

January 13, 2011

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF  
GVK GAUTAMI POWER LTD.****Ratings Assigned**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	1205.33 (Size enhanced from Rs.1154.22 crore)	<b>'CARE A' (Single A)</b>	Revised from CARE BBB [Triple B]
<b>Total Facilities</b>	<b>1205.33</b>		

**Rating Rationale**

The revision of rating takes into account commercial operation of the plant, stabilisation of the operations, satisfactory operational parameters during first year of operation, expected improvement in profitability due to reduction in interest cost, and considerably comfortable short term liquidity position backed by unencumbered invested surplus. The rating continues to take into account promoters' strength, operational track record of the promoters, Long term PPAs and positive outlook for the power sector. The rating is, however, constrained by; limited operational track record of the power plant, pending approval from APERC for necessary amendments in the PPA allowing merchant sales of power, moderate financial risk profile characterised by relatively higher gearing levels, risks associated with implementation of envisaged Phase II and manifold leap in capacity compared to present operations. The ability of the company to meet the operational parameters of power purchase agreement, improve profitability and execute the envisaged expansion project without much deterioration in financial risk profile are the key rating sensitivities.

**Company Profile**

Gautami Power Limited (GPL) was formed in 2001, after the merger of two power projects in Andhra Pradesh, NCC Power Ltd (NCCPL) and Gautami Power Ltd. . The name of the company was changed to GVK Gautami Power Limited on September 08, 2009. GPL has started its commercial operations from June 2009 after availability of the gas from KG basin from Reliance Industries Limited. The power plant is located in East Godavari District of Andhra Pradesh. The plant is 469 MW gas based Combined Cycle Power Plant (CCPP), comprising two gas turbine generators and one steam turbine generator.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.



Press Release

The company is contemplating setting up of Phase II of the power plant having capacity of 800MW at the existing site with estimated cost of Rs. 3200 crore to be funded at D/E ratio of 4:1.

During FY10 the company earned a PAT of Rs. 28 crore on net sales of Rs. 761 crore. For the half yearly period ended September 30, 2010 sales stood at Rs. 473 crore with PAT of Rs. 36 crore.

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