

Prayagraj Power Generation Company Limited (PPGCL)

Proposal for Majority Stake Sale



By Consortium of Lenders

December 2017

Strictly Private & Confidential

Proposal for Majority Stake Sale

1 Overview

2 Project Details

3 Financial Details

4 Stake Sale

5 Offer highlights

PPGCL Thermal Power Project - An Overview

Capacity

1980 MW (3x660 MW) coal based super-critical thermal power project

Background

Awarded by Uttar Pradesh Power Corporation Ltd through case-2 bidding process

Power Purchase Agreement

PPA for sale of 90% power generated from the project with Uttar Pradesh distribution utilities with fuel cost pass-through

COD

Unit-I: February 2016

Unit-II: September 2016

Unit-III: May 2017

Location

Tehsil Bara, Distt. Allahabad, Uttar Pradesh

~ 4 km from Shankergarh railway station (North Central Railway)

~ 50 km from Allahabad Airport

Land

Acquired entire land measuring 772 Ha

Banking Arrangement

Consortium Banking Arrangement led by State Bank of India

Project Cost and Means of Finance

Project Cost and Means of Finance

Rs. In Crs.

Particulars	Approved	Incurred as on 30.06.2017
Project Cost		
Land	149	149
Civil Cost	1,790	
BTG	6,303	
BoP	1,584	9,504
Other Hard Cost	353	
Total Hard Cost	10,179	9,653
Total Soft Cost	5,358	4,991
Total Project Cost	15,537	14,644
Means of Finance		
Term Debt	10,394	10,334
Sub-Debt/Priority Debt	1,100	1,100
Equity/Internal Accruals	4,043	3,229
Total	15,537	14,663

- ❑ Original project cost was estimated at Rs.10,780 cr. However, the project got delayed by 33 months and the revised project cost stood at Rs. 15,537 Crs on account of:
 - ▶ Delay in land transfer by UPPCL/equity infusion by promoter
 - ▶ Increase in foreign exchange variation, Rate of Interest, cost of equipment & labor as per contract and Interest During Construction due to time overrun
- ❑ PPGCL has outstanding capex liabilities of Rs. 1,023 Crs as on March 31, 2017

PPGCL – Present Status

Physical Progress of the Project

The physical progress of the project till May 2017 is given hereunder:

Progress as on 31.05.2017*	Project Progress (%)
Engineering	100.00%
Manufacture/Supply	99.17%
Construction	99.80%
Overall	98.90%

** As per project Construction Monitoring Report dated July 13, 2017*

PPGCL - Project Details

Plant and Equipment and Civil Contracts

Boiler Turbine & Generator	Bharat Heavy Electricals Ltd (BHEL) was contracted for supply, erection and servicing of BTG. M/s BHEL had further made JV with M/s Alstom for supply of boiler and auxiliaries and JV with M/s Siemens for supply of turbine-generator (TG) and auxiliaries.
Civil Contracts	Civil work carried out by Jaiprakash Associates Limited.
Balance of Plants	Major BOP package implementation was carried out by reputed contractors like BHEL, L&T, Areva, Thermax, Schnierder, etc

Fuel Supply Arrangement (FSA) with Northern Coalfields Limited (6.95 MTPA)

- ❑ PPGCL executed Fuel Supply Agreement (FSA) on 29th Aug 2013 with Northern Coalfields Ltd. (NCL) for supply of 6.95 MTPA 'C/E' grade coal
- ❑ Constructed 3 kms railway siding from the nearest Shankergarh railway station to the plant site and is receiving coal through railway siding for plant operations

PPGCL - Project Details

Water - Source and Arrangement

- ❑ Water drawl permission from Chief Engineer, Irrigation Department, Government of U.P. for drawl of 96 cusecs (about 9782 m³/hr) water on annual basis from Yamuna river
- ❑ Water being transported through pipeline of ~20 kms from the intake point
- ❑ Raw water reservoir also available for storing about 10 days' water requirement

Power Evacuation Arrangement

- ❑ Power evacuation being done through 765 kV S/C transmission line and 400 kV D/C transmission line.
- ❑ A 400 KV switchyard also constructed with suitable 765 kV and 400 kV interconnecting transformer
- ❑ Circuit no. 2 of the 765 kV S/C transmission line charged on 7th January 2017 and load flow on the line started on 16th January 2017
- ❑ Existing 400 kV network and circuit no. 2 of the 765 kV S/C transmission Line can evacuate entire power generated from the plant

PPGCL - Project Details

Marketing and Selling Arrangement

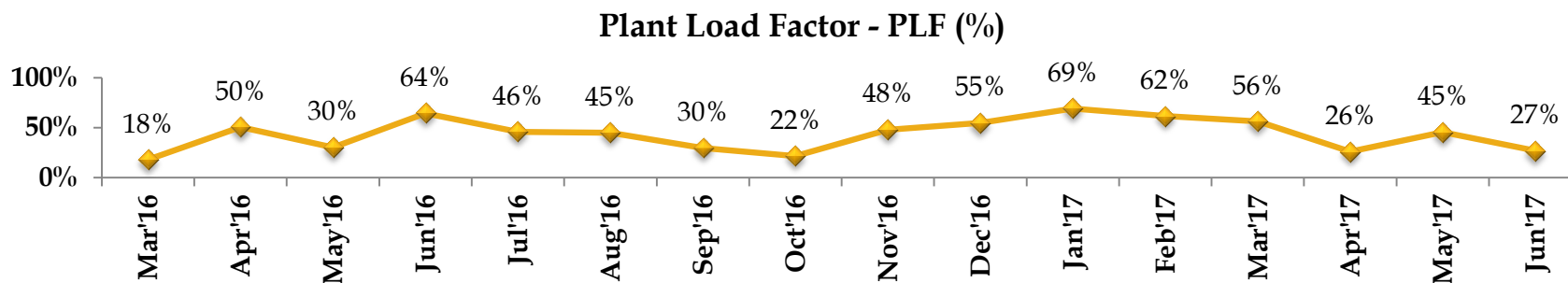
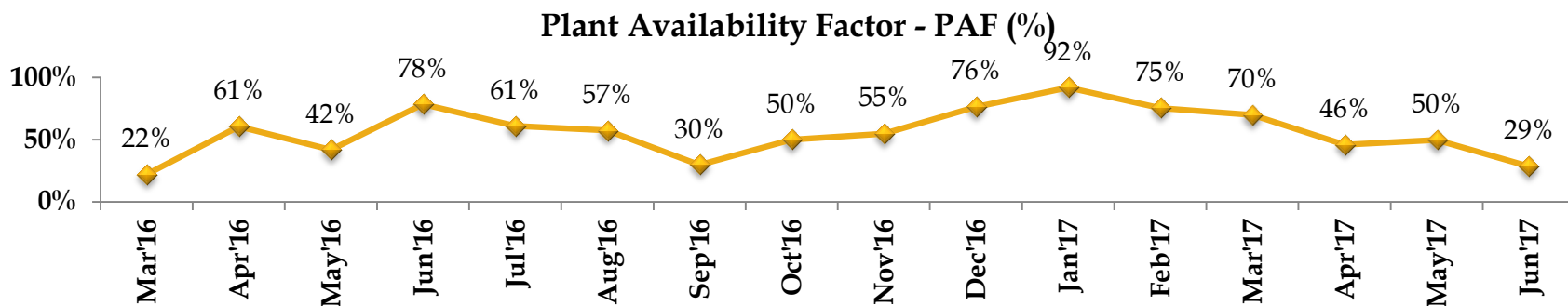
- ❑ PPGCL entered into a 25 years PPA with the 5 distribution utilities of the state of Uttar Pradesh on 21.11.2008 for sale of 90% of power generated for 25 years from COD
- ❑ PPA has provision for pass through of variable costs as per actuals
- ❑ Contract may be extended on mutually agreeable terms.
- ❑ Balance power being sold by PPGCL in merchant market/bilateral basis

Approvals and Clearances

All major statutory and non-statutory approvals and clearances as under, are in place:

Approval/Consent Obtained	Authority/ Agency
NOC for establishment of Thermal Power Plant	UP Pollution Control Board
Chimney Height Clearance	Airport Authority of India
Environment Clearance	Ministry of Environment & Forests
Water Allocation	UP Water Resources Department
Transportation of Coal	Ministry of Railways
Right of way for railway siding and water pipeline	UPPCL
Mega Power project Benefit	Ministry of Power, GOI
Construction of culvert, bridges and syphon	Chief Engineer (Irrigation)
Raw water pipeline crossing below National Highway	The Chief Engineer (PWD), Lucknow

PPGCL - Operational Performance

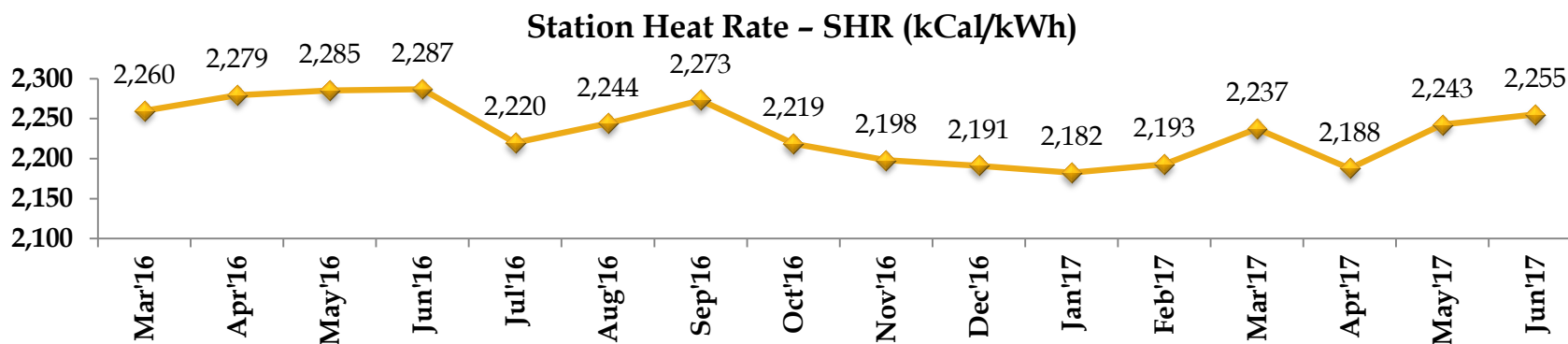
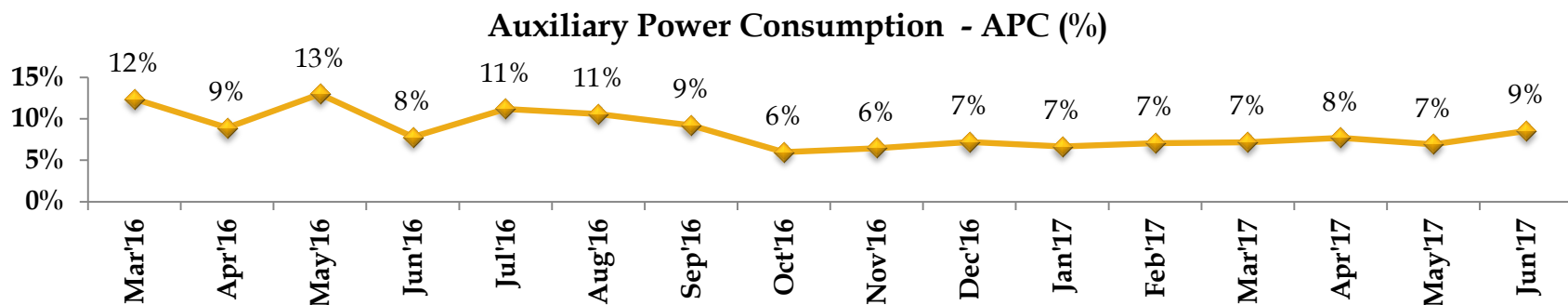


PPGCL has been operating at low PAF and PLF during the period shown above on account of following reasons:

- ❑ Non-availability of coal on account of lack of working capital facilities
- ❑ Initial stabilisation issues of units post COD

All the 3 units are ready for power generation from October 2017

PPGCL - Operational Performance



PPGCL has higher APC and SHR during the period shown above on account of following reasons:

- Plant under stabilisation phase and two units commissioned during the period
- Plant operating at low PLF
- Plant operating at part load and single unit was operational for the most of the time
- Multiple start-ups and shut-downs

PPGCL - Financial Performance

Rs. In Crs.

Parameter	FY 2016	FY 2017	6M FY 2018 (Prov.)
Revenue from Operations	58.45	1692.32	955.55
Operating Expenses	1.12	1125.62	702.13
EBIDTA	57.33	566.70	253.42
Other income	37.07	71.18	34.97
PAT	(45.63)	(546.06)	(629.05)
Gross cash accruals	(30.26)	(312.21)	(451.26)
Net worth	2909.46	2406.16	1777.11
Net Block	6506.52	10774.49	15042.33

- ❑ **Revenue from Operations:** PPGCL clocked revenue of Rs. 58 Crore in FY-16 on account of only one unit being operational for one month. The revenue increased to Rs. 1,692 Crore in FY-17 on commissioning of Unit-II in September 2016.
- ❑ **PAT:** PPGCL achieved project COD in May 2017. However, due to inadequate working capital facilities and increase in interest liability on COD, PPGCL has reported losses in FY-17 and for the half year ended in FY-18.
- ❑ **Networth:** Networth of the company has declined from Rs. 2,909 crore in FY-16 to Rs. 1,777 crore as on 30.09.2017 on account of losses incurred in FY-17 and half year ending in FY-18.

PPGCL Debt Profile as on October 31, 2017

Bank/Financial Institution	Term Loan	Sub-Debt	Priority Debt	WC - FB Debt	Total Debt
Rupee Debt (In Crores)					
State Bank of India	2916	402	500	227	4045
Punjab National Bank	710	-	100	50	860
Indian Overseas Bank	621	32	-	-	653
Bank of India	605	-	-	25	630
LIC of India	552	-	-	-	552
Union Bank of India	517	-	-	15	532
IDBI Bank	476	-	-	-	476
Bank of Baroda	365	-	-	20	385
Andhra Bank	357	19	-	-	376
UCO Bank	355	19	-	-	374
Corporation Bank	354	-	-	14	368
L&T Infrastructure Finance Ltd.	363	-	-	-	363
Canara Bank	357	-	-	-	357
Oriental Bank of Commerce	304	16	-	14	333
PTC India Financial Services Ltd.	329	-	-	-	329
Indian Bank	243	13	-	-	256
United Bank	198	-	-	-	198
Total	9621	500	600	365	11086
ECB - IIFCL U.K (in million USD)	115				

In addition to the above, PPGCL has not serviced interest on term debt from February 2017 and has Outstanding NFB facilities of Rs. 94 Crs

Stake Sale

- ❑ Security Trustee to the Lenders holds 89.47% shares (including preference shares of 8.36%) of PPGCL on behalf of the Lenders of the Company
- ❑ The Lenders now propose to sell majority shareholding in PPGCL
- ❑ SBICAP is engaged for selection of investor(s) and subsequent change in ownership of PPGCL by sale of the stake held by the security trustee
- ❑ Transaction proposed by way of bidding process. Debt on balance sheet of PPGCL may be refinanced based on discussion/proposal submitted by the prospective investors

Offer Details

<i>Name of the Company</i>	:	Prayagraj Power Generation Company Limited
<i>Shares held by Lenders</i>	:	89.47 %
<i>Face Value</i>	:	Rs. 10.00
<i>Effective Stake for Sale</i>	:	Majority stake in PPGCL
<i>Seller</i>	:	Consortium of Lenders of PPGCL

PPGCL Shareholding Pattern

The shareholding pattern of PPGCL post invocation of pledge by lenders is given below:

Entity	Rs. In Crs	Holding %
<i>Equity Share Capital (A)</i>	2,619.19	81.11%
<i>Preference Share Capital (B)</i>	270.00	8.36%
Consortium of Lenders led by State Bank of India (C=A+B)	2,889.19	89.47%
Jaiprakash Associates Limited (D)	340.00	10.53%
Total (C+D)	3229.19	100.00%

Investment Offer - Highlights

Technical Advantages

- ❑ Project having super-critical technology completed at a competitive cost of Rs. 7.85 Crs per MW
- ❑ Plant commissioned in May 2017 and units technically stabilised
- ❑ All approvals and clearances in place
- ❑ Plant & Machineries from reputed suppliers i.e. BTG from BHEL in collaboration with Alstom and Siemens; BOPs from L&T, Siemens, Paharpur, Thermax , Voltas and other reputed suppliers
- ❑ Equipment able to achieve low SHR and auxiliary consumption

Company Specific Advantages

- ❑ 25 Yrs PPA for 90% of generated power with UP Discoms with fuel cost as pass-through
- ❑ PPA having payment security mechanism in form of irrevocable, revolving and unconditional LCs and default escrow mechanism
- ❑ FSA executed for supply of 6.95 MTPA (approx. 90%) with Northern Coalfields Limited
- ❑ Option available to company for setting up additional 1320 MW TPP at project site
- ❑ Plant located in proximity to demand centre of Uttar Pradesh

Proposed Investment

- ❑ Investor to acquire majority stake in PPGCL

Thank You