

June 15, 2010

**CARE REVISES THE RATING BANK FACILITIES OF  
BHUSHAN ENERGY LTD**

**Rating**

| <b>Bank Facilities</b>                    | <b>Amount<br/>(Rs. cr)</b> | <b>Rating</b>             | <b>Remarks</b>         |
|---|----------------------------|---------------------------|------------------------|
| Long-term loan                            | 609                        | CARE BBB+ [Triple B Plus] | Upgraded from CARE BBB |
| External Commercial Borrowing (USD 50 mn) | 234.35*                    | CARE BBB+ [Triple B Plus] | Upgraded from CARE BBB |
| <b>Total</b>                              | <b>843.35</b>              |                           |                        |

*\*exchange rate assumed at 1USD = Rs.46.87 (31.1.2010)*

*The rating remains under 'credit watch' with developing implications, following announcement of open offer by BEL to buy an additional 20% stake in Orissa Sponge Iron & Steel Ltd (OSIL). Post the conclusion of the offer, CARE shall evaluate the impact of this development on the credit quality of company.*

**Rating Rationale**

The rating revision takes into account recent commissioning of Unit I of 150 MW and the pursuant cash accruals from the project. The rating also considers the strong sponsor support that BEL derives from the experienced promoters of Bhushan Steel Ltd. (BSL), apart from assured fuel supply and off-take of power by BSL. The rating is however constrained by the risks associated with residual project implementation. Going forward, the implementation of the expansion project within the envisaged time and cost estimates shall be the key rating sensitivities.

**Company Profile**

Bhushan Energy (P) Limited (BEL), incorporated on September 14, 2005 is promoted by Bhushan Steel Ltd (BSL), Mr. Brij Bhushan Singhal, Mr. Neeraj Singhal and their relatives/ associate companies. It has been originally promoted to set up and operate a 300 MW(2X150 MW) coal-based power plant to provide captive power supply to Bhushan Steel Ltd's (BSL) integrated steel plant located at Meramandali, Orissa. After the completion of the 300 MW capacity (2x150 MW) based on coal along with coal middling/char as fuel, BEL would implement expansion project of 185 MW.

BEL has spent close to Rs.1151 cr till Nov 30, 2009 on the 300 MW project against the original project cost of Rs.1018 cr. BEL has commissioned one unit of 150 MW from Phase 1 of the power plant in November 2009. The second unit of 150 MW is also expected to be commissioned by end of April 2010.

The cost of the expansion project is estimated at Rs. 916 cr which would be funded by debt of Rs 733 cr and equity of Rs. 183 cr. Financial closure of the same is yet to be achieved.

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