

## Urjankur Shree Datta Power Company Limited

August 24, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	16.27	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	20.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable / CARE A4+; (Double B Plus ; Outlook: Stable / A Four Plus)
<b>Total Bank Facilities</b>	<b>36.27</b> <b>(Rs. Thirty-Six Crore and Twenty-Seven Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 1, 2020, continued to keep the ratings of **Urjankur Shree Datta Power Company Limited (USDPL)** under the 'issuer non-cooperating' category as USDPL had failed to provide information for monitoring of the ratings. USDPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated May 17, 2021, May 27, 2021, June 6, 2021, etc. and phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings have been revised on account of inadequate operational and financial information of FY21 and current fiscal FY22 to undertake assessment of the credit profile of SIHPL.

### Detailed description of the key rating drivers

*At the time of last rating on July 1, 2020, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):*

#### Key Rating Weaknesses

**Seasonality to cash flows remains the key risk:** The seasonality in cash flows i.e. operations remain key risk for the project as plant operates only during the peak season (i.e. H2 of every financial year). Thus, cash flow generation trend remains asymmetrical and concentrated in second half of the year. Further, any lack of performance during this period can affect the credit quality of the company and increase leverage.

#### Key Rating Strengths

##### Strategic importance and favorable long term fuel sourcing arrangements

With effect from August 11, 2017, the HSF has taken over the company post acquisition of effective stake of 66.67% from IREL. USDPL signed a Project Development Agreement with HSF, where HSF shall provide bagasse to the company at free of cost. USDPL in-turn will supply free processed steam and power to HSF for captive use during the sugar season. This provides company with an assured source of fuel during the season (Oct-Mar) every year.

##### Power Purchase Agreement (PPA) with MSEDCL mitigating power off-take risk

USDPL has long-term PPA with MSEDCL for 13 years from COD i.e. August 2011 for sale of power (after meeting the requirements of HSF) i.e. 22.5 MW during on-season and 32.5MW during off-season at a tariff rate of Rs.6.24/kWh. The market risk associated with prior off-take arrangements are negated after entering into long term PPA with MSEDCL, a power distribution entity. Nevertheless, the company would be exposed to counter-party risk of MSEDCL, which has a moderate

credit risk profile. Timely payments from the counterparty remain key monitorable for the rating. The rating revision factors in non-cooperation from the company regarding information on the same.

**FY19 Financial Performance stable but lack of information on operation performance:** USDPCL runs 36MW plant at peak levels and in second half (H2) of each financial year which coincides with the crushing season of HSF (i.e. October/November – March/April). The plant has off-season for every year and incurs loss in H1 vis-a-vis H2 of every year, where the revenue, profitability and cash flows are generated. Further, the revenue was on a lower side in FY18 as compared to FY17 since the sugar season of FY17 was short and the bagasse availability was Limited coupled with increase in bagasse prices to Rs.2,900/MT from Rs.2,300/MT in normal case, as a result, the plant was shut in FY18. However, the operational performance of the company since FY19 has not been made available to CARE for monitoring the ratings.

USDPCL's total operating income grew by 13.01% and stood at Rs.84.63 crore in FY20 as compared to Rs.74.88 crore in FY19. The PBILDT margin deteriorated on account of increase in cost of material consumed and selling expenses, however, was still healthy at 59.62%. The PAT margin was at 34.09% in FY20 similar to previous fiscal.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology -Infrastructure Sector Ratings \(ISR\)](#)

[Rating Methodology -Private Power Producers](#)

[Financial ratios –Non-Financial Sector](#)

#### About the Company

About the Company Urjankur Shree Datta Power Company Limited (USDPCL) was incorporated on March 19, 2008 and is based at Dattanagar, Shirol, Kolhapur. USDPCL a Special Purpose Vehicle set up by Infrastructure Leasing and Financial Services Limited's (IL&FS) step-down subs diary i.e. IL&FS Renewable Energy Limited (IREL), which was a wholly owned subsidiary of IL&FS Energy Development Company Limited and Government of Maharashtra under the Urjankur Nidhi Trust (UNT).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	74.88	84.63
PBILDT	45.20	50.45
PAT	25.57	28.85
Overall gearing (times)	0.06	0.00
Interest coverage (times)	14.68	46.12

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Not Applicable

**Complexity level of various instruments rated for this company:** Annexure 3

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2019	16.27	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST	-	-	-	20.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	16.27	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE BBB; Stable; ISSUER NOT COOPERATING* (06-Dec-19)	1)CARE A; Stable (04-Feb-19) 2)CARE A; Stable; ISSUER NOT COOPERATING* (12-Jul-18)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	20.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE BBB; Stable / CARE A3; ISSUER NOT COOPERATING* (06-Dec-19)	1)CARE A; Stable / CARE A1 (04-Feb-19) 2)CARE A; Stable; ISSUER NOT COOPERATING* (12-Jul-18)

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based/Non-fund-based-LT/ST	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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