

Mahati Hydro Power Vidharbha Private Limited ^{Revised}

November 30, 2018

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term, Fund based – Term loans	114.35	114.35	[ICRA]BBB- (SO) (Stable); reaffirmed

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation at [ICRA]BBB- (SO) (Stable) (pronounced ICRA triple B minus Structure Obligation with Stable outlook) is based on the continuation of the unconditional and irrevocable corporate guarantee extended by Mahati Hydro Power Projects Private Limited (MHPPPL) for the entire bank facilities of Mahati Hydro Power Vidharbha Private Limited (MHPVPL). The rating also takes note of the undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary. The letters SO in parenthesis are suffixed to the rating symbol stand for Structured Obligation. An SO rating is specific to the rated facility, its terms, and its structure. An SO rating does not represent ICRA's opinion on the general credit quality of the entity concerned.

Outlook: Stable

ICRA believes MHPVPL would continue to benefit from the timely support from the guarantor, MHPPPL, if required, as demonstrated in the past. The outlook may be revised depending upon the change in outlook of MHPPPL.

Key rating drivers

Credit strengths

Strong financial support from MHPPPL in the form of corporate guarantee and preference shares/loans – The ratings for the Rs. 114.35-crore bank facilities of MHPVPL is based on an unconditional and irrevocable guarantee provided by MHPPPL and an undertaking from the guarantor to ensure that the debt obligations are serviced on or prior to the due date, irrespective of the invocation of the guarantee by the beneficiary. As on March 31, 2018, MHPPPL also invested in Rs. 25.81 crore of redeemable preference shares of MHPVPL. Additionally, over the past six years, MHPPPL has given a dividend of Rs. 31.37 crore to the promoters, who have invested it in MHPVPL in the form of equity to fund the project cost. MHPPPL has continued its support to MHPVPL in the current financial year for meeting the latter's debt service reserve account (DSRA) requirement of Rs 9.00 crore.

Credit challenges

Any deterioration in the financial profile of the guarantor – Since the entire bank limits of MHPVPL are backed by the corporate guarantee of MHPPPL, any deterioration in the financial profile of MHPPPL leading to its rating change, will have a material impact on MHPVPL's rating.

Liquidity position

The guarantor, MHPPPL's liquidity position continued to remain healthy given the healthy cash generation against minimal operating expenses. As on March 31, 2018, it had liquid mutual fund balances of Rs. 3.85 crore providing cushion to its liquidity. MHPPPL's fund cash flows from operations (CFO) continued to remain positive in FY2018, on account of low operating costs, though the same had reduced as compared to the previous year due to an increase in interest charges and higher incremental working capital requirements. In absence of any major capex, the free cash flows remained positive in FY2018.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support Group Company: Mahati Hydro Power Projects Private Limited
Parent/Group Support	The assigned rating is based on the unconditional, irrevocable corporate guarantee extended by MHPPPL to MHPVPL's entire bank limits
Consolidation / Standalone	Not Applicable

About the company

MHPVPL was set up in August 2011 to develop a small hydro power (SHP) project of 24.0-MW power generation capacity on a build, operate and transfer (BOT) basis on the Wainganaga river at the Goshikhurd dam, in Bhandara district of Maharashtra. The project is spill way based and backed by Memorandum of Understanding (MoU) with the Government of Maharashtra, Water Resource Department, for implementing of the projects on the said basin. The project was completed in FY2018 and started commercial operations from March 03, 2018. The entire power generation capacity of the plant is tied up with a long-term power purchase agreement (PPA) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for 13 years at a fixed tariff of Rs. 4.11 / Kwh.

In FY2018, the company reported a net loss of Rs. 3.52 crore on an operating income (OI) of Rs. 2.47 crore.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	0.00	2.47
PAT (Rs. crore)	0.34	-3.52
OPBDIT/OI (%)	-	56.81%
RoCE (%)	3.95%	0.11%
Total Debt/TNW (times)	2.29	3.20
Total Debt/OPBDIT (times)	-	99.76
Interest Coverage (times)	-	0.39

About the guarantor

MHPPPL was set up in April 2007 to develop two small hydro power (SHP) projects of 4.0-MW and 4.8-MW power generation capacities on a build, own, operate and transfer (BOOT) basis in Sangli (referred as Sonawade Project) and Pune (referred as Veer Project) districts of Maharashtra, respectively, on the tributary of Krishna basin. The Sonawade project attained COD in September 2010, while the Veer project attained COD in May 2012. Both the projects are backed by Memorandum of Understanding (MoU) with the Government of Maharashtra (GoM). MHPPPL is a part of the Pune-based Mahati Group, which is promoted by Mr. Sujay Shah.

The Mahati Group consists of two other companies, besides MHPPPL and MHPVPL, namely Mahati Industries Private Limited (MIPL) (erstwhile Mahati Electrics), and Mahati Electrics Private Limited (MEPL) floated by first generation entrepreneurs- Mr. Sujay Shah's father and relatives. MIPL manufactures electrical transformers, panels and other allied devices. It also undertakes sub-contracting work for electrical projects and has also undertaken small hydro power projects as EPC contractor. MEPL is involved into repairing of transformers.

For detailed rating rationale on MHPPPL, [click here](#) for referring to the release published on ICRA website.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	17.13	20.53
PAT (Rs. crore)	10.83	6.89
OPBDIT/OI (%)	80.35%	68.15%
RoCE (%)	37.96%	29.12%
Total Debt/TNW (times)	0.01	0.50
Total Debt/OPBDIT (times)	0.01	1.23
Interest Coverage (times)	61.91	9.90

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2019)		Date & Rating November 2018	Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)		Date & Rating in FY2018 October 2017	Date & Rating in FY2017 February 2017	Date & Rating in FY2016 December 2015
1 Fund-based Term loans	Long Term	114.35	114.35*	[ICRA]BBB-(SO) (Stable)	[ICRA]BBB-(SO) (Stable)	[ICRA]BBB-(SO) (Negative)	[ICRA]BBB-(SO) (Stable)

* As on March 31,2018

Complexity level of the rated instrument:

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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Term Loan	FY2014	-	FY2027	114.35	[ICRA]BBB-(SO)(Stable) Source: MHPVPL

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Not applicable		

Corrigendum

Rating rationale dated November 30,2018 has been corrected with revisions as detailed below.

1. Rationale section on page 1 – The following disclosure has been removed.

‘The rating addresses the servicing of the rated facilities to happen as per the terms of the underlying loan and the guarantee arrangement, and the rating assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower.’

About the guarantor section on page 3 – link to the detailed rating rationale of the guarantor has been added

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