

September 24, 2010

**CARE ASSIGNS 'CARE D' TO BANK FACILITIES OF
VARAM BIO ENERGY PVT. LTD.**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	32.50	'CARE D' [Single D]	Assigned
Total Facilities	32.50		

Rating Rationale

The rating takes into account outstanding delay of about three months in servicing of debt obligation, limited track record, delay in stabilisation of commercial operation of plant due to teething problems and lack of firm tie up for fuel supply. The rating also takes into account experienced management and power purchase agreement (PPA) with Maharashtra State Electricity Distribution Company limited (MSEDCL).

Company Profile

Varam Bio Energy Pvt. Limited (VBEPL) owns and operates a 10MW bio-mass power plant located in Rajegaon Village, Bhandara near Nagpur. The plant has started its commercial operations from 18th February 2009. The plant is yet to stabilise and is facing various teething problems. As on November 2009, the company was yet to repay the instalment of the debt which has fallen due in August 2009. VBEPL has incurred losses of Rs.1.6 crore in its 2 months of operation in FY09 and loss of Rs.3.74 crore in H1FY10 on account of frequent breakdown of the plant. Overall gearing ratio as on March 31, 2009 stood at 1.81x.

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