



Press Release

Urjankur Shree Tatyasaheb Kore Warana Power Company Limited

January 10, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	119.96	IVR BBB/Stable [IVR Triple B with Stable Outlook]	Revised	Simple
Total	119.96	(Rupees One hundred and nineteen crore and ninety-six lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (USTKWPCCL) is on account of decline in scale of operations and sharp decline in profitability of the company during FY23. The revision in the rating also takes into account higher than anticipated debt funded capex to increase the power generation capacity from 44MW to 50 MW.

However, the ratings assigned to the bank facilities of Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (USTKWPCCL) draw comfort from extensive industry experience of management, Power Purchase Agreement providing long term revenue visibility, comfortable capital structure albeit moderate debt coverage indicators and moderate scale of operations and profitability. However, these rating strengths are partially offset susceptibility to volatility in raw material availability and Low Power Load Factor.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained improvement in the PLF resulting in higher cash flow.
- Sustained and improved capital structure and liquidity profile.



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Downward Factors

- Significant reduction 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.

List of Key Rating Drivers with Detailed Description

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. 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

Urjankur 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). USTKWPCCL 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 7.55 per unit. This provides the company with assured long-term revenue for the coming years.

Moderate scale of operations and profitability:

TOI of the company has declined by 19.99% to Rs. 58.47 Cr during FY23 compared to Rs.73.08 Cr for FY22 mainly on account of decline in sale of power. Further, sale



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amounting to Rs.15.65 crore with pertains to Q4FY23 which has been booked in Q1FY24. With decline in scale of operations, the EBITDA margin of the company has also declined drastically by 4141 bps and stood at 27.36% in FY23 as compared to 68.76% in FY22 mainly on account of increase in operational cost. Further with decline in EBITDA margins, the PAT margins have also decline by 2125 bps and stood at 7% as compared to 28.25% during FY22. GCA of the company has declined from Rs. 45.01 crore to Rs. 14.05 crore in FY23. In H1FY23 the company has achieved TOI of Rs. 27.51 crore, EBITDA of Rs. 5.46 crore and PAT of Rs. 2.35 crore.

Comfortable Capital Structure albeit moderate debt coverage indicators:

The capital structure of the Company remained moderate marked by overall gearing of 0.49x as on March 31, 2023, deteriorated from 0.39x as on March 31, 2022, on account of higher utilization of working capital bank borrowings as on balance-sheet date. The TOL/TNW of the company stood at 0.83x as on March 31, 2023, compared 0.66x as on March 31, 2022. The debt protection metrics of the company stood moderately marked by ICR stood at 17.87x during FY23 improved from 6.57x during FY22 on account of decrease in interest cost. Total Debt/GCA of the company remained at 4.75x as on March 31, 2023, deteriorated from 1.15x as on March 31, 2022.

B. Key Rating Weaknesses

Project Implementation Risk

The Company undertook a project for expansion of capacity of power generation from 44MW to 50MW. The total project cost stood at Rs. 87.94 crore which will be funded through term loan of Rs.70.00 crore and the remaining Rs. 17.94 crore through internal accrual. Total cost incurred till November 23, 2023, stood at Rs.82.00 crore towards the project, which is funded through term loan of Rs. 70.00 crore and remaining amount of Rs. 12.00 crore through internal accrual. The project was started in April 2023 and the construction part of the project has been completed in 3rd week of



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November 2023. The trial started from 1st week of December 2023 and the expected COD is January 15, 2024. Further, the risks related to project implementation and stabilization of operations post-completion of the said capital expenditure persist.

Susceptibility 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 42% 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- Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

Liquidity – Adequate



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The company's liquidity is adequate marked by 81.50% average utilisation of fund-based limits during the past 7 months ended October 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a Current Ratio and quick ratio of 0.93x and 0.85x as of March 31, 2023, respectively. The Unencumbered cash and bank balance of the company stood at Rs. 9.65 Crores and Rs. 3.90 crore as on March 31, 2023, and September 30, 2023, respectively. The Working Capital Cycle of the company stood elongated at 282 days in FY23 as against 127 days in FY22 on account of increase in collection period.

About the Company

Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (USTKWPCCL) 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 USTKWPCCL. 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):

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	73.08	58.47
EBITDA	50.25	16.00
PAT	21.38	4.11
Total Debt	51.59	66.70
Tangible Net Worth	131.59	135.70
Ratios		



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EBITDA Margin (%)	68.76	27.36
PAT Margin (%)	28.25	7.00
Overall Gearing Ratio (x)	0.39	0.49

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (November 14, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Facilities	Long Term	119.96	IVR BBB/ Stable	IVR BBB+/ Stable	--	--

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About Infomerics:

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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
Term Loan	-	-	July 20, 2029	50.00	IVR BBB/ Stable
Term Loan	-	-	July 20, 2029	20.00	IVR BBB/ Stable
Cash Credit	-	-	-	49.96	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-jan24.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.