

OPG Energy Private Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 59.00 crore (reduced from Rs. 129.00 crore)	[ICRA]A- (stable) <i>upgraded from [ICRA]BBB+ (stable)</i>
Non-Fund Based Limits	Rs. 15.00 crore	[ICRA]A2+ <i>reaffirmed</i>

ICRA has upgraded the long-term rating from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]A- (pronounced ICRA A minus) and reaffirmed the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) outstanding on the term loans and non-fund based facilities of OPG Energy Private Limited (OEPL) aggregating to Rs. 74.00 crore¹ (reduced from Rs. 144.00 crore)². The long-term rating has a stable outlook.

The upgrade of long-term rating takes into account the healthy margins being earned by the company's gas-based power plant on the back of remunerative tariff rates owing to the energy deficit scenario prevailing in Tamil Nadu and the reduction in natural gas costs. The company is also no longer exposed to the high counterparty credit risks associated with TANGEDCO³ since it has shifted its entire sales to group captive consumers from October 2015 pursuant to Power Purchase Agreements (PPA) signed till March 2018. The upgrade of rating also takes into account the repayment of the entire loan associated with the gas-based plant which substantially reduces the company's annual debt repayment obligations⁴.

The ratings positively take into account the Fuel Supply Agreement (FSA) with GAIL (India) Limited, which has been renewed in a timely manner in the past, and reduces the fuel supply risks for the company to some extent. Further, the company's solar plant in Rajasthan enjoys remunerative tariff of Rs. 17.91 per unit for power sales to NTPC Vidyut Vyapar Nigam Limited (NVTN), wherein the counterparty credit risk is also low. The ratings also favourably factor in the comfortable capital structure of the company and its healthy debt coverage indicators and liquidity position.

The ratings are however constrained by the relatively modest capacity of the company's power plants. Further, the operations of the gas based power plant are constrained by the limited availability of natural gas in nearby gas fields which has led to sub-50% PLF (Plant Load Factor) for the last three years. The ratings also factor in the exposure of the company's profitability to the natural gas prices which are revised every six months based on the Government declared formula that was introduced in October 2014. The company's profitability is also exposed to the movement of foreign exchange rates as the fuel purchase cost is denominated in US Dollar. ICRA notes the sizeable investments made by OEPL in group entities which, along with the high project cost borne for the solar plant, has led to low return indicators for the company.

Company Profile

OPG Energy Private Limited (OEPL) was promoted by Kanishk Steel Industries Limited in September 2000 with an object of setting up a 17.98 MW natural gas based power plant at Maruthur Village, Tamil Nadu. The plant was setup under the captive power policy of TNEB⁵. The plant commissioned its 17.98 MW capacity plant in March 2004. The plant capacity was increased to 19.38 MW following installation of 1.4 MW waste heat recovery based generating unit in December 2007. The capacity was further augmented to 25.47 MW by May 2011 with addition of 3 x 2 MW gas generation sets. The equipment and machinery for the 17.98 MW plant had been supplied by Wartsila (Finland) and the O&M (Operations & Maintenance) contract has also been handed to Wartsila. The company has a Fuel Supply Agreement with GAIL (India) Limited till July 5, 2021. The company also setup a 5 MW solar plant in Jodhpur district of Rajasthan at a project cost of Rs. 84.5 crore, commissioned in November 2011. The power from the solar plant is supplied to NTPC Vidyut Vyapar Nigam Limited pursuant to a long-term PPA of 25 years.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

³ Tamil Nadu Generation and Distribution Corporation Limited

⁴ Loan currently outstanding had been availed for setup of the company's solar power plant

⁵ Tamil Nadu Electricity Board



For FY2015, OEPL reported Profit after Tax (PAT) of Rs. 7.01 crore on an operating income of Rs. 66.93 crore. For 9M FY2016, OEPL reported PAT of Rs. 5.71 crore on an operating income of Rs. 57.94 crore (provisional).

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