October 4, 2010

CARE ASSIGNS 'PR1+' RATING TO THE STD/NCD/CP ISSUE OF ONGC TRIPURA POWER CO. LTD

Rating

Instrument	Amount (Rs. cr)	Ratings[1]	Remarks
Proposed Short-term Debt/NCD/CP	500	**PR1+ (PR One Plus)**	Assigned

Rating Rationale

The rating factors in strong parentage of OTPC with robust cash flows and extensive project development experience, state support agreement with the Government of Tripura and involvement of reputed agencies in the execution of the project. The rating also take into account the degree of project preparedness in terms of debt tie-up, firm Gas Supply and Purchase Agreement (GSPA) with ONGC, power offtake arrangements with north-eastern states for 87% of the power capacity and progress achieved on power evacuation system being developed by North East Transmission Company. The rating strengths are partially offset by risk associated with project implementation and tie-up of residual funding.

Going forward the completion of the project within time and cost estimates and ability of the company to tie-up the residual debt and equity shall be key rating sensitivities.

Project Profile

ONGC Tripura Power Company Limited (OTPC), a joint venture company promoted by Oil and Natural Gas Corporation Ltd (ONGC), Infrastructure Leasing & Financial Services Ltd (IL&FS) and Government of Tripura (GoT), is implementing a 726.6-MW (2 X 363.3 MW) Combined Cycle Gas Turbine (CCGT) power project in Tripura. The Project would be located at Palatana in Tripura, which is about 60 kms from the capital city, Agartala.

All the necessary approvals/clearances have been received for the project.

For meeting its fuel requirement, OTPC has signed a Gas Sale and Purchase Agreement with ONGC Ltd for an initial period of 15 years with provision of extension of basic term by 5 contract years and further extension of extended term by another 5 contract years for supplying 2.65-MMSCMD of gas which would be sufficient to meet the requirement of the power plant at the desired operating levels. Further for selling the power, OTPC has signed Power Purchase Agreements (PPA) with all the beneficiary states for 87% of plant capacity while the balance is proposed to be sold as Merchant Power.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE Publications*

The aggregate cost of the project is estimated at Rs. 3,418 cr proposed to be financed in a debt : equity ratio of 75:25 with 75% (Rs.2,563 cr) of the project cost through term debt. The company has tied up Rs.2,223.8 cr debt with a Financial Institution while the balance Rs.339.2 cr is yet to be tied up. Out of the overall project cost; the company has spent Rs.611 cr (Provisional) till July 31, 2010, which was funded by promoter's contribution Rs.358.6cr and balance through Short-term debt.
The project is expected to achieve commercial operations by March 2012.

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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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