

September 8, 2010

**CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF
ABG ENERGY (GUJARAT) LTD.**

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	319.38	'CARE BBB-' (Triple B Minus)	Assigned
Total Instruments/Facilities	319.38		

Rating Rationale

The ratings derive strength from the experience and track record of the promoters of ABG Energy (Gujarat) Limited (ABGEGL), achievement of financial closure for the project, Power Purchase Agreement (PPA) with ABG Cement Ltd. (ABGCL), and favourable industry scenario.

The rating is however, constrained by limited experience of the promoters in developing power plants, absence of Fuel Supply Agreement (FSA), high gearing levels, and the project execution risk.

The ability of ABGEGL to complete the project within the envisaged time and cost and operate the same profitably are the key rating sensitivities.

Company Profile

ABGEGL is promoted by ABG Group with IFCI Ltd. (IFCI) being strategic partner, for setting up a captive power plant for catering to the requirements of ABG Cement Limited (ABGCL). ABG International Pvt. Limited (ABGIPL) and ABG Energy (ABGEL) hold 47.7% and 26.3% of shares of ABGEGL respectively and balance is held by IFCI. ABGEGL is setting up two greenfield coal-based thermal power plants (of 50 MW capacity each) at Kutch and Surat to supply power to ABGCL's proposed Clinkerisation unit of capacity 3.3 MTPA in Kutch District and proposed Grinding capacity of 5.8 MTPA at Surat in Gujarat.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

The cost of the project estimated at Rs.456.25 crore, is being funded at a debt to equity ratio of 70:30. The entire funds have been tied-up by ABGEGL. As on July 15, 2010, ABGEGL had spent Rs.83.27 crore (around 18.25% of project cost) on the project, entirely funded through equity.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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