



March 9, 2010

ICRA assigns LB+ rating to Bank Limits of Soham Mannapitlu Power Private Limited

ICRA has assigned a rating of LB+ (pronounced as L B plus) to the Rs 544 million long term debt programme of Soham Mannapitlu Power Private Limited (SMPPL)[†].

ICRA's non investment grade rating of SMPPL factors in hydrological risks, as SMPPL is not covered under deemed generation clause in case of loss of generation due to shortage of water. Given that the revenues of the company are linked to actual unit sales, this exposes the company to risks of variable cashflows arising out of hydrological risks and also timely payment from the current customer viz Karnataka Power Transmission Corporation Limited (KPTCL). Further, because of delays in project commissioning, there were significant cost and time overruns and this in turn led to delays in debt servicing FY2009 and FY2010 (till December 09). The rating also factors in the relatively low tariff levels (fixed at Rs 2.90/kwh under the old PPA with KPTCL, without allowing for any indexation and escalation), which have resulted in suboptimal returns given the high capital cost of the project. During December 2008, SMPPL entered into an agreement with TATA Power Trading Company Limited for sale of power generated by the project, at a fixed rate of Rs. 4/kwh. Upon commissioning of the plant, KPTCL contested the new PPA. However, the company has filed an application with KERC asking to declare the old PPA with KPTCL as void, which is under consideration. The rating, however draws comfort from the fact that the plant is operational and there is a firm off take arrangement with Tata Power Trading company (recent PPA signed in December, 2008), with reasonable tariff levels of Rs 4.0/kwh. The ratings also factor in limited demand risks due to significant energy deficit in southern India and eligibility of the power plant under Ministry of New and Renewable Energy (MNRE) for a capital subsidy of Rs 86.3 million^{*}, which has been applied for recently. The project has also applied for registration with United Nations Framework Convention on Climate Change (UNFCCC) will provide the project with an ability to generate additional revenue from generation and sale of carbon emission reduction (CER's) certificates. While assigning the rating, ICRA has also factored in group risks arising out of being a part of a group that has sizeable capital expenditure in relation to their limited current experience.

Key Rating Drivers include:

- Satisfactory hydrology and the ability of the company to meet the designed performance parameters;
- Satisfactory resolution of the dispute with KPTCL on the issue of open access in sale of power; &
- Timely repayment of its debt obligations.

Company Profile

Soham Mannapitlu Power Private Limited (SMPPL) is an IPP promoted by the Soham Group. The company operates a 15 MW run of the river hydel power plant on River Puchamugaru, in the Dakshina Kannada District of Karnataka.

Soham Group was promoted in the year 1961 and is currently headed by Mr. Sadananda Shetty who is the former Chairman & Managing Director of Vijaya Bank. With the 22 MW MGHE TRS Scheme having been commissioned by one of its Subsidiaries (Ambuthirtha Power (P) Ltd.), followed by the 15

^{*} According to the MNRE formula for small hydro power- Rs 15 million * (Capacity in MW)^{0.646}

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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ICRA Limited

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MW SHP another subsidiary (Mannapitlu Power Private Limited) and 10 other projects on hand, the main focus of the group is the Renewable Energy Space in India.

The group has holds a 100% stake in SMPPL through its flagship company, Soham Renewable Energy India Pvt. Ltd (SREIPL).

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in

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