Jaiprakash Power Ventures Limited

April 01, 2021

Ratings

Sl. No.	Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
I	Long Term Bank Facilities	-	-	Reaffirmed at CARE BB-; Stable (Double B Minus; Outlook: Stable) and Withdrawn
ii	Long Term Bank Facilities	10.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
	Total Bank Facilities	**10.00 (Rs. Ten Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of JPVL mentioned in Sl. No. (i) of JPVL at "CARE BB-; Stable" [Double B Minus; Outlook: Stable] and simultaneously withdrawn it, with immediate effect. The rating withdrawal is at the request of JPVL and 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE.

Also the rating of the bank facilities mentioned in Sl. No (ii) (unsecured loan availed from Government of Uttarakhand) has been reaffirmed.

The rating continues to be constrained by significant untied capacity of Nigrie super thermal power plant (JNSTPP) and Bina thermal power plant (JBTPP) which exposes the cash accrual of JPVL to the fluctuation of volume and tariff in the merchant market. The rating also factors in the under recovery of energy charge in JNSTPP. The rating also considers the counterparty risk upon sale of power to Uttar Pradesh Power Corporation Limited (UPPCL) and MP Power Management Company Ltd (MPPMCL) which have relatively weaker financial profile.

However, the rating continues to favourably factor in the robust plant availability with respect to all the operational thermal and hydro plants of JPVL, ensuring adequate recovery of capacity charge for the respective units in FY21 (refers to the period from April 1 to March 31) as well. The rating also factors in the firm Fuel supply Agreements (FSA) in place for its thermal plants. Further the rating factors in the prepayment of loan and built up of liquidity upon the sale of 74% stake in Jaypee Powergrid Ltd (JPL) to Power Grid Corporation of India Ltd (PGCIL) in March'21.

Rating Sensitivities

Positive Factors-Factors that could lead to positive rating action/upgrade:

- Increase in long term Power Purchase Agreement (PPA) tie up to more than 85% for the installed capacity of JNSTPP and JBTPP
- Better realization on sale of power through merchant basis, significantly improving cash accrual on sustained basis

Negative Factors-Factors that could lead to negative rating action/downgrade:

- Poor sales volume and realization on merchant basis, leading to deteriorating cash accrual
- Significant deterioration in average collection period on sustained basis

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate sales risk

JPVL has long term PPA of 1,245 MW (aggregating to 56.08% of total capacity) and another 100 MW on medium term basis. The long term PPAs allows for price to be determined as per regulatory commission guidelines assuring 15.50% return on equity and thus stable cash accrual. The capacity charges are recoverable in full if the plant availability exceeds normative PAF. However, JPVL has to rely on sale of power on merchant basis for its untied capacity, which exposes it to the vagaries of power demand.

Cash accrual of JNSTPP impacted by under-recovery of energy charge

JPVL was re-allotted the Amelia (North) coal mine under the auction conducted by the Ministry of Coal (subsequent to de-allocation of coal blocks nation-wide by the Hon'ble Supreme Court in September 2014). During this re-bidding, usage from the mine for the long term PPA of JNSTPP was allowed only to the extent of 85%. Further, due to the negative bid price, JNSTPP

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

not only had nil energy charge recovery but also had to bear the mining cost and a quoted bid price payable to the Government of MP.

Counterparty credit risk associated with sale of power to weak power DISCOMs
The sale of power under the long-term power purchase agreement (PPA) with UPPCL and MPPMCL exposes JPVL to significant counter party credit risk. Both the counterparties i.e. UPPCL and MPPMCL have relatively weak financial risk profile. The payment of dues by UPPCL for billed raised by VHEP has been broadly in time in last 9 months. However, the dues for the JNSTPP and JBTPP during April'20 to December'20 period has not been fully paid by MPPMCL leading to increase in the outstanding receivables from Rs. 362.12 crore as on March 31, 2020 to Rs. 694.94 crore as on December 31, 2020. Timely receipt of payment from the off-takers will be important and is a monitorable going forward.

Key Rating Strengths
FSA in place for the thermal plants for their respective tied up capacity
Majority of the coal procured for the contracted capacity of the Nigrie and the Bina plant is through its captive mine (Amelia) and linkages, respectively. JPVL has a captive coal mine - Amelia (North) with an annual drawing capacity of 2.8 million tonnes per annum (MTPA) as per the Coal Mine Development and Production Agreement. The coal production from the mine started on May 26, 2015. The captive mine majorly feeds the Nigrie plant. For the Bina plant, JPVL has obtained FSAs with Central Coalfields Ltd and South Eastern Coalfields Ltd with annual contracted quantity (ACQ) of 0.713 MTPA and 0.829 MTPA respectively.

Steady operational performance
JPVL's operating performance has been robust in VHEP and JNSTPP, offset by weaker performance of JBTPP. During 9MFY21, all the plants of JPVL posted higher than NAPAF ensuring full recovery of fixed capacity charges. PAF of VHEP was 99.45% and PAF of JNSTPP and JBTPP were 88.86% and 94.47% respectively in 9MFY21. Despite lower tie up of capacity in JNSTPP, PLF was comfortable at 70.70% during 9MFY21 due to higher scheduling and sales in merchant market. PLF of the JBTPP was low at 28.39% in 9MFY21. The operations in VHEP were temporarily closed to prevent damage from the avalanche in Uttarakhand in Feb'21. However, it has resumed operation in March'21 with minimum damages (as cited by the management).

Liquidity: Adequate
JPVL has moderate headroom between its cash accrual vis a vis its debt repayment obligation. However, its funded DSRA of one quarter interest and principal (around Rs. 202 cr as on December 31, 2020) and modest cash balance of Rs. 35.76 cr as on December 31, 2020 adds some comfort. The company's liquidity position depends on the receipts from UPPCL and MPPMCL. The receivables level has increased for JPVL particularly attributable to delay in receipt of payment from MPPMCL during Q3FY21. The company's fund based working capital limit utilization were 92.86% for JNSTPP and 86.67% for JBTPP, during the trailing twelve months ended December'20. However, post monetization of the JPL asset along with prepayment of loan, the liquidity profile of the company has improved. The company has not availed moratorium otherwise available under Covid'19 regulatory package of RBI.

Analytical approach: Standalone

Applicable Criteria
Policy on Withdrawal of ratings
Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Infrastructure Sector Ratings
Power Generation Projects
Thermal Power Generation

About the company
The company is promoted by Jaiprakash Associates Limited (JAL) and was incorporated in 1994. JPVL is engaged in power generation business and currently has one operational hydro power project of 400 MW (Vishnuprayag in Uttarakhand), two thermal power projects of 1,820 MW capacity (500 MW Bina, Madhya Pradesh and 1,320 MW Nigrie, Madhya Pradesh), a coal mine at Amelia (north), Madhya Pradesh and a cement grinding unit in Nigrie, Madhya Pradesh.
The group has diversified business activities in the power generation business with a track record of over 17 years. It has businesses in sectors such as real estate, road BOOT, hospitality and fertilizer through its subsidiaries.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	3,855	3,321
PBILDT	1,302	925
PAT	(378)	(3,505)
Overall gearing (times)*	1.27	0.57
Interest coverage (times)	0.91	1.42

A: Audited
**CARE has considered CCPS as part of Net-worth*

Status of non-cooperation with previous CRA: NA
Any other information: NA
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2035	0.00	Withdrawn
Non-fund-based - LT-BG/LC	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Term Loan-Long Term	-	-	June 2033	0.00	Withdrawn
Non-fund-based - LT-BG/LC	-	-	-	0.00	Withdrawn
Term Loan-Long Term	-	-	March 2035	0.00	Withdrawn
Term Loan-Long Term	-	-	Dec 2031	0.00	Withdrawn
Term Loan-Long Term	-	-	March 2035	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	Dec 2031	10.00	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
2.	Non-fund-based - LT-BG/LC	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
3.	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
4.	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
5.	Non-fund-based - LT-BG/LC	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
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6.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
7.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
8.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
9.	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
10.	Non-fund-based - LT-BG/LC	LT	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-	1)CARE D (29-Nov-17)
11.	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
12.	Non-fund-based - LT-BG/LC	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
13.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
14.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
15.	Term Loan-Long Term	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
16.	Non-fund-based - LT-BG/LC	LT	-	-	1)CARE BB-; Stable (01-Mar-21)	-	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
					2)CARE BB-; Stable (07-Aug-20)			
17.	Term Loan-Long Term	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
18.	Term Loan-Long Term	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
19.	Term Loan-Long Term	LT	-	-	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-	-
20.	Fund-based - LT-Term Loan	LT	10.00	CARE BB-; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - LT-BG/LC	Simple
4.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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