Press Release

Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (USTKWPCL)

November 14, 2022

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	5.00	IVR BBB+/ Stable [IVR Triple B plus with Stable Outlook]	Assigned	Simple
	Total	**5.00**			

Details of facilities are in Annexure 1

Rating Rationale

The ratings assigned to the bank facilities of Urjankur Shree Tatyasaheb Kore Warana Power Company Limited derive strength from experienced management, power Purchase Agreement providing long term revenue visibility, improved scale of operations and profitability and improved capital structure and moderate debt coverage indicators. The rating is however constrained by susceptibility of operations to volatility in raw material availability and low power load factor.

Key Rating Sensitivities:

- **Upward Rating Factor:**
  - Significant and sustained improvement in the PLF resulting in higher cash flow.
  - Sustained and improved capital structure and liquidity profile.
- **Downward Rating Factor:**
  - Significant degradation in the PLF resulting in the lower cash flow
  - Significant deterioration in capital structure and debt coverage indicators
  - Any significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive industry experience of management: Urjankur is promoted by Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Ltd (Warana Sugar Co-Operative) and has signed an agreement with the latter for procuring bagasse free of cost and in turn supplies it with part of its electricity generated free of cost. With minimal input costs, the profitability has historically been high. The company benefits from the management's experience in the sugar industry which will help in procuring bagasse from other units if required and manage inventory in line with expected sugarcane production.

Power Purchase Agreement providing long term revenue visibility: Urjankar Shree Tatyasaheb Kore Warana Power Company Limited (Cogen unit of STKWSSKL) has installed a 44 MW co-generation power. The plant is running successfully and about ~32 MW power is exported to the Maharashtra State Electricity Distribution Company Limited (MSEDCL). SDSSSKL has signed a long-term Power Purchase Agreement (PPA) with MSEDCL for a period of 13 years (Since December 2012) at the rate of Rs 6.68 per unit. This provides the company with assured long-term revenue for coming years.

Improved scale of operations and profitability: TOI of the company has increased by ~35% to Rs. 73.08 Cr for FY22 compared to Rs.53.86Cr for FY21 due to increase in procurement of bagasse from sugar factories other than its host sugar factory. EBITDA margin of the company has remained at 68.76% in FY22 compared to 67.48% in FY21; PAT margin of the company has improved to 28.25% in FY22 from 4.47% in FY22 due to increase in operating profitability and decrease in the interest expenses. GCA of the company has improved from Rs. 23.22 crore in FY21 to Rs. 45.01 crore in FY22. In H1FY23 the company has achieved TOI of Rs. 26.78 crore, EBITDA of Rs. 19.79 crore and PAT of Rs. 13.17 crore.

Improved Capital Structure and moderate debt coverage indicators: The capital structure of the Company remained moderate marked by overall gearing of 0.39x as on March 31, 2022, as compared to 0.65x as on March 31, 2021; improved on account of accretion of profits to reserves and decline in overall debt. TOL/TNW of the company also improved to 0.66x as on March 31, 2022, compared 1.01x as on March 31, 2021. ISCR of the company remained moderate at 6.57x for FY22 compared to 2.81x in FY21; improved on account of decrease in interest cost and increase in operating profits. Total Debt/GCA of the company remained at 1.15x as on 31st March 2022 as compared 3.09x as on 31st March 2021. . Further, the company has pre-paid entire term loans due for repayment in FY23 from different banks as of date and has also surrendered fund-based facilities and as of date there is no external debt in the company. Going forward, the company plans to avail fund-based limit of Rs.5 crore.

Key Rating Weaknesses

Susceptibility of operations to volatility in raw material availability: Bagasse is the by-product of sugar manufacturing and is hence dependent on production of sugarcane. Bagasse is also used as raw material for manufacturing paper and particle boards, and for power generation. Moreover, it is available only during harvest of sugarcane. Although Urjankur receives bagasse from its group company, it is not sufficient for the entire year requirement, and Urjankur will have to depend on procuring bagasse from other sugar mills to ensure better utilisation of the capacity. Hence, any issue in availability and prices may impact power generation and profitability.

Low Power Load Factor: Urjankur has been operating at low average PLF of around 40% for FY22. This is on account of seasonal availability of bagasse and hence unit has been operating only during the season of the sugar factory. With management stance of increasing PLF with procurement of bagasse from other sugar mills, PLF may increase and will remain a monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning Rating Outlook.

Liquidity: Adequate

The company has pre-paid its entire debt obligations of Rs. 32.73 crore due in FY23 and does not expect to raise any term debt in the next 3 years. The Company has also been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The unencumbered cash and bank balances remained at Rs. 30.56 crores as on 30st September 2022. The Current ratio stood low at 0.78x as of March 31, 2022 due to high current portion of long-term debt which has been subsequently repaid in the current year. Overall, the liquidity position is Adequate. Operating cycle of the company has improved to 127 days for FY22 compared to 154 days in FY21 due to decline in the inventory and collection period with an increase in its scale of operations. Average fund-based limit utilization of the company for 7 months ended April 2022 was 51.33 %.

About the Company

Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (USTKWPCL) was incorporated in 2008 as an SPV of IL&FS Renewables Energy Limited (IREL) (now merged with IL&FS Energy Development Company Limited) and Urjankar Nidhi Trust Fund. Later IL&FS Energy Development Company Limited holding has been taken over by the Kolhapur based Warana Group through its sugar company Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited (STKWSSKL) which is also the acting Host Sugar Factory (HSF) for USTKWPCL. The current shareholding consists of 67% held by Host Sugar Factory and 33% by Govt. of Maharashtra. The company is engaged in the generation of power from bagasse with capacity of 44 MW at Kolhapur, Maharashtra.

Financials (Standalone) **INR in Crore**

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited

Total Operating Income	53.86	73.08
EBITDA	36.35	50.25
PAT	2.52	21.38
Total Debt	71.72	51.59
Tangible Net Worth	110.21	131.59
EBITDA Margin (%)	67.48	68.76
PAT Margin (%)	4.47	28.25
Overall Gearing Ratio (x)	0.65	0.39

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: None

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (December 20,2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (February 05,2020)
Proposed	Long Term	5.00	IVR BBB+/Stable	-	-	-

Name and Contact Details of the Rating Analysts:

Name: Mr. Jyotiraditya Singh Tel: (011) 45579024 Email: jyotiraditya.singh@infomerics.com	Name: Mr. Harsh Raj Sankhla Tel: (011) 45579024 Email: harshraj.sankhla@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Proposed	-	-	-	5.00	IVR BBB+/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Urjankur-nov22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.