

Jaiprakash Power Ventures Limited

January 27, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB-; Stable (Double B Minus; Outlook: Stable) and Withdrawn
Total Bank Facilities	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the unsecured loan availed from Government of Uttarakhand by Jaiprakash Power Ventures Limited (JPVL) at "CARE BB-; Stable" [Double B Minus; Outlook: Stable] and simultaneously withdrawn it, with immediate effect.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 lender that have extended the facility rated by CARE.

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 healthy 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) and 9MFY22 (refers to the period from April 1 to December 31) as well. The rating also factors in the firm Fuel supply Agreements (FSA) in place for its thermal plants.

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 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 has not been fully paid by MPPMCL leading to increase in the outstanding receivables from Rs. 790.91crore as on March 31, 2021 to Rs.1,106.98 crore as on September 30, 2021.

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.

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

Steady operational performance

JPVL's operating performance has been healthy in VHEP and JNSTPP, offset by weaker performance of JBTPP. During 9MFY22, VHEP and JNSTPP posted higher than NAPAF ensuring full recovery of fixed capacity charges. PAF of JNSTPP and JBTPP were 90.36% and 75.21% respectively in 9MFY22. Despite lower tie up of capacity in JNSTPP, PLF was comfortable at 75.49% during 9MFY22 due to higher scheduling and sales in merchant market. PLF of the JBTPP was at 55.95% in the same period.

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 and modest cash balance of Rs. 25.56 cr as on September 30, 2021 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 H1FY22. However, post monetization of the (Jaypee Powergrid Limited) JPL asset along with prepayment of loan till Sep'22, the liquidity profile of the company has improved.

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](#)

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)	31-03-2020 (A)	31-03-2021 (Ab.)	H1FY22 (UA)
Total operating income	3,321	3,434	1,875
PBILDT	925	1,534	532
PAT	(3,505)	366	4
Overall gearing (times)	0.57	NA	NA
Interest coverage (times)	1.42	2.65	1.92

A: Audited; AB.: Abridged; UA: Unaudited; 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	-	-	-	-	0.00	Withdrawn

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	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
2	Non-fund-based - LT-BG/LC	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
4	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
5	Non-fund-based - LT-BG/LC	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
6	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
7	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
8	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
9	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
10	Non-fund-based - LT-BG/LC	LT	-	-	-	1)Withdrawn (07-Aug-20)	1)CARE D (05-Apr-19)	-
11	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB-; Stable (01-Apr-21) 2)Withdrawn (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-
12	Non-fund-based - LT-BG/LC	LT	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)	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-Apr-21) 2)Withdrawn (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-

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14	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-
15	Term Loan-Long Term	LT	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)	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-Apr-21) 2)Withdrawn (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-
17	Term Loan-Long Term	LT	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)	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-Apr-21) 2)Withdrawn (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-
19	Term Loan-Long Term	LT	-	-	1)Withdrawn (01-Apr-21) 2)CARE BB-; Stable (01-Apr-21)	1)CARE BB-; Stable (01-Mar-21) 2)CARE BB-; Stable (07-Aug-20)	-	-
20	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB-; Stable (01-Apr-21)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	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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