

July 8, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATING TO THE BANK FACILITIES OF PPS ENVIRO POWER PVT LTD**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	15.16	CARE BBB- (Triple B Minus)	Assigned
Short-term Bank Facilities	15.75	PR 3 (PR Three)	Assigned
Total	30.91		

Rating Rationale

The rating factors in experience of the management in manufacturing of equipment used in the renewable energy sector, diversification into wind power generation, Power Purchase Agreement (PPA) with the Tamilnadu Electricity Board (TNEB) for sale of wind power, moderate gearing ratio and prospects of growth in solar and wind energy sectors. However, the ratings are constrained by the limited track record, the relatively small size of the company and low profit margin. The ability of the company to add new clients to its portfolio and increase its market share along with improvement in profitability are the key rating sensitivities.

Company Profile

PPS Enviro Power Pvt Ltd (PPSE) promoted by Mr Satyan Kasturi in 2002, is a manufacturer and service provider for engineering and installing of renewable energy equipment. PPSE was mainly into manufacture of solar power conversion equipments and started its commercial production of inverters in 2002, moved to their own facility from FY05 in Hyderabad. The promoter have total experience of 20 years in the business of renewable energy. In 2007, PPSE has set up additional manufacturing facility in Ranchi, Jharkhand State for manufacture of lower-end products such as Solar Lanterns, Home Lighting Systems etc.

¹Complete definition of the ratings assigned are available at www.careratings.com

PPSE also has set up six wind mills in Thirunelveli district, Tamilnadu. For selling power from the wind mills, the company has entered in to a Power Purchase Agreement (PPA) with Tamilnadu Electricity Board (TNEB).

On a total income of Rs.50.22 cr, PPSE earned a PAT of Rs.2.76 cr in FY09. The overall gearing ratio was at 1.1x and the current ratio is at 1.38x as on March 31, 2009. For the nine-month period ending December 31, 2009, PPSE achieved revenue of Rs.28.69 cr.

Analyst Contact

Name: V.Pradeep Kumar

Tel: 044-2489 7812

Mobile: 9840754521

Email: pradeep.kumar@careratings.com

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.

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail : Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>