



Press Release
STEAG O&M COMPANY PRIVATE LIMITED
April 04, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	16.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B minus**) on the Rs. 16.00 Cr. bank facilities of Steag O&M Company Private Limited (SOMC). The outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned reflects extensive experience of SOMC’s management and stable scale of operations, supported by a fixed markup on reimbursable expenses. The rating also draws comfort from its healthy financial risk profile along with adequate liquidity profile. However, the rating is constrained by intensive working capital management and exposure to customer concentration risk. However, the long term 25-year contract partially mitigates the renewal risk, providing revenue visibility and stability.

About the Company

Incorporated on 7th February 2012, Steag O&M Company Private Limited is a JV between Steag Energy Services (India) Private Limited and Hinduja Energy (India) Limited with each having equity participation of 51% and 49% respectively. The company is providing operating and maintenance services to Hinduja Nation Power Corporation Limited (HNPCL) 1040 MW (520MW x 2) power plant located in Vishakhapatnam, Andhra Pradesh which is the company’s sole customer. Unit-I of 520 MW became commercially operational on January 10, 2016 and Unit-II of 520 MW became commercially operational on July 3, 2016. The O&M contract has been entered into for 25 years from the COD of Unit-II (i.e., April 30, 2016). The current directors of the company are Mr. Werner Engelhard Renk, Mr. Ashok Kumar Puri, Mr. Jacob Thottungal Verghese, Mr. Venugopal Keshanakurthy and Dr. Wolfgang Wilhelm Franke.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Steag O&M Company Private Limited(SOMC) is a 100 per cent subsidiary of the STEAG Group based in Essen, Germany. The group has planned, constructed and operated its own power plants for 80 years and has over 40 years’ experience in providing third parties with energy services. SOMC is managed by Mr. Puranam Subramanya Kumar and a team of experienced personnel. The directors possess more than 8 years of experience in this line of business. The experience of the promoters has helped the company establish strong relationships with key

suppliers and subcontractors.

Acuite believes that the extensive experience of promoters will continue to support the business risk profile of the company in the medium to long term

Stable operating performance

SOMC recognises its revenue based on markup of 10% on reimbursable expenses viz. employee expenses,

subcontracting expenses and consumables expenses. The company reported revenue of Rs. 62.73 Cr. in FY2024 as against Rs. 52.72 Cr. in FY2023 and Rs. 39.45 Cr. in FY2022. STCP has achieved revenue of ~Rs. 53 Cr. in 11MFY2025. The operating margin of the company stood at 7.85% in FY2024 as against 7.14% in FY2023. Further, the PAT margin improved marginally to 5.84% in FY2024 as against 5.32% in FY2023.

Acuite believes that the company is expected to maintain stable operating performance over the medium term on account of nature of its business operations.

Healthy Financial Risk Profile

The financial risk profile of the company stood healthy, marked by low net worth, NIL gearing (debt-equity) and healthy debt protection metrics. The tangible net worth increased to Rs. 22.72 Cr. as of March 31, 2024, reflecting sustained profitability and an increase from Rs. 19.14 Cr. on March 31, 2023, due to accretion of profits to reserves. The gearing levels of the company stood at NIL as there is no debt in the books of the company as on 31st March 2024 leading to healthy Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) which stood at 76.30 times and 55.16 times respectively in FY2024 as against 2289.29 times and 1649.65 times in FY2023.

Acuite believes that going forward the financial risk profile of the society is likely to be healthy backed by steady accruals and no major debt funded capex plans.

Weaknesses

Intensive Working Capital Management

The working capital management of the company is intensive marked by GCA days of 227 days in FY2024 as against 217 days in FY2023. The inventory days stood at 3 days in FY2024 as against 4 days in FY2023. Further, the debtor's collection period extended to 141 days in FY2024 as against 102 days for FY2023 on the account of delayed payments by Andhra Pradesh Discoms to HNPCL. Furthermore, the creditor days stood at 144 days in FY2024 as against 124 days in FY2023.

Acuite expects the working capital operations of the company to continue to be intensive over the medium term and remains contingent upon timely realisation of receivables from the counter-party(HNCPL).

Exposure to Customer Concentration Risk

SOMC is exposed to customer concentration risk, as it derives 100% of its revenue from sole customer i.e. HNCPL. However, the risk is mitigated to an extent on account of presence of an operating and maintenance contract for 25 years, thereby providing long-term revenue visibility.

Rating Sensitivities

Ability to maintain its scale of operations and profitability.

Elongation in working capital operations.

Timely realisation of receivables.

Liquidity Position

Adequate

The liquidity position remains adequate, evidenced by moderate net cash accruals against no maturing debt obligations. The company is expected to continue to generate moderate cash accruals in the range of Rs. 2 Cr. to Rs. 5 Cr. over the medium-term. The current ratio stood at 2.67 times as on March 31, 2024, as against 3 times as on March 31, 2023. The cash and bank balance as on 31st March 2024 stood at Rs. 2.31 Cr.

Acuite believes that liquidity position of the company will continue to remain adequate with generation of steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	62.73	52.72
PAT	Rs. Cr.	3.66	2.80
PAT Margin	(%)	5.84	5.32
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	76.30	2289.29

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE BBB- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Sayali Parab Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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