

Soham Phalguni Renewable Energy Private Limited

September 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	8.01 (Reduced from 13.79)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Soham Phalguni Renewable Energy Private Limited (SPREPL), factors SPREPL being part of Soham Renewable Energy group with Soham Infrastructure Private Limited (SIPL; rated CARE BBB+; Stable) as 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.

However, the rating is constrained by cashflows susceptible to interest rate fluctuation risk, hydrological risks associated with run-on-river projects and weak debt coverage indicators of SPREPL on standalone basis that may necessitate parent support.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving credit profile of SIPL.
- Notably improving group PLF levels beyond 26% from the existing level on a sustained basis.

Negative factors

- Lower-than-envisaged PLF levels, leading to declining cash accruals of the group.
- 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 SPREPL, factoring linkages with SIPL.

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

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 17.19 MU (PY: 19.88 MU) due to scanty rainfall. The plant has generated 13.11 MU in 5MFY25 compared to 9 MU in the previous year due to improved waterflow. Given the favourable monsoon conditions in south India this year, power generation levels are expected to improve in the current fiscal.

Long term PPA with MESCOM

The company tied up its entire capacity with MESCOM for 10 years since its commercial operations date COD in 2005, 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

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

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

Weak debt coverage indicators

The standalone DSCR of the Phalguni assets stands below unity for the repayment period FY25 and FY26. The company has been supported by stronger group assets from SIPL for meeting mismatch in the cash flows. The current tariff applicable for the Phalguni asset is up to June 2025 and is subject to tariff renewal for the balance PPA period. CARE Ratings believes that continuous support would be extended between the group assets for mismatch in the cash flows in weaker entities.

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

SPREPL's 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. Timely infusion of funds from promoters of the group, as required, 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 the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

SPREPL was incorporated in November 2002 and operates 10.5 MW mini hydel power plants at Gurupur Stream of Nethravathi River (downstream to Soham Mannapitlu project), Dakshina Kannada, Karnataka. The plant became operational since June 27, 2015. 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	7.21	5.83
PBILDT	5.36	4.46
PAT	0.70	1.07
Overall gearing (times)	0.29	0.20
Interest coverage (times)	2.82	2.97

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

Status of non-cooperation with previous CRA: Acuite has placed the rating of SPREPL under 'Issuer not cooperating' vide its PR dated February 07, 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	-	-	-	August 2026	8.01	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	8.01	CARE BBB-; Stable	-	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.

Contact us

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About us:

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