

## **IEENERGY WIND FARMS'S BANK LOANS RATED 'FITCH B-(IND)'/STABLE**

Fitch Ratings-Mumbai/Singapore-22 March 2012: Fitch Ratings has assigned India-based iEnergy Wind Farms (Theni) Pvt. Ltd.'s (IEWFPL) INR680m senior project loans and INR25m working capital facility a National Long-Term rating of 'Fitch B-(ind)', respectively. The Outlook is Stable.

The rating is constrained by the chronic payment delays in respect of power sold to the Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO), the project's sole off-taker. Under the 20-year power purchase agreement (PPA), TANGEDCO is obligated to purchase power at INR3.39/kWH, but the weak financial health of the state-owned utility has resulted in the project accumulating receivables of INR120.6m as of 31 January 2012, approximately 12 months of revenue. While the PPA allows sale of power to third parties in the event of default by the off-taker, its viability as a merchant plant is constrained by limited grid capacity in Tamil Nadu.

Fitch expects the financial flexibility of TANGEDCO to be limited in the short- and medium-term, even in the wake of an imminent tariff hike, due to huge tariff under recoveries, accumulated losses and debt-funded capex plans. Consequently, the project's cash flows is likely to remain strained in the short- and medium-term.

IEWFPL has delayed interest payments on its bank debt on several instances in the last 12 months due to liquidity constraints. However, principal has been paid on time. Fitch notes that sponsors have extended financial support to the project through injection of additional equity of INR27m and inter-company deposit of INR22.7m. The project has also utilised the debt service reserve account (DSRA) to meet debt servicing requirements, resulting in its decline from INR59.4m on 31 March 2011 to INR15.6m on 31 January 2012.

Fitch considers the project's operational metrics for the financial year ending March 2012 satisfactory, with an average plant load factor of 30.4% for 9MFY12. This is higher than P90 and marginally lower than P75 estimates of wind assessment studies. However, the operating history of the project is not long enough to draw definitive conclusion about the wind assessment studies.

Receipt of generation-based incentive of INR0.5/unit from Indian Renewable Energy Development Agency ('Fitch AA-(ind)'/Stable) and liquidation of its receivables will provide immediate liquidity for the project. The project is also in advanced stages of registration under the United Nations's Clean Development Mechanism for selling carbon emission reductions. However, the timing with respect to the abovementioned factors adds to the uncertainty of cash flows.

Sustained evidence of the receipt of payments from TANGEDCO for power sales or long-term third-party selling arrangements for the power generated by the project along with the adequate grid availability may result in a multiple-notches rating upgrade. However, continued default from TANGEDCO and lack of sponsor support may result in a rating downgrade.

IEWPL is sponsored by Indian Energy Ltd. through intermediate holding companies. It is operating a 16.5MW wind farm in Theni, Tamil Nadu. Power sales commenced in August 2010.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, "Rating Criteria for Onshore Wind Farms Debt Instruments", dated 20 April 2011, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:  
Rating Criteria for Onshore Wind Farms Debt Instruments  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=620109](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=620109)

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