

JUNE 11, 2015

CARE ASSIGNS 'CARE BB' RATING TO THE BANK FACILITIES OF SPARK GREEN ENERGY AHMEDNAGAR LIMITED

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---------------------------------------|-----------------------|-----------------------|----------|
| Long-term Bank Facilities – Term Loan | 130.50 | CARE BB (Double B) | Assigned |
| Total Facilities | 130.50 | | |

Rating Rationale

The ratings on bank facilities of Spark Green Energy Ahmednagar Limited (SGEAL) are constrained by lack of track record of the promoters in biomass energy generation business and cost over-runs on account of delay in the commissioning of 25-MW biomass power project.

However, the rating constraints are strengthened by the company's plan to start commercial production in June 2015 and the long-term power purchase agreement with secured payment mechanism. Furthermore, the rating also considers abundant fuel supply availability along with government regulations eliminating competition in biomass procurement. Going forward, the stabilization of plant and achieving operational efficiency would be the key rating sensitivity.

Background

Incorporated in December 2003, SGEAL promoter by Mr Sunil A. Chawla, Mr Sanjay A. Chawla and Mr Amarlal Chawla. The company is setting up 25-MW biomass-based power plant in Ahmednagar, Maharashtra. Ahmednagar has abundant biomass availability in form of sugarcane trashes, cotton, wheat, maize, bajra and jawar.

The total project is expected to be Rs. 212 crore of which Rs. 179 crore has been incurred as on March 31, 2015. The plant was commissioned in October 2014. However, due to delay in getting connectivity to the state power grid, commercial operation of the plant got delayed. Now, power grid connectivity is in place and final commercialization is expected to be in June 2015. The company has long-term power purchase agreement (PPA) with BEST (Brihanmumbai Electric Supply & Transport Undertaking) for supply of power at discounted tariff rates (discount @ Rs. 0.5 per unit for first 5 years) in lieu of the interest free deposits provided by BEST.

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

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

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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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