MAY 10, 2016

CARE ASSIGNS 'CARE A-(SO)/ CARE A2+(SO)' RATINGS TO THE BANK FACILITIES OF OPGS POWER GUJARAT PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1497.40^	**CARE A-(SO) [Single A minus (Structured Obligation)]**	Assigned
Long-term Bank Facilities – Cash Credit	135.00^	**CARE A-(SO) [Single A minus (Structured Obligation)]**	Assigned
Short term bank facilities	430.00^	**CARE A2+(SO) [A two plus (Structured Obligation)]**	Assigned
Total Facilities	**2062.40 (Rupees Two thousand sixty two crores and forty lakhs only)**		

Rating Rationale

The rating assigned to the long term bank facilities and short term bank facilities of OPGS Power Gujarat Private Limited (OPGS Gujarat) for aggregate amount of Rs. 2062.40 crore factors in credit enhancement in form of letter of comfort provided by OPG Power PLC (OPGPLC) rated CARE A.

The ratings of OPG Power PLC (OPGPLC) derives strength from its experienced promoters and management, diversified client base (industrial consumers) which ensures lower consumer concentration risk, reasonable track record of commissioned projects, presence of PPA of 564MW (out of 724MW operational capacity), completion of the all the major projects under construction and no major expansion along-with adequate leverage and debt coverage indicators.

The ratings, however, are constrained by the weak credit profile of TANGEDCO (current off-take of 157MW, post May 2016- 80MW) is sold, un-tied capacity of 67MW in Gujarat Plant (300MW) and exposure to volatility in foreign currency exchange rate movements on account of reliance on imported coal.

The ability of OPGPLC to secure PPAs for the un-tied capacity (67MW) at lucrative rates is the key rating sensitivities

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

Background – OPGS Gujarat

OPGS Power Gujarat Private Limited is a 99% subsidiary of OPGPLC *rated CARE A*. OPGS Gujarat is the second green-field thermal power plant developed by the OPG group. It comprises of two plants with a capacity of 150MW each. One of the units was commissioned in April 2015 and the other plant is expected to start operations in April 2016. The project is funded with Debt: equity of 3:1. The details of which are given below

S.NO	PARAMETERS	Rs in Cr.
1	Project Debt	1497.40
2	Project Equity	499.14*
3	Total Project Cost	1996.54

*fully infused

OPGS Gujarat has in-place PPAs for about 233MW of the total capacity with group captive customers (PPAs with additional group captive customers currently under negotiation) at tariffs ranging Rs 2.6-4.83/kWh. The company has Letter of Assurance (LOA) from South Eastern Coalfields Ltd (SECL) for coal supply is in place. Additionally, the company has tied up imported coal supplies amounting to the entire required quantity. The subdued international coal prices would support the company's profitability for the near term.

Background – OPGPLC

OPG Power Ventures PLC (OPGPLC) promoted by Mr. O.P. Gupta. and his son Mr. Arvind Gupta, was set up to develop and operate power plants in India. OPGPLC is the holding company, located in Isle of Man, UK Territory. It is listed on London Stock Exchange and has raised equity in two stretches - May 2008 & June 2011 aggregating to £ 130 MN under AIM (Alternative Investment Market) route. The promoters hold 50.90% equity stake in this company.

OPGPLC's subsidiary established in India - OPG Power Generation Private Limited (Rated CARE A/A1) has 414 MW of power plants in Chennai (comprising 4 Units). While Unit 1 & 2 is having capacity of 77MW each, Unit 3 has 80MW and Unit 4 comprises 180MW. Additionally, another subsidiary - OPGS Power Gujarat Pvt. Ltd (OPGS) has recently commissioned 300 MW (2 units of 150MW each) power plant capacity in Gujarat, India.

Additionally, OPGPLC has entered into a JV arrangement with Noble Chartering in August 2014, a subsidiary of Noble Group, to secure long-term international freight arrangements for its fuel sourcing. The Company has previously used, for its coal shipments, vessels contracted through Noble Chartering. Under the Long Term Freight Arrangement ("LTFA"), between them, OPGPLC and Noble are to purchase and own, jointly and equally, two 64,000t cargo vessels. The cost of each vessel is US$28m (£17m) and each of OPGPLC and Noble are to invest approximately US$9m (£5m) in stages over the period to delivery of the vessels in early 2017 as their equity contribution. The remaining portion of capex i.e. USD 38 mn would be funded by debt to be raised in JV. Under the terms of the LTFA, the Company will provide annual cargo commitment for carriage by the two vessels for a minimum period of ten years at competitive long term rates, which is expected to meet the imported coal requirements of OPGPLC current operating power capacity at Chennai, Tamil Nadu. Freight costs have in the past made up approximately 25% to 40% of the total landed cost of the imported coal for OPGPLC, depending upon activity and rates in the bulk cargo market. This LTFA is strategically attractive as it ensures visibility, control and competitiveness of the cost of transportation for all of OPGPLC's imported coal requirements for Chennai Units I-IV (414MW).

During FY15, OPGPLC reported total operating income of GBP 101 mn and PAT of GBP 17.3 mn as against total operating income of GBP 100 mn and PAT of GBP 15 mn during FY14.

During FY15, OPGS Gujarat reported total operating income of Rs 3.1 crore and PAT of Rs 35,000 against total operating income of Rs 2.7 crore and PAT of Rs 0.4 crore during FY14.

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

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