

MARCH 09, 2015

CARE REAFFIRMED THE RATING ASSIGNED TO THE BANK FACILITIES OF SAPPHIRE INDUSTRIAL INFRASTRUCTURE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	31.85 (36.75)	CARE BB+ [Double B Plus]	Reaffirmed
Total Facilities	31.85		

Rating Rationale

The rating continues to be constrained by high debtor levels, dependence of power generation on favourable climatic conditions, technological risks with the absence of adequate industry performance record in Indian conditions and moderate debt coverage indicators. The rating, however, derives comfort from the experienced promoters with established track record in setting up and operating solar power projects and operational track record of the project of almost four years with moderate generation levels.

Going forward, power generation at envisaged Capacity Utilization Factor (CUF) and regularization of payment from the off takers shall remain the key rating sensitivities.

Background

Sapphire Industrial Infrastructure Pvt. Ltd. (SIIL), a Hindustan Power group company, has set-up a 5 MW grid interactive solar photovoltaic (PV) power plant at Sivaganga, near Madurai in Tamil Nadu. The plant was successfully commissioned and achieved Commercial Operation Date (COD) on December 21, 2010. SIIL is a Special Purpose Vehicle (SPV) of Hindustan Clean Energy Ltd. (HCEL - erstwhile Moser Baer Clean Energy Ltd) which is a 100% subsidiary of Hindustan Power Projects Pvt. Ltd. (HPPPL - erstwhile Moser Baer Projects Pvt Ltd).

SIIL has signed a Power Purchase Agreement (PPA) with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), (erstwhile Tamil Nadu Electricity Board (TNEB)); for a period of 10 years. As per PPA, TANGEDCO would purchase power at Rs.4.50 per kWh. In addition to this, SIIL is also entitled to receive generation-based incentive (GBI) from Indian Renewable Energy Development Agency through GBI scheme at Rs.10.50 per kWh.

For FY14 (refers to period April 1 to March 31), SIIL reported total operating income of Rs.11.98 crore with net loss of Rs 17.76 crore. For 9MFY15 (prov), SIIL reported total income of Rs.10.23 crore with PAT of Rs.0.27 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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