Jindal India Thermal Power Limited

April 06, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,443.75 (Reduced from 5,766.69)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE D; (Single D); Stable outlook assigned
Short Term Bank Facilities	241.27 (Reduced from 290.00)	CARE A3 (A Three)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE D / CARE D; (Single D / Single D)
Short Term Bank Facilities	8.73 (Reduced from 209.74)	CARE A3 (A Three)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE D; (Single D)
Total Bank Facilities	**1,693.75 (Rs. One Thousand Six Hundred Ninety-Three Crore and Seventy-Five Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings of Jindal India Thermal Power Limited (JITPL) factor in the improvement in the business risk profile of JITPL with increase in its tied-up capacity to 1,095 MW (i.e 91.25% of installed capacity) under long-term and medium-term power purchase agreements (PPAs) from 256 MW tied up under long-term PPAs in FY16 (refers to the period from April 1 to March 31), thereby minimizing the risk of vagaries of merchant market risk. The revision in rating also takes note of the improved availability of coal through linkage and e-auction at competitive rates due to its strategic location as well as the resolution of coal transportation and logistical issues to a large extent. Despite competitively bid PPAs, CARE notes that the spread between the current tariff and unit cost of coal for the generated power is reasonable, which ensures healthy profitability. The revision in the ratings also factor in the improvement in the operational performance characterized by comfortable plant load factor (PLF), especially during 9MFY22 (refers to the period from April 1 to December 31) along with realization of reasonable tariff on merchant basis.

The ratings also factor in the substantial reduction in debt on account of successful implementation of one-time settlement (OTS) with lenders of JITPL along with prepayment of debt during FY22 which has led to superior coverage metrics. Since the signing of Master Resolution Agreement (MRA), the company has been regular in servicing of its debt obligations, as confirmed by all the lenders. The ratings take note of JITPL being part of a resourceful promoter group.

The rating, however, continues to remain constrained by weak leverage metrics of the company marked by negative net worth as on March 31, 2021 on account of high accumulated losses in the past along with significant contingent liabilities and its capex plans which may lead to moderation in projected coverage metrics, limited tie up of capacity under long term PPAs and weak financial risk profile of some of its off-takers.

Rating Sensitivities

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

- Tie up of power at remunerative tariff for longer tenor with off-taker having comfortable credit profile
- Material improvement in coverage metrics

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

- Significant decline in PAF and PLF of the plant or non-availability of coal availability at competitive rate, impacting the coverage metrics.
- Higher than envisaged amount payable upon the resolution of disputes w.r.to statutory demands and demands from capital creditors.
- Material deterioration in the credit profile of off-taker and elongation of average collection period on sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Higher tie up of capacity under long term/medium term PPAs, improving revenue visibility

JITPL has long term PPA of 400 MW (aggregating to 33.3% of the total capacity) with Kerala State Electricity Board Limited and Bihar State Power Holding Company Limited. It also has 695 MW of PPAs with PTC, Indian Railways and Gujarat Urja Vikas Nigam

[1] Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Limited (GUVNL) on medium term basis. With this, JITPL has enhanced its tied-up capacity to 91.25% under long term and medium term PPAs from 256 MW tied up under long term PPAs in FY16.
Tariff for all the PPAs of JITPL are competitively bid basis. The power from the balance untied capacity is being sold on exchange/merchant basis. Apart from this, the company also has PPA with GRIDCO to supply power at variable charge basis, however sale of power under the same is under dispute.

Improved fuel availability through linkage coal and e-auction at competitive rates
The aggregate coal requirement for JITPL's 1,200 MW plant at 85% PLF is estimated at 6.56 million tonnes per annum (MTPA). Based on the same, JITPL executed a 25 years FSA with MCL with annual contracted quantity (ACQ) of 2.661 MTPA. The development and capacity expansion in the Talcher and Kaniha mines have improved the availability of coal (under linkage as well as e-auction) for JITPL, which alleviates the coal shortage it used to face due to de-allocation of the captive mine in the past. The competitive blended cost of coal for JITPL provides it an advantage for selling power under long/short term PPAs and on exchange. The low cost of generation results in JITPL getting a favourable position in merit order position while supplying to state utilities. Further, on account of improvement in demand of power, JITPL has been able to sell power from its untied capacity on exchanges at healthy tariff during FY21 and 9MFY22. Average realization of the company for FY21 and 9MFY22 stood at Rs.3.72 per unit and Rs.3.39 per unit.

Moderate yet improving operational performance
JITPL has exhibited reasonable operational performance characterized by efficient auxiliary power consumption (i.e below 6.25%) and healthy station heat rate (SHR) (i.e below 2,350 Kcal/unit) during FY21 and 9MFY22. Plant load factor (PLF) which was lower at around 40.08% in FY19 and 49.33% in FY20 during periods of financial stress has substantially improved to 56.47% in FY21 and 79.28% in 9MFY22.

Successful implementation of one-time settlement (OTS) with lenders leading to substantial reduction in debt
JITPL had submitted resolution plan to its lenders which was approved by all the lenders and Master Resolution Agreement (MRA) was signed on May 29, 2021. As per the same the settlement amount was agreed at Rs. 2,450 cr. As per the scheme, JITPL had to make upfront payment of Rs. 1,080 crore with balance payment of Rs. 1,370 crore on a quarterly basis within 4 years from the date of payment of the entire upfront amount. As confirmed by the lenders, JITPL has been regular in servicing of its debt obligations since the signing of MRA. As on March 30, 2022, the outstanding debt stood at Rs. 968.75 crore.

Part of resourceful promoter group
JITPL is a part of SS Jindal group and was originally promoted by flagship company of the group i.e Jindal Poly Films Limited having vintage of over three decades. The company is a global flexible packaging solutions provider with manufacturing operations in India, Europe and US with sales footprint in over 40 countries. Though the promoter has had limited exposure in setting up and operating power project, it has arranged fund in the form of equity and unsecured loan for implementation of the project. The promoter has also infused unsecured loan of Rs. 410 cr in the project in conformity with the MRA.

Liquidity – Adequate
The projected gross cash accrual of JITPL is expected to adequately cover its debt repayment obligations for FY23 and FY24. Though the company does not have any fund based working capital limit currently, average collection period has been in control. As on March 30, 2022, the company is maintaining cash and bank balance of Rs. 240 cr along with debt service reserve account (DSRA) equivalent to one quarter of debt servicing.

Key Rating Weaknesses
Weak leverage metrics due to losses in past, significant contingent liabilities
JITPL has weak leverage metrics marked by negative net worth due to high accumulated losses in the past. However, due to the OTS plan implemented during FY22, total external debt of the company has significantly reduced. Term Debt /PBILDT is expected to be below 1.5x, which is comfortable.
Further, the company has significant contingent liabilities on its books which are largely not provided for. The same are projected to be resolved with the respective parties in phases over the medium term. Although the impact of same has been considered in the cash flows (in line with estimates of management), any major negative deviation with respect to same would be a credit negative.

Envisaged debt-funded capex for implementation of FGD
JITPL has been notified to installed Flue Gas Desulphurization (FGD) systems to adhere to new emission norms. The project is expected to be funded through a mix of debt and internal accruals. The company has envisaged to incur capex of Rs. 700 cr (Rs. 0.58 cr/MW) which is projected to be funded in Debt: Equity ratio of 7:3. As on date, the company has not incurred any cost. Financial closure is pending. Tenders have been invited for. Since majority of the cost is not expected to be passed though, especially for the medium term PPAs, efficient management of time overrun, cost overrun and IDC will be key for the project going forward.

Counterparty credit risk
JITPL has long-term PPAs with the state discoms of Kerala, Bihar and Odisha and short-term PPAs with PTC, Indian Railways and GUVNL besides engaging in merchant sales. The weak credit profile of some of the off takers exposes JITPL to risks related to

delay in receivables. Although, during the current year, the offtakers has been paying the company relatively on time, the timely receipt of billed invoices on an ongoing basis shall remain a key monitorable.

Industry risk
Thermal PLF has been continuously declining in the past few years. With resumption of industrial and commercial activities post the 2nd wave of covid'19, base energy demand has witnessed sharp increase. As a result, thermal plants are receiving higher schedule and are expected to clock improved PLF for FY22 and FY23. Lag in coal production/ transportation to match up the high consumption level along with higher peak demand has firmed up merchant rates which augurs well for plants with untied capacity. There are numerous and inter-connected challenges for the sector. The sector is expected to witness FGD capex of ~Rs. 1 lakh crore in the medium term where the progress in terms of financial closure and project implementation have been slow. Lastly, the payables of the discoms have continuously increased over the past. Till the time structural changes are successfully implemented for the discoms, the gencos are expected to have high working capital requirement.

Analytical approach: Standalone

Applicable Criteria
Definition of Default
Policy On Curing Period
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Infrastructure Sector Ratings
Power Generation Projects
Thermal Power

About the Company
Jindal India Thermal Power Ltd (JITPL) was originally promoted by Jindal Poly Films Ltd (JPFL) and Jindal Photo Limited (JPL) through Jindal India Powertech Ltd (JIPL, a holding company). It has implemented 1,200 MW green field thermal power plant (as 2 units of 600 MW each) at district Angul in Odisha. The project entails a total estimated cost of Rs.7,537 crores being funded through a debt (including subordinate debt and unsecured loans) of Rs.5,900 crore and the promoter's contribution of Rs.1,637 crore.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	1,910	2,145	2,045
PBILDT	374	633	676
PAT	-976	-558	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	0.34	0.53	3.42

A: Audited; Prov: Provisional; NM: Not Meaningful; NA: Not Available

Status of non-cooperation with previous CRA: NA
Any other information: NA
Rating history for last three years: Please refer Annexure-2
Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	June 2026	977.56	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	June 2026	66.19	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	400.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	241.27	CARE A3
Non-fund-based - ST-BG/LC	-	-	-	-	8.73	CARE A3

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	977.56	CARE BBB-; Stable	1)CARE D; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE D; ISSUER NOT COOPERATING* (18-Sep-20)	1)CARE D; ISSUER NOT COOPERATING* (29-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)
2	Fund-based - LT-Term Loan	LT	66.19	CARE BBB-; Stable	1)CARE D; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE D; ISSUER NOT COOPERATING* (18-Sep-20)	1)CARE D; ISSUER NOT COOPERATING* (29-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)
3	Fund-based - LT-Cash Credit	LT	400.00	CARE BBB-; Stable	1)CARE D; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE D; ISSUER NOT COOPERATING* (18-Sep-20)	1)CARE D; ISSUER NOT COOPERATING* (29-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)
4	Non-fund-based - ST-BG/LC	ST	241.27	CARE A3	1)CARE D / CARE D; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (18-Sep-20)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (29-Jul-19)	1)CARE D / CARE D; ISSUER NOT COOPERATING* (05-Apr-18)
5	Non-fund-based - ST-BG/LC	ST	8.73	CARE A3	1)CARE D; ISSUER NOT COOPERATING* (01-Nov-21)	1)CARE D; ISSUER NOT COOPERATING* (18-Sep-20)	1)CARE D; ISSUER NOT COOPERATING* (29-Jul-19)	1)CARE D; ISSUER NOT COOPERATING* (05-Apr-18)

* Long-term/Short-term

Annexure-3: Detailed explanation of covenants of the rated facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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