

Lalitpur Power Generation Company Limited

Instrument	Amount Rated (Rs. crore)	Rating Action
Fund Based Term Loans	14139 (revised from 12972)	[ICRA]BBB- (Stable) (Reaffirmed)
Non Fund Based Limits	1221	[ICRA]BBB- (Stable) (Reaffirmed)
Unallocated	1071	[ICRA]BBB- (Stable) (Reaffirmed)

ICRA has reaffirmed its long term rating of [ICRA]BBB- (pronounced ICRA triple B minus) on the Rs.16431.00 crore[^] bank lines of Lalitpur Power Generation Company Limited. (LPGCL)[†] The outlook on the long term rating has is 'Stable'.

The reaffirmation of the rating continues to factor in commencement of generation in unit 1 of the 1980 MW thermal power project being developed by the company in Lalitpur, UP as well as attainment of synchronization for unit 2 and unit 3 of the project. This augurs well for timely completion of the project as per the prescribed timelines mentioned in the PPA. The rating continues to derive strength from the contract for boiler- turbine-generator (BTG) units with BHEL, presence of adequate provision for liquidated damages (LDs) and warranties in the contract and BHEL's technology tie-ups with Alstom Power System SA and Siemens AG, Germany who have long experience in the domain of supercritical power technology. Lending further comfort to the rating are the presence of long-term PPA, which assures offtake; and the cost plus nature of the tariff which insulates the project returns from variability in fuel costs especially in case of higher landed cost of imported fuel. Additionally, the company has also signed non-binding MOU for domestic coal for 65% requirement for two of its units along with the presence of tie up for imported coal from Indonesia for its entire requirement. ICRA also takes comfort from the project being a part of Shishir Bajaj group of companies.

The rating, however is constrained by the significant time and cost overrun (majorly due to increase in IDC component) which is likely to result in higher funding commitment from the promoters as well as adversely impacting the cost structure of the power to be generated by the company. Further, as per the interim tariff approval, UPPCL has capped the project cost at Rs. 16006 crores as of now. The same will form the basis of tariff computation for the project and may adversely impact the project returns and debt coverage indicators in case the tariff is not revised upward. ICRA understands that the company is likely to seek an upward revision in the approved project cost and timely finalisation of the same will be critical from the credit perspective. This apart, ICRA notes that generation levels from the one commissioned unit (of 660 MW) is still quite modest and given that interest servicing has commenced, the company will have to bolster its liquidity to meet contractual obligations. The ability of the promoters to bring in additional funds to meet the project capex as well as service the interest obligations in case of delay in receipt of payments from the counterparty would be critical going forward.

ICRA also factors in the counterparty credit risks arising out of the weak financial health of its counterparties - the UP based distribution utilities despite the presence of payment security mechanisms in the PPA including penalty for delay, letter of credit, escrow mechanism and third party sale in case of defaults.

Overall, the ability of the company to complete its project and commence generation from all its three units in a timely manner as per the revised schedule and to get approval of final project cost from lenders and regulator are key rating sensitivities from a credit perspective.

Company Profile

LPGCL is a SPV promoted by the Shishir Bajaj Group of Companies for the development of a 1980 (3X660) thermal power project based on super critical technology at Lalitpur (Uttar Pradesh). The project was awarded to the Group by Government of Uttar Pradesh (GoUP) after Expression of Interest (Eoi) call and the subsequent bidding process. The revised cost of project is Rs 18575 crore (increased from Rs 12,112 crore).

[^] 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



The first unit of the plant attained COD in December 2015 and 2nd and 3rd unit are expected to commence generation June 2016 and December 2016 respectively.

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