

June 14, 2010

**CARE REAFFIRMS THE RATING TO THE BANK FACILITIES OF
ENERCON WIND FARMS (HINDUSTAN) PVT LTD.
AND KEEPS IT ON 'CREDIT WATCH'**

Ratings Reaffirmed

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	359.10	'CARE BBB' (Triple B) (Credit Watch)*	Reaffirmed
Total Facilities	359.10		

**Ratings under "credit watch" in view of the ongoing dispute between the two promoter groups of EIL with regard to management control of the company. CARE will continue to monitor the developments in this regard in future and will take a further view on the ratings once the implications of these developments on the credit quality of Enercon Wind Farms (Hindustan) Private Limited (EWHL) are clear.*

Rating Rationale

The rating continues to draw strength from experience and track record of the promoters in operating wind farms, firm offtake arrangement by way of Power Purchase Agreements (PPAs) with the State power utilities and favourable growth potential due to demand-supply gap for power in India.

The rating is however, constrained by relatively low Plant Load Factor (PLF) achieved during the short span of operation of the wind farms, relatively high gearing ratios and dependence on seasonal wind patterns for power generation.

The amicable settlement of the ongoing dispute between the two promoter groups of EWHL (the Mehra family of India and Enercon GmbH of Germany) and stabilization of operations of the wind farms remain the key rating sensitivities.

Company Profile

EWHL is a Special Purpose Vehicle (SPV) set up in 2005 by EIL and Enercon GmbH (Germany), for generating energy from wind mills and selling it to State Distribution Companies (Discoms). EIL holds 51% equity while Enercon GmbH holds the balance 49% in EWHL.

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

Since FY07, Enercon GmbH and the Indian promoters have been in dispute seeking larger shareholding and management control of EIL. The matter is currently sub judice under the Company Law Board (CLB). Due to the continuing dispute, there is lack of clarity on the ownership pattern of EIL as well as EWHL going forward.

EWHL registered a PAT of Rs.5.25 crore on net sales of Rs.76.20 crore in FY09 as against a loss of Rs.3.80 crore on net sales of Rs.73.90 crore in FY08.

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CARE 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.

Disclaimer

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