

May 30, 2013

Facilities	Amount (Rs. Crore)	Rating
Proposed Fund Based Facilities	36.0	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**', (read as **SMERA BB**) to the proposed fund based bank facilities of Maris Power Supply Company Private Limited (MPSCPL). The outlook is **Stable**. The rating draws comfort from the stable revenue stream of the company and strategic location of its wind power plant. The rating also considers the operating efficiencies derived from an operation and maintenance (O&M) agreement. The rating is, however, constrained by MPSCPL's modest financial profile and risks arising from loans and advances extended to group companies.

MPSCPL has a 5.25 MW wind power plant located in the Chitradurga district of Karnataka, with a plant load factor (PLF) of 22 per cent (average over the last eight years). Karnataka has a large number of windmill farms because of its long coastline and high velocity winds. MPSCPL has a 20-year long term Power Purchase Agreement (PPA) with the Karnataka Power Transmission Corporation Ltd. (KPTCL). The PPA includes an escalation clause of 2 per cent per annum over the base tariff, thus adding to the revenue stability.

MPSCPL has entered into a 10-year O&M agreement with Denmark-based Vestas Wind Technology India Private Limited (Vestas). Vestas has over three decades of experience in the wind power business and has installed 47,000 wind turbines across 70 countries. The contract also provides for compensation in case the combined machine availability falls below 95 per cent.

The rating is, however, constrained by the company's moderate financial profile marked by fluctuating margins and a high leverage. Operating profit margins have seen wide fluctuations over the past three years (39.7 per cent in FY2011-12, as compared with 5.2 per cent in FY2010-11 and 16.9 per cent in FY2009-10). MPSCPL's debt-to-equity ratio is high (albeit reducing) at 3.8 times as on March 31, 2012 (compared with 7.1 and 7.3 times as on March 31, 2011 and March 31, 2010 respectively). The leverage has remained high primarily due to debt funded capex. The interest coverage ratio is however high at 5.03 times in FY2011-12 (3.07 and 3.68 times in FY2010-11 and FY2009-10 respectively).

The rating also factors in the advances extended by MPSCPL to its newly established group companies. During FY2009-10, there was a write-off in repayment of advances amounting to Rs. 1.15 crore given to group companies. In FY2011-12, MPSCPL advanced loans worth Rs.7.29 crore to its group companies; however, the amount has been fully recovered now.

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Outlook – Stable

SMERA believes that MPSCPL's outlook will remain stable over the medium term driven by the stable revenue visibility resulting from the long term PPA and the strategic location of the windmills. The outlook may be revised to positive if the company is able to significantly improve its financial risk profile, achieve stability in operating profits and undertake timely and profitable expansions without affecting the capital structure. Alternatively, the outlook may be revised to negative in case of deteriorating leverage, decline in PLF and time or cost overruns in the capacity enhancement program. A material change in the O&M contract could also affect the rating.

About the Company

MPSCPL, incorporated in 2005, operates a 5.25 MW wind energy plant in Karnataka. The company is promoted by Mr. Anand Rengaswamy. The promoter family also has interests in tea plantations, textiles and hotels. The other group companies have windmills with installed capacities of 2.5 MW (at Kanyakumari) and 4.4 MW (at Tirunelveli and Udumalpet). MPSCPL plans to enhance capacity by installing an additional 8 MW windmill at Kalasapura, Karnataka.

MPSCPL reported PAT of Rs.1.61crore on net sales of Rs. 5.15 crore for FY2011-12, as compared with PAT of Rs. 0.20 crore on net sales of Rs.3.03 crore for FY2010-11. MPSCPL's net worth stood at Rs.3.25 crore as on March 31, 2012.

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