

**FOR IMMEDIATE RELEASE**

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**ICRA assigns LBBB- rating to the term loan facilities of Surajbari Wind Farm Development Private Limited**

ICRA has assigned LBBB- (pronounced L triple B minus) rating to the Rs. 47.79 crore<sup>1</sup> term debt programme of Surajbari Windfarm Development Private Limited. (Surajbari)<sup>†</sup>. The rating outlook is stable.

The rating takes into account the satisfactory operating performance of the wind farm in terms of wind turbine availability and energy generation, operation and maintenance (O&M) contract with Vestas that reduces the technology and operations risk and a favourable debt repayment schedule. The rating is however, constrained by the high sensitivity of its credit metrics to the variability in actual PLF achieved and the company's adverse capital structure because of the manner in which the acquisition was funded as well the high depreciation charges. However, the equity infusion aggregating to Rs 24.34 crores during the current year has significantly improved the company's capital structure. Also, the debt coverage indicators are expected to be satisfactory at current energy generation levels and the maintenance of two quarterly installments in the debt coverage reserve account is an additional comfort factor. The fixed-price long term power purchase agreement between Surajbari and Gujarat Urja Vikas Nigam Limited (GUVNL) minimises demand and price risks, however, the fixed tariff over the life of the project caps the overall profitability and return ratios. ICRA also notes that the company will be exposed to the counter party credit risk of GUVNL, being the sole buyer of power from its wind farm. Also, the company has large capital expenditure plan of the promoters to ramp up wind farm capacity, which may limit improvement in debt metrics even though the managements' stated position is that it would not leverage the existing balance sheet. ICRA also notes that the company is in advanced stages for grant of carbon emission reductions by United Nations Framework Convention on Climate Change (UNFCCC), which would improve the profitability and return from business.

**Company Profile**

Surajbari WindFarm Development Private Limited was incorporated in May 2007 as a wholly owned subsidiary of Vestas Wind Technology India Private Limited (Vestas) for building a 16.5 MW (10 WT's of 1.65 MW each) wind energy project at a total investment of Rs 92.5 crores. In April 28, 2010 the company was acquired by Singapore based Continuum Energy Pte Limited (CEPL) at a total investment of Rs 72 crores. The acquisition was funded through equity infusion of Rs 24.34 crores and a term loan of Rs 47.79 crores from SBI. CEPL is promoted by financial investors for establishing projects in renewable energy space in India.

The wind power project is located at Surajbari at Kutch in the state of Gujarat and is around 4-8 km from the coast depending on the location of each of the WT. The power generated by the project is sold to Gujarat Urja Vikas Nigam Limited (GUVNL) under a 20 year long-term fixed-price Power Purchase Agreement (PPA). The operations and maintenance of wind farms is outsourced to Vestas, for a period of seven years and subsequently the contract would be further extended for a similar period

During the period ended 2009-10, the company has reported a net profit of Rs. 2.5 crore on a turnover of Rs. 13 crore.

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<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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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](http://www.icra.in)*