Rating Rationale

Brickwork Ratings assigns 'BWR BBB (SO)' to the Bank Loan Facilities aggregating ₹ 82.44 Cr of Ambuthirtha Power Private Limited.

Brickwork Ratings (BWR) has assigned the following **Rating1** for Bank Loan Facilities sanctioned by *State Bank of India* to Ambuthirtha Power Private Limited *("APPL" or "the Company")*

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Term Loan	82.44	**Long Term**	**BWR BBB (SO)** [BWR Triple B (Structured Obligation)] **Outlook: Stable**
Total	**82.44**	**(INR Eighty Two Crores & Forty Four Lakhs only)**	

BWR has essentially relied upon the Company's Audited financial results up to FY13, estimated financials of FY14, projections for FY15 and onwards, publicly available information and the information/clarifications provided by the Company.

The rating factors, inter alia, qualified and experienced management, operating performance of the power plant, strengths derived from the group concerns engaged in the same line of business, increase in power tariff rates in the State of Karnataka, existing long term Power Purchase Agreements (PPAs) and structure in place to take care of the loan repayment. The rating is constrained by the group's moderate financial risk profile due to the ongoing expansion plans in various subsidiaries of Soham Group, extension of Corporate Guarantee to debt raised by APPL's subsidiaries, and inherent risk associated with hydro-electric power generation.

Background:

Incorporated in 2000, Ambuthirtha Power Private Limited (APPL) is an independent power producer located at Shimoga District, Karnataka. APPL is operating a 22 MW hydro power project named Mahatma Gandhi Hydro Electric Tail Race Scheme (MGHE TRS), which became operational from 2007. The project is a run-of-the-river scheme for hydro-power generation in Jog Falls. The Company has entered into Long Term PPAs with clients like Tanglin Developments Limited and Island Star Mall Developers Private Limited. APPL has two subsidiaries, viz, Soham Mannapitlu Power Private Limited and Sahasralingeshwara Power Private Limited, which are also engaged in generation and supply of hydro power.

1 ***Please refer to www.brickworkratings.com for definition of the Ratings***

APPL is a part of Bangalore based Soham group, and is a wholly owned subidiary of the group's flagship company Soham Renewable Energy India Private Limited (SREIPL). The shares of SREIPL are held by Mr. Sadananda Shetty & Family (61.34%), and the rest by other PE Investors like D.E. Shaw Composite Investments (Mauritius) Limited (28.99%), Encon Systems (9.64%) etc.

SREIPL has three other subsidiaries, viz, Soham Phalguni Renewable Energy Private Limited, Soham Kolavuru Renewable Energy Private Limited and MSG Power Private Limited.

Management:

Soham Group was founded by Mr. Sadananda Shetty, former Chairman and Managing Director of Vijaya Bank. The other Directors of the Company are - Mr Sanjith S Shetty, Mr. Suchindra S Shetty, Ms Shruti S Shetty, Mr. Kamal Khanna (Nominee Director appointed by D.E. Shaw Composite Investments (Mauritius) Ltd), Mr. Venkataraman Renganathan (Nominee Director appointed by Macquarie SBI Infrastructure Investments Pte Limited) and Mr. Aroop Sircar (Nominee Director appointed by SBI Macquarie Infrastructure Trustee Limited). The Directors and the second tier management are well experienced professionals.

Financial Performance:

As per the audited financials of the Company for FY 13, Net Revenue from Operations of the Company decreased significantly from ₹ 34.68 Cr in FY12 to ₹ 19.39 Cr in FY13. This was due to reduction in rainfall and maintenance work of upstream project (120 MW Mahatma Gandhi Hydro Electric Plant owned by Karnataka Power Corporation Limited) from where APPL gets water. This has resulted in lesser release of water. As a consequence, profitability of the Company fell drastically with profit after tax at ₹0.48 Cr in FY 13 as against ₹13.48 Cr in FY 12. Net worth of the Company stood at ₹ 97.51 Cr as of FY 13.

The Company has availed a Term Loan of ₹ 110.00 Cr from their bankers (outstanding amount ₹ 82.44 Cr as of April 30, 2014), and due to lower cash surplus generation in the year, the Company had to break the DSRA to keep up the repayment commitment.

Based on the Unaudited Financials provided by the Company, Net Sales stood at ₹ 34.41 Cr and profit after tax was ₹ 10.69 for FY14. Apart from keeping up the Term Loan repayment commitment, the Company has also built up the DSRA partially.

Rating Outlook:

The outlook of the Company is expected to be stable for the current year. Expected steady power generation, existence of long term PPA with key customers, escrow mechanism put in place by the bank for pooling of sale proceeds, and adequate cash surplus generation, are expected to ensure timely debt servicing by the Company. Any obstacles to power generation, and demands from subsidiaries for financial commitments beyond current plans- will be the key rating sensitivities.

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