

Rating Rationale

Brickwork Ratings Revises the ratings from BWR C to 'BWR B-' for the Bank Loan Facilities aggregating ₹ 706.73 Cr (Enhanced from ₹ 514.71 Cr) of Panduranga Energy Systems Private Limited

Brickwork Ratings has revised **Rating**¹ for Bank Loan facilities aggregating ₹ 706.73 Cr (Enhanced from ₹ 514.71 Cr) of Panduranga Energy Systems Private Limited (PESPL or the 'Company') as follows:

Facility	Previous Amount (₹ Cr)	Present Amount (₹Cr)	Tenure	Rating	Rating History
Fund Based: Term Loan	514.71	514.71	Long Term	BWR B- (Pronounced as BWR B Minus)	BWR C (Pronounced as BWR C)
Fund Based: FITL*	-	192.02		(Outlook-Stable) (Revised)	(Feb 2014)
Total	706.73	(INR Seven Hundred Six Crores and Seventy Three Lakhs Only)			

* FITL: Funded Interest Term Loan

BWR has principally relied upon the audited financial results of PESPL up to FY15, publicly available information and information/clarifications provided by the company.

The rating revision factors the phase 1 completion, eligibility of the company to participate in forthcoming gas allocation in Q4FY16 which will enable the company to start operations in FY17, and the restructuring of loans done by banks, with significant moratorium. However the rating is constrained by overall uncertainties relating to gas-based power projects in the country, and absence of long term power purchase agreement. The rating will be reviewed in case the gas supply arrangement is not in place by Q1 of FY17.

Background:

Panduranga Energy Systems Private Limited (PESPL) is a special purpose vehicle incorporated on 20th January 2010 to implement 470 MW gas based Power projects (Combined Gas Turbine –CGT) under two phases, 100 MW in Phase I and 370 MW in Phase II at Annadevarapeta village in west Godavari District, Andhra Pradesh. The Company is promoted by Mr. Chinta Panduranga Reddy, Mrs. K. Madhavi and M/s GMP infrastructure Private Limited.

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

There were delays in the project implementation for the Phase I with increase in its capacity to 116MW. As per revised project cost of ₹ 646.85 Crores, the promoters have to infuse ₹ 132.15 Crores as their share in the Total Project cost, which they have brought in.

Present Status

Phase 1 of the project is completed, but yet to commence operations due to non-availability of gas. Gas linkage for the project has been approved by Government of India under the new scheme for utilization of stranded gas based power projects including 116 MW of Panduranga Energy Systems Pvt Ltd. PESPL will bid for Gas allocation in Q4FY16 and expects to commence operations in FY17. However post the Gas allocation is received and the operations commence, the PLF levels will be crucial. The debt of the company has been restructured in July 2014. The interest payments will be due from July 2016 onwards and principal repayments would start from Jan 2017 onwards. In view of the above, Phase 2 is deferred.

Financial Performance

The project phase 1 is yet to commence operations. As of 31st March 2015, the company has total debt of around ₹ 598 Crores (including outstanding FITL of around ₹ 83.77 Crores) with networth of around ₹ 130 Crores. The term loans are from a consortium of 5 banks, with Andhra Bank having the highest exposure. As per the payments terms now agreed by the lenders, payments start from July 2016 onwards.

Rating Outlook:

The outlook is expected to be stable over the short term, on account of the new gas allocation policy of Govt of India, and the bidding process. Going forward, company succeeding in the auction process and then commence commercial production as planned, would be crucial. The rating would be reviewed based on the amount of gas allocation, its pricing, PPA, and PLF. Inability of the company to get gas allocated or meet viability criteria after commencement of commercial operations would be negative for the rating.

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