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October 20, 2010

**CARE UPGRADES THE RATING ASSIGNED TO THE LT BANK FACILITIES AND REAFFIRMS THE RATINGS ASSIGNED TO THE ST BANK FACILITIES OF BHANDER POWER LTD.**

**Ratings Assigned**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	507.63	<b>'CARE A+' (Single A Plus)</b>	Revised from CARE A [Single A]
Short-term Bank Facilities	50.00	<b>'PR 1' (PR One)</b>	Reaffirmed
<b>Total Facilities</b>	<b>557.63</b>		

**Rating Rationale**

The revision in long-term rating takes into account improvement in the overall financial risk profile characterized by lower gearing, reduction in contingent liability, higher interest coverage and reduction in term debt to Gross Cash Accruals (GCA). The ratings also factors in the increase in annual fixed charges from group companies which will result in improvement in cash accruals from FY11 onwards.

The ratings continue to factor in the track record of the promoters, management's experience in operating and maintaining power generation facilities, long-term Power Purchase Agreement (PPA) with group companies, arrangement with Gujarat Urja Vikas Nigam Limited (GUVNL) for the supply of surplus power on a short-term basis and favourable growth potential due to the demand-supply gap for power in India.

The ratings are constrained by the significant dependence on Essar Steel Ltd (ESTL) and fuel price risk for the capacity for which the company has not signed PPA.

The ability of BPL to maintain the desired Plant Availability Factor (PAF), maintain the overall financial risk profile and realise annual fixed charges from group companies in time remain key rating sensitivities.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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### **Company Profile**

BPL is promoted by the Essar group, with Essar Power Limited (EPL) holding the majority of equity share capital (74%) while the balance equity is held by ESTL and other Essar group companies. The company is engaged in the business of operating a gas-based combined cycle power plant of 500 MW at March 31, 2010. The company has entered into PPA for 75% of the capacity with Essar Group companies. The total operating income of BPL grew from Rs.244.86 crore in FY09 to Rs.386.40 crore in FY10 on account of the first full year of operation post the commissioning of 145 MW units in October 2008 resulting in an increase of about 25% in the number of units sold. BPL reported a PAT of Rs.77.91 crore for FY10.

BPL registered a PAT of Rs.64.30 crore on net sales of Rs.171.22 crore in Q1FY11. Furthermore, the company had given a corporate guarantee for the borrowings of EPL for Rs.200 crore. The same has been repaid and as such there is a reduction in the contingent liability to that extent.

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

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