January 12, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF PPN POWER GENERATING COMPANY PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	605.88 [Enhanced from Rs.543.44 crore]	**CARE A+ (Single A Plus)**	Reaffirmed
Short term Bank Facilities	549.00	**CARE A+/CARE A1 (Single A Plus/ A One)**	Reaffirmed
Total Facilities	**1,154.88 (Rupees One Thousand One Hundred Fifty Four crore and Eighty Eight lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of PPN Power Generating Company Private Limited (PPN) continue to factor in the long track record of the company, comfortable financial position of PPN supported by low gearing levels, presence of long-term Power Purchase Agreement (PPA) with its customer Tamil Nadu Generation and Distribution Company Limited (TANGEDCO) which ensures recovery of fixed charges and fixed return on equity. The ratings continue to be constrained by non-availability of gas supplies leading to dependence on alternative fuel (Naphtha), moderation in cost competitiveness of PPN consequent to absence of gas availability and weak credit profile of TANGEDCO notwithstanding the recent improvements in the liquidity position.

Going forward, availability of long-term source of gas resulting in improvement in generation levels and consequent improvement in profits/accruals and any significant increase in receivables from TANGEDCO will be the key rating sensitivities.

Background

PPN Power Generating Company Private Limited (PPN) is an Independent Power Producer (IPP) with generating station at Nagapattinam district in the state of Tamil Nadu. PPN is one of the largest Independent Power Projects situated in the state. The Combined Cycle Power Plant of PPN has a total capacity of 330.5 MW. The primary fuel of the plant is Natural gas, the alternate fuel being Naphtha. The plant is also capable of running on other fuels like Condensate and also on a combination of Naphtha and Natural Gas.

PPN was originally promoted by the Apollo Hospitals Group along with Marubeni Corporation (Japan), El Paso Corporation (USA) and PSEG Global Inc (USA). In March 2005, M/s El Paso sold its entire shareholding to the Apollo Hospitals Group and exited the venture. In May 2009, PSEG Global has also sold its stake to the Apollo Hospitals Group and two other financial institutions. Apollo Infrastructure Projects Finance Company (Apollo Infra) Private Limited held 71.26% stake in PPN as on March 31, 2015. Out of the rest, 26% is held by Marubeni Corporation and 2.74% is held by HDFC Standard life Insurance Company.

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

During FY15, the company made PAT of Rs.20 crore on a total income of Rs. 1,853 crore as against PAT of Rs.164 crore on a total income of Rs.2,210 crore in FY14. During H1FY16 company reported PAT of Rs.13 crore on a total income of Rs.299 crore.

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

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.

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 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 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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