

AUGUST 05, 2015

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
KANCHANJUNGA POWER COMPANY PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	130.50	CARE BBB- [Triple B (Minus)]	Reaffirmed
Long-term/Short-term Bank Facilities	20.00	CARE BBB- / CARE A3 [Triple B (Minus)/A Three]	Reaffirmed
Total Facilities	150.50 (Rupees One Hundred Fifty crore and Fifty lakh only)		

Rating Rationale

The ratings for bank facilities of Kanchanjunga Power Company Pvt Ltd (KPCPL) continue to derive strength from the resourceful promoters and their experience in developing hydel power project. The ratings also derive comfort from KPCPL's power offtake arrangement, affirmative policy framework for small hydro power projects in the country and stable demand for power in the current power-deficit scenario.

However, the ratings continue to remain constrained by single-asset nature of the company, residual project implementation risk and the inherent hydrological risks associated with run-of-the-river power projects. The ratings also take cognizance of the bursting of penstock during commissioning of the project and satisfactory progress on the restoration work thereafter.

Going forward, the company's ability to complete the project within the revised time and cost estimates, achievement of the envisaged operating parameters and signing of PPA with TPDDCL for supply of renewable power shall be the key rating sensitivities.

Background

Kanchanjunga Power Company Pvt Ltd (KPCPL) is a Special Purpose Vehicle (SPV), set up for the purpose of establishing a hydro power project of 24 MW (3X8 MW) at Baragaon, Himachal Pradesh to exploit hydro potential from Sanjoin Nalla (tributary of Beas river) and Bijara Nalla (tributary of Sanjoin Nalla) at Baragaon in district Kullu, Himachal Pradesh. The company is promoted by Mr Rohit Saraf (brother of Mr Sanjiv Saraf, the promoter of the Polyplex Group).

In January 2015, during the course of synchronizing the plant with the grid, the penstock bursted causing damage to ancillary, civil and third party property. The project is now under restoration and is likely to be commissioned on January 1, 2016. The revised project cost owing to restoration of the same is Rs.223.74 crore (revised from Rs.180.64 crore) and is proposed to be financed at a debt to equity ratio of 2.33:1 (revised from 2.60:1).

The company had incurred expenditure to the tune of Rs.188.10 crore till June 20, 2015 as against the total project cost of Rs.223.74 crore representing approximately 84% of the total cost.

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

****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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