

OPGS Power Gujarat Private Limited

December 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Issuer Rating	#	CARE BB (Is); Stable ISSUER NOT COOPERATING* (Double B (Issuer Rating); Outlook Stable; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE BBB- (Is); Stable (Double B minus (Issuer Rating): Outlook; Stable) on the basis of best available information

The rating is on standalone basis subject to the company maintaining overall gearing not exceeding 3.8x (overall gearing projected as on March 31, 2017).

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The issuer rating assigned to OPGS Power Gujarat Private Limited (OPGPGL) derives strength from experienced promoters (total group operational capacity stands at 750MW), presence of PPA for 192 MW, diversified client base, re-pricing of PPA from Rs. 4/kWh to Rs. 4.8/kWh from December 2016 onwards and project loan being restructured under 5/25 scheme.

The rating is, however, constrained by the limited operating track record of the power plant (Unit – II got stabilised only in June 2016), delays in securing recognition under the ‘Group Captive Policy’ in Gujarat for the project due to which the power off-takers have to bear the cross-subsidy surcharge as well as risk arising out of fluctuation in international thermal coal prices and foreign exchange fluctuations.

The ability of OPGPGL to secure PPAs for the un-tied capacity at lucrative rates, recognition under group captive policy in Gujarat as well as maintain healthy profitability in the event of increase in coal prices are the key rating sensitivities.

CARE has been seeking information from OPGS Power Gujarat Private Limited to monitor the rating(s) vide numerous e-mail communications and phone calls from September 29, 2017 to November 30, 2017. 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 ratings on the bank facilities of OPGS Power Gujarat Private Limited will now be denoted as **CARE BB (Is); 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 on account of non-receipt of monthly No Default Statement for the last three months ending November 30 2017 and CARE is not able to conduct appropriate due diligence.

Detailed description of the key rating drivers

At the time of last rating on March 15, 2017 the following were the rating strengths and weaknesses of the OPGS Power Gujarat Private Limited:

Key Rating Strengths

Experienced promoters: OPGPGL is 62.07% subsidiary of Gita Power and Infrastructure, which is a wholly owned subsidiary controlled by OPGPLC (Rated CARE A). The group has total power assets aggregating 750MW in India.

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

Presence of PPA for 192MW coupled with diversified client base: OPGPGL has tied up with industrial consumers in Gujarat (115MW), Maharashtra (57MW) and Madhya Pradesh (20MW) at Rs 4.8/kWh for medium term (1-3 years). The company has a diversified client base procuring power from min 1MW to max 35 MW. Generally, the contracts are fixed prices linked to industrial tariffs in the respective state with a tenure of 1- 3 years.

Re-pricing of PPA from Rs ~ 4/kWh to Rs 4.8/kWh from December 2016 onwards: - During April 2015 to December 2016, the average tariff was Rs 4/kWh. Once the unit – II was stabilised, the PPAs for the entire tied up capacity of 192 MW have been re-negotiated at Rs 4.8/kWh from December 2016 onwards

Project loan tenure extended under 5/25 flexible restructuring scheme: - The company has re-financed its debt of Rs. 1497 crore in October 2016 under 5/25 scheme with door to door tenure of 19.5 years thereby improving the liquidity

Key Rating Weaknesses

Limited operating track record of the power plant: The Unit – II of OPGPGL got stabilized only in June 2016 resulting in limited track record of operations.

Delays in securing recognition under the 'Group Captive Policy' in Gujarat: OPGPGL has formed the business model and got approved as "Captive Group Company". However, Gujarat SEB demands cross subsidy because OPGPGL has differential face value of shares i.e. Class A (for captive group consumers) and Class B (for promoters group) shares. The company is in the process of implementing the "Scheme of arrangement" (wherein there would be single class of shares). Presently, consumers of OPGPGL have to bear a cross subsidy charge of Rs 1.45/kWh. Because of this cross subsidy charge, the discount over SEB tariff is not much.

Increase in international thermal coal prices coupled with forex volatility would impact profitability: OPGPGL relies largely on imported coal whose prices have increased considerably since June 2016. OPGPGL has 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 company. Further, a large portion of the company's working capital limits are in the form of LCs/ buyers credit for import of coal which also remains un-hedged thereby exposing the company to forex volatility.

Analytical approach: The ratings for OPGPGL issuer rating is arrived at by taking standalone view of the company's operations.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology - Infrastructure Sector Ratings](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's methodology for Private Power Producers](#)
[CARE's Issuer Rating](#)

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 OPGPGL (Rated CARE A). 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. The project is funded at a total cost of Rs. 1996.54 crore with debt: equity of 3:1.

As on December 31, 2016, OPGPGL has PPAs in place for 192 MW of the total capacity with group captive customers (PPAs with additional group captive customers currently are under negotiation) at tariffs linked to DISCOM rates. The company has Letter of Assurance (LOA) from South Eastern Coalfields Ltd for coal supply. Additionally, the company has tied up for imported coal supplies amounting to the entire required quantity.

During FY16, OPGPGL reported total operating income of Rs.95.2 crore and loss of Rs.42.2 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE BB (Is); ISSUER NOT COOPERATING*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	1497.40	CARE A- (SO); Stable	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 A- (SO); Stable	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 A2+ (SO)	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*	-	1)CARE BBB- (Is); Stable (15-Mar-17)	-	-

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