

Press Release

P&R Gurdittiwala Hydro Power Limited

March 21, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.30 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 15.30 crore bank facilities of P&R Gurdittiwala Hydro Power Limited. The outlook is '**Stable**'.

P&R Gurdittiwala Hydro Power Limited (P&R) was incorporated as a SPV (Special Purpose Vehicle) to undertake a 2 MW hydro-power project in Punjab.

Key Rating Drivers

Strengths

- **Low offtake risk due to PPA**

P&R has entered into a 33 year PPA at a fixed tariff with Punjab State Power Corporation Limited (PSPCL). This substantially mitigates any offtake risk associated with the hydro power project. SMERA believes that P&R's ability to receive payments from PSPCL shall remain a key credit monitorable. Any delay in collection of payments can adversely impact P&R's ability to service debt obligations in a timely manner.

- **Experienced management**

SMERA believes that P&R will benefit substantially from its experienced management. The promoters have in the past implemented two hydro power projects in Srinagar and Haryana.

Weaknesses

- **Exposure to implementation risk**

P&R's hydro power project is expected to be completed by 30th April, 2017. Any delay in project completion will require mobilisation of additional financial resources to meet its debt servicing commitments. Further, SMERA believes that P&R's ability to maintain optimal Plant Load Factor (PLF) after commencement of operations shall remain a key credit monitorable.

- **Exposure to regulatory risks**

SMERA further believes that P&R's operating cash flows shall remain contingent upon adequate offtake by PSPCL. Availability of low cost power from other renewable energy projects can result in premature termination of the PPA by PSPCL.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of P&R.

Outlook: Stable

SMERA believes that P&R will maintain a Stable outlook on account of the low offtake risk owing to the Power Purchase Agreement (PPA) and the experienced management. The outlook may be revised to

'Positive' in case of higher than expected operating efficiency coupled with sustained improvement in debt-equity ratio. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution and/or unforeseen cost escalation.

About the Rated Entity - Key Financials

P&R Gurdittiwala Hydro Power Limited (P&R) was incorporated in 2014 by Ms. Pardeep Kaur and Mr. Jagbir Singh. The company was incorporated as a SPV (Special Purpose Vehicle) to undertake a 2 MW hydro-power project in Punjab. Since then, it is engaged in the business of running a hydro power plant on the Ferozpur Canal.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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ABOUT SMERA

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