



September 20, 2010

ICRA assigns LBB+ rating to bank facilities of BLA Power Private Limited

ICRA has assigned an LBB+ (pronounced L double B plus) rating to the Rs. 157.6 crore¹ term loan of BLA Power Private Limited (BPPL)[†]. The long-term rating has been assigned a "stable" outlook.

The rating reflects the execution and implementation risks that are typical of greenfield projects, with the Commercial Operation Date (CoD) expected in the year 2011. The rating also takes into account the facts that the promoters of the company have no prior experience in the power generation business, and the company is yet to enter into a firm Power Purchase Agreement (PPA) for off-take of power, although it has signed an MoU for sale of up to 35% of its generated power. The rating, however, favourably factors in the advantages accruing to the project by virtue of its location, the firm coal supply agreement that is in place with one of its group companies and the term loan tie-ups with the banks. BPPL has received most of the necessary statutory clearances including the Environmental Clearance from the Ministry of Environment & Forest, Government of India and has already awarded key contracts to reputed EPC (engineering, procurement, construction) contractors. The relatively small size of the project as well as its location also mitigates the demand risk, even though no firm PPA has been signed as of now. While the fact that the project is being structured to operate as a Merchant Power Plant could provide upside to equity holders, it is also a risk factor from the credit perspective. The debt repayment capability of the company would hinge on successful commissioning of the project without significant time or cost overrun and achievement of designed plant operating parameters subsequent to project commissioning.

Company Profile:

Promoted by BLA Power Holdings Private Limited and belonging to the BLA group, BPPL was incorporated in 2006 for the purpose of setting up the coal-based power project. The project envisages setting up of a 43 megawatt (MW) coal-based thermal power plant at Gadarwara in Madhya Pradesh. The total cost of the project is estimated at Rs. 214.8 crore, which is proposed to be financed by Rs. 157.6 crore of term loans and Rs. 57.2 crore of equity. The expected CoD of the project is July 1, 2011.

September 2010

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

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