

Prayagraj Power Generation Company Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Term Loan	10393 (revised from 9849)	[ICRA]D (assigned)

ICRA has assigned a long term rating of [ICRA]D (pronounced ICRA D) to the Rs.544 crore[^] term loans of Prayagraj Power Generation Company Ltd. (PPGCL).[†] ICRA has an outstanding long term rating of [ICRA]D (pronounced ICRA D) on Rs. 9849 crore term loans of the company.

The rating reaffirmation takes into account delays in servicing of interest by PPGCL which is engaged in setting up a 1980 MW power plant in Bara tehsil in Allahabad district of Uttar Pradesh. The rating continues to factor in the weak financial profile of PPGCL's holding company Jaiprakash Power Ventures Limited (JPVL) and the refinancing risk faced by JPVL towards its large repayment obligations. ICRA notes that the financial profile of JPVL has weakened over the years due to time and cost overrun in various thermal power projects under execution/recently commissioned, also accentuated by substantial funds required in the short to medium term for meeting its equity commitments in various projects and repaying its debt obligations.

ICRA also makes a note of the delay in project execution (PPGCL) by more than one year resulting in significant cost overrun in the project. The project cost has increased from Rs 5.44 crore per MW initially to Rs 7.37 crore per MW due to price variations in boiler-turbine-generator (BTG) contract on account of adverse exchange rate fluctuations, and due to increase in interest during construction, civil costs and preliminary expenses. This increase in fixed cost is unlikely to be fully recovered through tariffs as the power purchase agreement (PPA) signed is based on competitive bidding, thus resulting in lower-than-expected project returns limiting the debt servicing capability of PPGCL, if sufficient plant utilization levels are not achieved. Further, the project remains exposed to high counterparty credit risk arising out of poor financial health of Uttar Pradesh based distribution utilities; nevertheless, payment securities mechanisms in the form of letter of credit, escrow mechanism and third party sale built in the PPA provide some comfort.

ICRA also makes a note of the commencement of generation in the first unit and the past experience of the Jaypee Group in setting up large power projects in various parts of the country.

Company Profile

Prayagraj Power Generation Company Limited (PPGCL) is an SPV promoted by the Jaiprakash Power Ventures Limited (JPVL), holding company for power projects of Jaypee Group, for the development of a 1980 (3X660) thermal power project based on super critical technology at Bara tehsil in Allahabad district of Uttar Pradesh. The entire land of 1468 acres has been acquired for the project and all the major approvals are in place. The total cost of the project increased from Rs 13,870.00 crore to Rs 14,596.00 crore that is to be funded in debt equity ratio of 75:25. The first unit of the plant has commenced generation on 28th Feb 2016 and unit 2 and unit 3 are expected to commence generation from May -16 and Aug-16 respectively.

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[^] 100 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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