Soham Infrastructure Private Limited

September 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Soham Infrastructure Private Limited (SIPL) factors in long operational track record of the Soham group, operating 53.5MW of hydropower assets on consolidated basis for over 10 years, presence of short-to-medium term power purchase agreements (PPAs) with off-takers, and timely collection from off-takers.

CARE Ratings Limited (CARE Ratings) takes note of non-operationalization of 15MW plant under Soham Mannapitlu Power Private Limited (SMPPL; rated CARE BBB-; rating watch with developing implications) as the plant was damaged due to floods in the region. Therefore, generation of envisaged level of power for SIPL, which otherwise had seen decline in FY24, is critical to support other group entities. The rating is also 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

- Notably improving group PLF levels from the existing level (over 50%) on a sustained basis.

Negative factors

- Lower-than-envisaged PLF levels, leading to decline in cash accruals of the group.
- Non-operationalising SMPPL's plant in timely manner.
- Major debt-funded acquisition, leading to leveraged capital structure or impacting debt service coverage indicators.
- Delaying payment received from the off-taker beyond 30 days, moderating the group's liquidity profile.
- Changing the approach between the operational and management linkages between group entities.
- Absence of need-based timely support from the group, having adverse impact on weaker assets.

Analytical approach: Consolidated.

Entities consolidated have been listed under Annexure 6.

Outlook: Stable

Stable outlook reflects the group's ability to sustain satisfactory generation levels, timely receipt of payments from its off-taker and long-standing existence in the industry.

Detailed description of key rating drivers:

Key strengths

Satisfactory operational track record of the group

The Soham group operates four hydro assets (two dam-based and two run-of-the-river) in Karnataka with a cumulative capacity of 53.5 MW and has shown a satisfactory operational track record with a three-year average PLF of ~41%. However, due to scanty rainfall in FY24, total generation decreased to 144 MU from 205 MU in FY23, resulting in a 24% decline in income. Despite generating 65 MU in 5MFY25 compared to 75 MU in 5MFY24, generation levels have improved in all plants except the SMPPL plant, which was submerged and damaged by flash floods in August 2024. The SMPPL plant generated 11.41 MU till July 2024, with no further generation expected this year. The group has initiated an insurance claim for equipment repairs, with operations expected to restart before the next season. Favourable monsoon conditions in South India this year have filled all reservoirs, and CARE Ratings expects power generation levels to improve by 10-15% in FY25 despite the non-operational SMPPL unit.

Revenue visibility due to short-to-medium term PPAs

The Soham group has signed a PPA for its entire capacity of 53.5 MW, of which, 28MW of SIPL is ties up with third-party customers and balance 25.5MW of subsidiaries are tied up with Mangalore Electricity Supply Company (MESCOM). PPAs vary between3-20

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

years. Some third-party PPAs have escalation clauses, such as tariff revision by respective regulatory authorities shall be mutually negotiated between both parties. Timely payments for billed invoices (in line with the PPA) provides comfort.

Satisfactory debt coverage indicators with presence of debt service reserve account (DSRA)
The Soham group's cash accruals are expected to sufficiently cover debt repayments, with principal repayments reducing from ₹30-33 crore to ₹17-20 crore per annum. Despite SMPPL's unit being unlikely to generate further in the current fiscal year, overall generation for FY25 is anticipated to be higher than FY24 due to better rainfall and water availability. debt service coverage ratio (DSCR) is estimated to be in the range of 1.24-1.35x. All assets maintain two quarters of DSRA, providing an extra cushion for meeting debt obligations.

Experienced promoters in operating hydel power projects in Karnataka
The Soham Energy group was founded in 1991 by the late K Sadananda Shetty and 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

Support to weaker assets in the group
Standalone DSCR of subsidiaries are expected to be below unity, but it has been supported by stronger assets of SIPL to address cash flow mismatches. Current PPA for the 10.5MW asset is applicable until June 2025, and timely renewal is critical. Due to non-functioning, , it could not operate the SMPPL plant in peak season. Although, the plant is adequately insured, estimated repair expense of ₹18 crore. CARE Ratings believes that continuous support will be extended among group assets to manage cash flow mismatches in weaker entities. Per CARE Ratings estimates, group cash accruals would be sufficient to cover upcoming debt repayments, however, the group may require support from promoters for repair works. The 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, 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

The group maintained DSRA balance of ₹12.42 crore with the bank and free cash bank balance of ₹4.09 crore as of August 31, 2024. Generally, the group's liquidity is based on generation levels of SIPL plants, which contribute over 65% of the total output. However, SMPPL plant is currently non-operational from August 2024 due to flash floods in the area. Debt servicing of SMPPL loan will be done from surplus generated by SIPL plants due to good rainfall and adequate water in reservoirs. Promoters of the group will infuse funds per requirement.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

SIPL was established 2006 and currently operates 22 MW & 6MW Hydro Power plants in Karnataka. SIPL is the flagship entity of the Soham 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.
Brief Financials (Consolidated)

(₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	76.26	58.07
PBILDT	48.35	30.13
PAT	38.03	6.19
Overall gearing (times)	0.73	0.51
Interest coverage (times)	3.23	2.28

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

Status of non-cooperation with previous CRA: Not applicable

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	-	-	-	March 2029	50.00	CARE BBB+; Stable

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	50.00	CARE BBB+; Stable	-	-	-	-

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]

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Soham Mannapitlu Power Private Limited (SMPPL)	Full	Subsidiary
2.	Soham Phalguni Renewable Energy Private Limited (SPREPL)	Full	Subsidiary

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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754-3444 E-mail: Ankur.sachdeva@careedge.in	Himanshu Jain Associate Director **CARE Ratings Limited** Phone: +91-80-4662 5528 E-mail: himanshu.jain@careedge.in Sourav Dalan Analyst **CARE Ratings Limited** E-mail: Sourav.dalan@careedge.in

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