



March 9, 2010

ICRA assigns LBB+/A4+ ratings to Bank Limits of Ambuthirtha Power Private Limited

ICRA has assigned a rating of LBB+ (pronounced as L double B plus) to the Rs 556.1 million fund based limits/ long term debt programme of Ambuthirtha Power Private Limited (APPL). ICRA has also assigned a rating of A4+ (pronounced as A four plus) to the Rs 17.8 million non fund based limits of Ambuthirtha Power Private Limited (APPL)[†]. The outlook is positive.

ICRA's non investment grade rating of APPL factors in hydrological risks, as APPL is not covered under deemed generation clause in case of loss of generation due to shortage of water. Given that the revenues of the company are linked to actual unit sales, this exposes the company to risks of variable cashflows arising out of hydrological risks and also timely payment from the customer viz Praxair India Private Limited. The rating also factors in delays in debt servicing during FY2009 and FY2010 (till June 09), although the company has been timely in making debt repayments since then. The rating, however draws comfort from the fact that the plant is operational and there is a firm and perpetual off take arrangement with Praxair India (APPL's captive consumer, being a 26% shareholder in the paid up capital), with reasonable tariff levels of Rs 4.17/kwh (base rate for December, 2007), with an escalation factor of 1% per annum over the previous year tariff. However, the advantage is partly offset by the fact that the equity placed by Praxair India has dividend payment clauses (Rs 35 million FY2010 onwards), which results in some financial risks for the company. The ratings also factor in limited demand risks due to significant energy deficit in southern India and satisfactory operations of the company during FY2009 and FY 2010 ytd. Further, incremental revenue stream from CERs is an additional source of comfort. While assigning the rating, ICRA has also factored in group risks arising out of being a part of a group that has sizeable capital expenditure in relation to their limited current experience.

Going forward, satisfactory hydrology and the ability of the company to meet the designed performance parameters, ensure collection in timely manner and timely repayment of its debt obligations would thus remain key rating drivers.

Company Profile

Ambuthirtha Power Private Limited (APPL) is an IPP promoted by the Soham Group. The company operates a 22 MW small containment run of the river hydel power plant located near Jog Falls in the Shimoga district of Karnataka.

Soham Group was promoted in the year 1961 and is currently headed by Mr. Sadananda Shetty who is the former Chairman & Managing Director of Vijaya Bank. With the 22 MW MGHE TRS Scheme having been commissioned by one of its Subsidiaries (Ambuthirtha Power (P) Ltd.), followed by the 15 MW SHP through yet another subsidiary (Mannapitlu Power Private Limited) and 10 other projects on hand, the main focus of the group is the Renewable Energy Space in India.

The group has holds a majority stake of 54% in APPL through its flagship company, Soham Renewable Energy India Pvt. Ltd (SREIPL). The other shareholders include Praxair India Private Limited (captive consumer) and India Clean energy Limited, a Mauritius based private equity fund, holding a share of 26% and 20%, respectively.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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