

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’ rating for the long term Bank loan facilities of Athena Chhattisgarh Power Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**¹ of BWR BB+ (Pronounced BWR Double B plus) for the long term bank facilities amounting to Rs. 5442 crores of Athena Chhattisgarh Power Ltd (‘ACPL or Company’)

Facility	Limits (Amt Rs. Cr)	Tenure	Rating
Term Loan	4650.00	Long Term	BWR BB+ (Pronounced Double B Plus) Outlook- Stable
Bank Guarantee	600.00		
Derivative Limits	192.00		
Total	5442.00	INR Five Thousand Four Hundred and Forty Two Crores Only	

BWR has essentially relied upon projected financials, publicly available information and clarifications provided by the Company’s management.

The rating, *inter alia*, has factored promoter’s credentials, significant equity infusion, advanced stages of entering into Fuel Supply Agreement (FSA) with South Eastern Coal fields Ltd (SECL) and long-term off-take arrangement for a substantial portion of the power to be generated.

The rating is, however, constrained by the large size of the project, time over-run, and expected cost over-run in implementing the project, limited experience of the promoters in operating power plants, de-allocation of coal block by Supreme Court and its impact on fuel linkages and the need for promoters to bring in additional equity as per revised project cost.

Background

Athena Chhattisgarh Power Limited (ACPL) was originally incorporated on February 14, 2007 as a private limited company under the name of Banganga Power Pvt Ltd. Subsequently, the company got converted to a public limited company and was renamed as ACPL, with effect from October 26, 2010. AEVPL (Athena Energy Ventures Pvt Ltd), is the principal promoter of ACPL, is an initiative of Athena Infraprojects Private Limited (AIPL), PTC India Ltd (PTC) and Infrastructure Development Finance Company (IDFC). AEVPL is actively engaged in developing a diversified portfolio of projects in power generation as well as associated energy infrastructure.

The Project:

ACPL was incorporated as a special purpose vehicle (SPV) for the development of a 1200 MW (600*2) coal based thermal power plant at Singhitarai in Janjgir, Champa District of Chhattisgarh. For this purpose, ACPL has entered into an Implementation Agreement with

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Government of Chhattisgarh (GoC) / Chhattisgarh State Power Holding Corporation Ltd. (CSPHCL). in August, 2009. The initial project cost was Rs. 6200 cr, with Debt: Equity Ratio of 3:1. The financial closure was achieved in March 2011, and Project Loans were sanctioned by a consortium of banks led by State Bank of India. The company had targeted to achieve commercial operation of Unit I by Jan 2014 and Unit II by July-2014.

ACPL requires 5.2 Million Tons Per Annum (MTPA) of Coal to operate 1,200MW at 85% PLF. The company has obtained a long-term coal linkage vide a Letter of Assurance (LoA) from South Eastern Coalfields Ltd. (SECL), a subsidiary of Coal India Limited, for 'F' Grade Coal to the tune of 2.747 MTPA, which would meet nearly 53% of its coal requirement (for 85% PLF). The remaining 47% of the coal requirement was proposed to be sourced from the captive mine block of Fatehpur East Coal Block (FEC) located at Chhattisgarh, which was awarded by the Ministry of Coal (MoC). However in September 2014, Supreme Court of India cancelled the allocation of 214 out of 218 coal blocks that were allotted to various companies since 1993 and FEC is one of among those that got cancelled.

The company has back to back PPA in place for 600 MW. For remaining 600 MW the company is planning to sell power on long term basis and have participated in bids invited by two state utilities.

Present Status of the Project:

There has been a delay in implementation of the project, and Unit I is expected to achieve COD by Oct-15 and Unit II by Jan-16. The revised project cost is Rs. 8464 crores, an escalation of 35%. A major reason for cost escalation is due to depreciation in INR, as the power generation equipment is being sourced from China. Besides this scope changes in work due to regulatory requirements is also a cause. The increased cost is to be shared by promoters and lenders in the same ratio, and currently under process. Presently, 74% of overall construction works has been completed. In case of Unit I, 85% of total project has been completed and management is confident of meeting the COD deadline of 1st Oct- 2015.

Rating Outlook:

Going ahead the company's ability to tie-up the funds for cost overrun, bring in the promoters' contribution, complete the project as per revised schedule without further time and cost overrun and make fuel linkages arrangements for Unit II - would be key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.