	Simple	69.21	ACUITE BBB Stable Reaffirmed
J&K Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2026	Simple	5.45	ACUITE BBB Stable Reaffirmed

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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.

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