ICRA has assigned [ICRA]BB+ (pronounced ICRA double B plus) rating to the Rs. 50 crore\(^1\) fund based limits and 100 crore non-fund based limits of Lalitpur Power Generation Company Limited (LPGCL) ‡. The outlook on the long term rating is stable. Additionally, LPGCL has rating outstanding of [ICRA]BB+ (stable) for Rs. 8886 crores bank facilities.

The rating derives strength from the progress made so far with respect to several milestones in implementation of its 3 x 660 MW coal based thermal power plant at Lalitpur district of Uttar Pradesh. These include receipt of most of the key approvals/clearances, securing of financial closure, acquisition of majority part of land, and long term power sale arrangements for large portion of the aforesaid capacity. While assigning the rating, ICRA has also taken comfort from the fixed-price and fixed-time contract for boiler- turbine-generator (BTG) unit with BHEL, presence of adequate provision for 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 is 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. The rating also factors in limited off-take risk for the plant given expectations of demand-supply imbalance in the state of Uttar Pradesh (where the entire power generated will be sold). While assigning the rating, ICRA has derived comfort from the project being a part of Shishir Bajaj group of companies which is also reflected in the support available to LPGCL in the form of sponsor undertaking from Bajaj Hindustan Limited (groups’ flagship company) to fund any cost/ time overrun in the project.

The rating is however constrained by the high project execution risks that are typical of green-field power projects given that the project is still at a relatively early stage of implementation which can lead to cost and time overruns in the project. This is accentuated by the limited prior experience of BHEL in implementing super-critical plants although the partnership with international players with long and successful experience in this field partly mitigates this risk to some extent. The rating is also affected by the fact that the company has not tied up its entire coal requirements which is also the pre-disbursement condition by the lenders. In the event of unavailability of cheaper coal from domestic linkages, company will have to depend entirely upon costlier imported fuel which will decrease the competitive standing for the company due to relatively higher cost of generation. While assigning the rating, ICRA has suitably factored in the counterparty credit risks arising out of poor financial health of UP based distribution utilities although payment security mechanisms in the PPA including penalty for delay, LC, escrow mechanism and third party sale in case of defaults mitigate these risks to an extent. Further, the rating also factors in the high financial risk profile of the project due to high fixed capital intensity and funding risks given that substantial equity is yet to be infused for the project. The group plans to fund the project through the cash accruals from other group companies and the funding plan provides some visibility to the planned equity infusion in the project. However, ICRA notes that these cash flows remain vulnerable to operational performance of these group entities and any unexpected downturn in the key user industries (sugar, FMCG, Real estate). Overall, the ability of the company/group to obtain domestic coal linkage, infuse requisite equity as per the schedule and implement the project in a timely manner will remain key rating sensitivities.

---

\(^1\)100 lakh = 1 crore = 10 million
\(^2\) For complete rating scale and definitions, please refer ICRA’s website www.icra.in or other ICRA Rating Publications.
Company Profile
LPGCL is an SPV promoted by the Shishir Bajaj Group of Companies for the development of a 1980 (3x660) MW thermal power project based on super critical technology at Lalitpur (Uttar Pradesh). The project was awarded to the Group by GoUP after EoI (Expression of Interest) call and the subsequent bidding process. The total project cost is Rs. 11848 crore which will be funded through debt of Rs. 8886 crore and equity of Rs. 2962 crore. As on date, approx Rs. 3104 crore has been incurred in the project which has been funded by equity of Rs. 1004 crore and the balance by Rs. 2100 crores bridge loans/Short-term loans being availed by the company. The power plant is scheduled to be commissioned by Sep 2015.

March 2012

For further details please contact:

Analyst Contacts:
Mr. Sabyasachi Majumdar (Tel. No. +91 124 4545304)
sabyasachi@icraindia.com

Relationship Contacts:
Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

© Copyright, 2012, ICRA Limited. All Rights Reserved.
Contents may be used freely with due acknowledgement to ICRA
### Registered Office

**ICRA Limited**  
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

### Corporate Office

**Mr. Vivek Mathur**  
Mobile: 9871221122  
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91-124-4545350

### Mumbai

**Mr. L. Shivakumar**  
Mobile: 91-22-30470005/9821086490  
Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025  
Ph: +91-22-2433 1046/ 1053/ 1062/ 1074/ 1086/ 1087  
Fax: +91-22-2433 1390

### Kolkata

**Ms. Anuradha Ray**  
Mobile: 91-33-22813158/9831086462  
Email: anuradha@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna, 234/ 3A, A.J.C. Bose Road, Kolkata-700020.  
Tel: +91-33-2287 6617/ 8839/ 2280 0008  
Fax: +91-33-2287 0728

### Chennai

**Mr. Jayanta Chatterjee**  
Mobile: 9845022459  
Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre, 498 Anna Salai, Nandanam, Chennai-600035.  
Tel: +91-44-2433 3293/ 94, 2434 0043/ 9659/ 8080, 2433 0724, Fax:91-44-24343663

### Hyderabad

**Mr. M.S.K. Aditya**  
Mobile: 9963253777  
Email: adityamsk@icraindia.com

301, CONCOURSE, 3rd Floor, No. 7-1-58, Ameerpet, Hyderabad 500 016.  
Tel: +91-40-2373 5061 /7251 Fax: +91-40- 2373 5152

### Bangalore

**Mr. Jayanta Chatterjee**  
Mobile: 9845022459  
Email: jayantac@icraindia.com

2 nd Floor, Vayudhoot Chambers, Trinity Circle, 15-16 M.G.Road, Bangalore-560001.  
Tel:91-80-25597401/ 4049 Fax:91-80-25594065

### Pune

**Mr. L. Shivakumar**  
Mobile: 9821086490  
Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020  
Tel: (91 20) 2556 1194 -96; Fax : (91 20) 2556 1231

### Ahmedabad

**Mr. L. Shivakumar**  
Mobile: 9821086490  
Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006  
Tel: +91-79-26585494, 26582008,26585049, 26584924  
TeleFax:+91-79- 2648 4924

### Ranchi