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October 21, 2010

**CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF URJANKUR SHREE TATYASAHEB KORE WARANA POWER CO LTD.**

***Rating Assigned***

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	198.39	'CARE BBB' (Triple B)	Assigned
<b>Total</b>	<b>198.39</b>		

**Rating Rationale**

The rating derives strength from the track record of the promoters of Urjankur Shree Tatyasaheb Kore Warana Power Company Limited (UTWL) in implementation of various infrastructure projects, majority ownership of the Government of Maharashtra (GoM) through Urjankur Nidhi Fund (UNF), achievement of financial closure for the project, government's focus to encourage investment in renewable energy sector, agreement for sourcing fuel (bagasse) and favourable industry scenario.

The rating is however, constrained by limited experience of the promoters in developing co-generation power plant, exposure to fuel (coal) price fluctuation risk in the absence of bagasse, no firm off-take guaranteed under Power Purchase Agreement (PPA) and project execution risk.

The ability of UTWL to complete the project within the envisaged time and cost and operate the same profitably are the key rating sensitivities.

**Company Profile**

UTWL is a Special Purpose Vehicle (SPV) set up by GoM under the UNF and IL&FS for setting up a 44-MW bagasse-based co-generation power plant. The cogeneration power plant is being set up adjacent to the Host Sugar Factory (HSF) - Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Ltd. (STKL) in Panhala taluka, Kolhapur District, Maharashtra. UTWL is implementing the project on Build, Own, Operate & Transfer (BOOT) basis and the plant would be transferred to STKL after UTWL recovers the required return on its investments in the project.

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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

The cost of the project is estimated at Rs.281.17 crore, to be funded at a debt to equity ratio of 70:30. Financial closure has been achieved. As on August 23, 2010, UTWL has spent around 20% of the envisaged cost. The overall project execution is progressing as per the schedule and the company is expecting to commission the plant by December 2010.

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