

OPGS Power Gujarat Private Limited

April 6, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1,497.40	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B, Outlook; Stable ; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A- (SO); Stable [Single A minus (Structured Obligation) Outlook; Stable] on the basis of best available information
Long-term Bank Facilities – Cash Credit	135.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B, Outlook; Stable ; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A- (SO); Stable [Single A minus (Structured Obligation) Outlook; Stable] on the basis of best available information
Short-term Bank Facilities	430.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A2+ (SO) [A Two plus (Structured Obligation)] on the basis of best available information
Total	2062.40 (Rupees Two thousand sixty two crores and forty lakhs only)		

Details of instruments/facilities in Annexure-1

CARE has been seeking information from OPGS Power Gujarat Private Limited to monitor the rating(s) vide e-mail communications dated February 28, 2018, March 01, 2018, March 05, 2018, March 08, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on OPGS Power Gujarat Private Ltd.'s bank facilities will now be denoted as **CARE BB; Outlook Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised as OPG Power Ventures Plc has withdrawn the letter of comfort on the basis of which the ratings were assigned to the bank facilities of the company. The revision of ratings is also on account of non-receipt of monthly No Default Statement from the company since November 2017 and CARE is not able to conduct appropriate due diligence.

Detailed Rationale & Key Rating Drivers

At the time of last rating on April 12, 2017 the following were the rating strengths and weaknesses

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

Detailed description of the key rating drivers of the LoC provider – OPG Power Ventures PLC

Key Rating Strengths

Experienced promoters: OPGPL is part of the OPG group, founded by the Late Mr. Om Prakash Gupta, which has been in operations for over five decades. All the power generation companies of the OPG group are grouped as subsidiaries under OPG Power Ventures PLC (OPGPLC; rated CARE A), which is listed in the Alternative Investment Market (AIM) of London. In FY16, the group has also commissioned 300 MW (2*150 MW) thermal power unit in the state of Gujarat.

Presence of power purchase agreements (PPA) with diverse industrial consumers and TANGEDCO at remunerative tariffs: Of the total 714MW, one of the SPV's of OPGPL, OPG Power Generation Private Limited (OPGPL) sells 80 MW to TANGEDCO under long term PPA. The contract allows pass through of inland/ overseas transportation charges and fuel handling charges. The balance 334 MW (from Tamil Nadu Power plant) is sold to others customers (under group captive) model at the rate of 5.1/kWh while 192 MW from OPGPLC's another SPV, OPG Power Gujarat Pvt. Ltd. (OPGPGL) is sold to industrial customers at a tariff rate of Rs4.8/kWh.

Counterparty credit risk associated with sale of power to TANGEDCO reduces in FY17: Till FY16, OPGPL was selling 157MW to TANGEDCO which has significant operating and accumulated losses, thus exposing it to credit risk associated with TANGEDCO. However, the counter-party risks associated with TANGEDCO is mitigated from June 2016 onwards since 77MW out of 157 MW (which was under short term PPA to TANGEDCO) is now sold to industrial consumers.

Low fuel risk due to presence of fuel supply agreements: OPGPLC has tied up for domestic coal supply for tenure of 5 years with Mahanadi Coalfields Limited, for Unit I – III (Imported: Domestic coal ratio is 65:35) while Unit IV (entirely) is based on imported coal. On the other hand, the Gujarat power plant's 300MW is operating currently on 100% imported coal.

Comfortable financial performance: Total Operating Income of OPGPLC witnessed growth of 31% in FY16 mainly on account of commissioning of 180 MW in Chennai and 150MW in Gujarat. With remunerative tariff rate and relatively lower cost of generation, profitability remained at healthy levels with PBILDT margin of 37.34% for FY16. Going forward, the debt is expected to increase marginally on account of debt taken for Karnataka Solar Project – 62MW.

Key Rating Weaknesses

Increase in international thermal coal prices coupled with forex volatility would impact profitability: Both the SPVs rely on imported coal whose prices have increased considerably since June 2016. They have been importing lower GCV coal based on its technologically advanced configuration in the boilers. Although the demand for lower GCV coal is lower and is available at lower prices, any increase in thermal coal prices would put pressure on the profitability of the SPVs. Further, a large portion of the company's working capital limits are in the form of LCs/ buyers credit for import of coal which is currently 100% hedged at present.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology - Infrastructure Sector Ratings](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's methodology for Private Power Producers](#)

About the Company

OPGS Power Gujarat Pvt Ltd (OPGPGL) is a 62.07% subsidiary of Gita Power and Infrastructure, which is a wholly owned subsidiary controlled by OPGPLC . OPGPGL is the second green-field thermal power plant developed by the

OPG group. It comprises of two units with a capacity of 150MW each. One of the units was commissioned in April 2015 and the other plant started operations in January 2016 and stabilized in June 2016.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	135.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	1497.40	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	430.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	1497.40	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE A- (SO); Stable (12-Apr-17)	1)CARE A- (SO) (10-May-16)	-
2.	Fund-based - LT-Cash Credit	LT	135.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE A- (SO); Stable (12-Apr-17)	1)CARE A- (SO) (10-May-16)	-
3.	Non-fund-based - ST-BG/LC	ST	430.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating	-	1)CARE A2+ (SO) (12-Apr-17)	1)CARE A2+ (SO) (10-May-16)	-
4.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BB (Is); ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- (Is); Stable on the basis of best available information	-	1)CARE BB (Is); ISSUER NOT COOPERATING* (14-Dec-17)	1)CARE BBB- (Is); Stable (15-Mar-17)	-

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