

December 14, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SNEHA KINETIC POWER PROJECTS PRIVATE LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities [^]	671 (enhanced from 521)	CARE A- (SO) [Single A Minus (Structured Obligation)]	Reaffirmed
Total Facilities	671 (Rupees Six Hundred Seventy One crore only)		

[^]Backed by unconditional and irrevocable corporate guarantee of Greenko Energies Private Limited (rated 'CARE A-').

Rating Rationale

The rating assigned to the bank facilities of Sneha Kinetic Power Projects Private Limited takes into account the credit enhancement in the form of irrevocable and unconditional corporate guarantee extended by Greenko Energies Private Limited.

The revision in the rating assigned to Greenko Energies Private Limited (GEPL) takes into account the group's significant increase in operational capacity resulting in considerable increase in generation of power which translated in significant improvement in the total operating income and in turn profit levels, strong ability of the group to access international debt market and economic benefits thereof, regular infusion of equity by the promoters, garnering the experience of executing large scale renewable energy projects and comfortable position of the group in meeting its equity commitments towards the project stage subsidiaries.

The rating continue to derive strength from the experience of the promoters, established track record of the group in owning and operating diversified portfolio of renewable energy assets, favourable capital structure, availability of long-term off-take arrangement for most of the operating and under construction projects and positive long-term demand outlook for the power sector.

The rating is, however, constrained by high debtor collection period at a consolidated level, project implementation risk related to various under construction projects where GEPL had extended the corporate guarantees and estimated increase in the consolidated gearing ratio going forward with execution of the large debt-funded projects.

Timely execution of the existing construction phase projects without any cost/time overrun along with maintenance of existing financial risk profile will be the key rating sensitivities.

Background

SKPPPL is a special purpose vehicle promoted by the Greenko group for setting up 96 MW (2 X 48 MW) peaking run of the river Dikchu Hydro Electric Power Project (DHEP). The project is located on river Dikchu, between Lingdok and Dikchu villages of Eastern Sikkim.

The project is awarded by Government of Sikkim on March 1, 2006, on Build, Own, Operate and Transfer (BOOT) basis for a period of 35-year Concession Agreement from scheduled COD for 96 MW. As per the terms of the concession SKPPPL shall provide 12% of the net generated electricity as free royalty power to the GoS during the first 15 years of concession period and 15% for the remaining concession period. The project was earlier envisaged to achieve COD in July 2014. However, due to various reasons such as change in project scope of work particularly in relation to transmission lines,

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

natural calamities (such as earth quake and flash flood, etc) the project COD is delayed. The total cost of the project earlier was estimated at Rs.745 crore being financed in the debt to equity ratio of 70:30 (Rs.224 crore of equity and Rs.521 crore of term loans) which was later revised to Rs.983 crore (Rs.312 crore of equity and Rs.671 crore of term loans). The increased portion of the project cost is also funded through debt to equity ratio of 70:30. As per LIE report of October 2015, the company had already incurred Rs.949 crore (about 97% of total project cost) as on April 10, 2015 and the project is expected to be operational by March 2016.

About Guarantor

Incorporated in July 2000, GEPL is a wholly-owned subsidiary of Greenko Mauritius Limited (Greenko Mauritius). Greenko owns and operates renewable energy plants in India through GEPL. GEPL is the holding and funding arm for all the projects under various subsidiary companies; and also has two 6-MW operating biomass power plants in India.

Greenko is one of the leading operators of clean energy projects in India. The group has diversified portfolio of wind, run-of-the-river hydro power, liquid fuel and biomass assets. As on September 30, 2014, the group had 31 operational power projects under various SPVs with aggregating capacity of 715 MW. Out of these, 7 are biomass/liquid fuel, 9 are wind and the remaining 15 are hydro power projects. The group has 494 MW wind and hydro power projects under construction.

Analyst Contact

Name: Mr. D Naveen Kumar

Tel: 040 6900 0504

Cell: + 91 88860 97382

Email: dnaveen.kumar@careratings.com

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CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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