

Soham Mannapitlu Power Private Limited

September 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	19.96 (Reduced from 25.75)	CARE BBB- (RWD)	Downgraded from CARE BBB; Stable ; Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision and rating being placed under 'watch with negative implications' of bank facilities of Soham Mannapitlu Power Private Limited (SMPPL) follows stoppage of generation at its 15MW plant since August 2024 due to floodwater discharge inundating machineries, leading to loss in generation in peak period affecting the company's operation and liquidity. Insurance claims have been initiated by the company towards repair works and for loss of production, however the quantum and timeline of release of fund would be subject to surveyor report, post-completion of repair work.

The Soham Group has a liquidity of around ₹16.51 crore (including two quarters of debt service reserve account [DSRA]). The group's other assets are operational and expected to generate surplus power in the year, which will be used to support SMPPL's balance debt obligations. The management expects repairs to be completed before the start of the generation season.

Prior to floods in August 2024, the plant's operational performance declined in FY24 to 19% plant load factor (PLF) from 23% PLF in FY23. The plant has generated 11.41 MU till July 31, 2024, before the plant became non-operational. Timely repair works of the plant while maintaining adequate liquidity profile would be key rating monitorable.

Ratings factor in SMPPL being part of Soham Renewable Energy group with Soham Infrastructure Private Limited (SIPL; rated CARE BBB+; Stable) as the holding company, which has an above-average credit profile. The rating also derives strength from revenue visibility provided by its long-term power purchase agreement (PPA) with Mangalore Electricity Supply Company (MESCOM) and timely collection from the off-taker. The rating is constrained by cashflows susceptible to interest rate fluctuation risk and hydrological risks associated with run-on-river projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving credit profile of SIPL.
- Operationalising plant before April 2025 and generating power at 20% PLF.

Negative factors

- Lower-than-envisaged PLF levels, leading to declining cash accruals of the group.
- Non-operationalising SMPPL in timely manner.
- Delaying receipt of payment from the off-taker beyond 30 days moderating the group's liquidity profile.
- Changing approach between operational and management linkages between group entities.
- Absence of need-based timely support from the group may have an adverse impact on weaker assets.

Analytical approach: Standalone

Pursuant to change in the group structure, CARE Ratings Limited (CARE Ratings) has considered a standalone view on SMPPL, factoring linkages with SIPL.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Satisfactory operational track record

The company has shown satisfactory operational track record and timely realisation of the receivables from its off-takers, with three average years PLF of 23%. In FY24, generation decreased to 25.43 MU (PY: 29.71 MU) due to scanty rainfall. The plant was damaged due to flash floods in August 2024. Till July 2024, the plant had generated 11.41 MU with no further generation expected this year. The company initiated insurance claim process for equipment repairs and operations are expected to restart before the next season. The plant's ability to generate power post repair would be a rating monitorable.

Long term PPA with MESCOM

The company tied up its entire capacity with MESCOM for 20 years since its commercial operations date COD in 2009, with an option to renew for an additional 10 years. Counterparty risk is assessed as low with a fixed tariff rate and no wheeling, banking, or other charges, as power is sold directly to MESCOM. Timely payments for billed invoices (in line with the PPA) provides comfort.

Experienced promoters in operating hydel power projects in Karnataka

The Soham Energy group was founded in 1991 by the late K Sadananda Shetty and his family. The group commenced commercial operations of its first 22MW hydro project. Since then, it completed three additional projects through other subsidiaries, totalling 53.50 MW in capacity. The group is currently managed by Sanjith S Shetty (Chairman and MD) and Suchindra S Shetty.

Key weaknesses

Generation impacted due to flood

The company's plant has been damaged due to flood in the area. Due to non-functioning of plant, the company could not operate the plant in peak season. The plant is adequately insured for damages caused and has coverage for loss of generation. The company estimates expense of ₹18 crore to complete repair works. The quantum and timeline of insurance disbursement would be subject to surveyor report, post-completion of repair work. Per CARE Ratings estimates, surplus available with group companies would be sufficient to cover upcoming debt repayments of SMPPL, however, the company may require support from promoters for repair works. The company's and group's ability to complete the repair works timely, while maintaining adequate liquidity would be key to its credit profile.

Interest rate fluctuation risk

Bank loans facilities availed for the Soham group are floating in nature, exposing the company to risk of changes in cost factors. Interest cost being the primary cost component on a cash basis, adverse movement in interest rates would impact the Soham group's overall debt-servicing ability.

Hydrological risks associated with run-of-the-river power generation

Run-of-the-river power project has little-to-no capacity for energy storage and therefore depends on flow of river water for power generation. It generates much more power in times, when seasonal river flows are high and much less in drier months.

Liquidity: Adequate

With SMPPL's plant being non-operational, its liquidity is driven by being part of Soham Renewable group. The group has maintained DSRA balance of ₹12.42 crore with bank and free cash bank balance of ₹4.09 crore as of August 31, 2024. The group's liquidity is based on generation levels of SIPL plants, which contribute over 65% of the total output. Group level generation is likely to improve in FY25 due to better rainfall and SMPPL's upcoming debt repayments would be covered by other assets of the group. Timely infusion of funds from promoters of the group, in case of requirement, is critical from liquidity perspective.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

SMPPL was incorporated in April 1993 and has setup 15 MW hydro Power plant near Gurupur stream in Nethravathi river, Dakshina Kannada, Karnataka. The plant became operational since September 07, 2009. The company is a part of Soham Energy group

that operates 53.50 MW Hydro Power (across three entities) in Karnataka. The group is led by Sanjith S Shetty (Chairman and MD) and Suchindra S Shetty (Vice-Chairman & Director).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	10.14	8.67
PBILDT	7.31	6.28
PAT	-0.42	-0.75
Overall gearing (times)	1.68	1.58
Interest coverage (times)	2.14	1.90

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Acuite has placed the rating of SMPPL under 'Issuer not cooperating' vide its PR dated January 10, 2024, as the company did not provide information and No Default Statement.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	December 2028	19.96	CARE BBB- (RWD)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	19.96	CARE BBB- (RWD)	-	1)CARE BBB; Stable (28-Jun-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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