Jamnagar Utilities & Power Private Limited

July 28, 2022

Ratings

Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-convertible debentures	11,950 (reduced from 12,125)	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Commercial paper issue	4,000	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total instruments	**15,950.00 (₹ Fifteen thousand nine hundred fifty crore only)**		

Details of instruments in Annexure-1

Detailed rationale and key rating drivers

The ratings assigned to the non-convertible debenture (NCD) and commercial paper (CP) issues of Jamnagar Utilities & Power Private Limited (JUPPL) continue to draw comfort from the strong operating linkages arising from the strategic importance of JUPPL's power generation facilities set-up for captive use by Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/CARE A1+') and established track record of efficient operations as evidenced from its high plant availability factor (PAF). The long-term revenue visibility and envisaged cash flow stability of JUPPL arising from its power generation agreements (PGAs) with RIL underpin its ratings. The ratings also take into account JUPPL's strong liquidity and the comfort derived from its resourceful promoter company, Reliance Industries Holding Private Limited (RIHPL), which directly and indirectly holds around 104.36 crore fully paid up equity shares of RIL having market value of around ₹259,585 crore as on July 21, 2022. The ratings are further supported by the financial flexibility arising out of cash flow fungibility between JUPPL and its fellow subsidiary, Sikka Ports & Terminals Limited (SPTL; rated 'CARE AAA; Stable/CARE A1+').

The above rating strengths are partially offset by the large debt level of JUPPL resulting in its moderate leverage indicators.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade: Not applicable

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

- Change in the stance of strategic importance of JUPPL for RIL.
- Reduction of RIHPL's holding of RIL equity shares below 75.40 crore.
- Significant diminution in the value of RIHPL's investments in RIL.

Detailed description of the key rating drivers

Key rating strengths

Strategic operational linkages of JUPPL's power generation plants for RIL: JUPPL's coal and gas-based power plants at Jamnagar, Hazira and Dahej in Gujarat operate as a captive facility for RIL to enable uninterrupted supply of power and steam to the manufacturing facilities of RIL at these locations. The operations of the company are critical for RIL as they are closely integrated with the facilities of its refining and petrochemical complexes. Being the major generator of electricity and steam for RIL's refining/petrochemical complexes, JUPPL remains strategically important to RIL.

PGAs with RIL provide long-term revenue visibility and cash flow stability: JUPPL has entered into long-term PGAs for its total power generation capacity with RIL, which provides stable revenue and sufficient cash flow stream to meet its debt servicing obligations. The supply of fuel for running these plants is within the scope of RIL. The revenue of JUPPL is linked primarily to its PAF, which provides it with healthy revenue visibility given the strong operating efficiency of JUPPL as reflected from it consistently achieving an average plant availability and reliability factor of more than 90%.

Experienced, strong and resourceful promoter backing: JUPPL is a subsidiary of RIHPL, which holds 73.84% of Class A Equity Shares (having voting rights) and 100% of Class B Equity Shares (having economic rights) as on March 31, 2022. The entities of the RIHPL group belong to the promoter group of RIL. The strong backing of an experienced and resourceful promoter with an experienced team in operating power plants provides a sound promoter support to JUPPL. RIHPL is also the holding company of SPTL that has set-up captive port at Sikka, Jamnagar, to cater to the handling, storage and evacuation requirements of RIL's crude oil and refinery products at Jamnagar. Common ownership of these companies by RIHPL together with control over RIL shares (104.36 crore fully paid-up equity shares), which could be available for meeting any shortfall in debt servicing and cash flow fungibility among these group companies, gives financial flexibility to RIHPL and in turn to its subsidiaries, including JUPPL.

Healthy operating cash flows along-with steady income from loans/investments: The total operating income (TOI) of JUPPL was ₹4,730 crore in FY22 (₹4,710 crore in FY21) (refers to the period April 1 to March 31). Non-operating income of JUPPL, which arises from its investments as well as loans and advances was ₹1,585 crore in FY22 (₹1,219 crore in FY21), primarily on

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

account of loans to various entities, including Digital Fibre Infrastructure Trust (DFIT), an Infrastructure Investment Trust controlling Jio Digital Fibre Private Limited (rated 'CARE AAA; Stable'), which houses the infrastructure assets for catering to telecom and digital service providers. JUPPL is expected to receive interest income from investment/loans to DFIT on a regular basis over long term.

Liquidity: Strong
The liquidity of JUPPL remains strong and is primarily driven by its parentage of RIHPL, which holds 104.36 crore fully paid- up equity shares of RIL (entailing market value of around ₹259,585 crore as on July 21, 2022). Apart from this, JUPPL had cash and cash equivalents including investment in various mutual funds to the tune of ₹1,983 crore as on March 31, 2022, and it is expected to generate annual gross cash accruals of more than ₹3,500 crore in the medium term. With no major capex or investments plans, healthy cash accruals along with the available liquidity buffer is expected to comfortably cover its debenture repayment obligation of ₹850 crore in FY23.

Key rating weaknesses
Moderate capital structure: The overall gearing of JUPPL moderated to 1.27x as on March 31, 2022, from 1.01x as on March 31, 2021, mainly upon issuance of NCDs amounting ₹4,000 crore during FY22. The proceeds from the NCD issues are utilised mainly for funding infrastructure projects through DFIT which has a sound credit risk profile. Going forward, its overall gearing is expected to improve led by JUPPL's envisaged stable accretion to net-worth as well as gradual repayment of its existing debt.

Analytical approach: Standalone along-with very strong operational, managerial and financial linkages with RIL are considered. There is high dependence of RIL on JUPPL for its requirement of un-interrupted power and steam to run its manufacturing facilities, which is reflected from JUPPL's long-term PGAs with RIL for its total installed power generation capacity.

Applicable criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Liquidity Analysis of Non-financial sector
Rating Methodology- Power Generation Projects
Rating Methodology – Thermal Power Producers
Rating Methodology- Notching by factoring linkages in Ratings
Financial ratios – Non-Financial sector
Policy on Withdrawal of Ratings

About the company
JUPPL is a subsidiary of RIHPL, which belongs to the promoter group of RIL. JUPPL operates coal and gas-based captive power plants having combined capacity to generate around 2,300 MW of electricity and over 10,000 tons per hour (tph) of steam. These power plants cater to RIL's manufacturing facilities (refinery and petrochemical facilities) located at Dahej, Hazira and Jamnagar. The company has entered into long-term PGAs with RIL for the above capacities that ensure stable revenue and cash flows for JUPPL for meeting its operating expenses and debt servicing obligations.

Brief Financials of JUPPL-Standalone (₹ crore)	FY21 (A)#	FY22 (Abridged)	Q1FY23 (Prov)
TOI	4,710	4,730	NA
PBILDT	4,228	4,128	NA
PAT @	2,209	2,373	NA
Overall gearing (times)	1.01	1.27	NA
Interest coverage (times)^	8.01	5.90	NA

A: Audited; Abridged: Brief results published on the stock exchange; Prov.: Provisional; NA: Not available; #restated in line with FY22 results. Financials are classified as per CARE Ratings' standards.
@ interest income on loans and investments do not form part of PBILDT but it is a part of PAT.
^ after removing the effect of premium on redeemable preference shares.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instruments: Please refer Annexure-3

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

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Non-convertible debentures	INE936D07125	-	-	-	-	Withdrawn
	INE936D07067	April 26, 2013	8.95%	April 26, 2023	2000.00	CARE AAA; Stable
	INE936D07075	August 04, 2014	9.75%	August 02, 2024	2000.00	
	INE936D07133	August 29, 2017	7.65%	August 29, 2022	225.00	
	INE936D07141		7.65%	December 29, 2022	275.00	
	INE936D07158		7.67%	February 28, 2023	175.00	
	INE936D07166		7.70%	June 29, 2023	275.00	
	INE936D07174	September 29, 2021	6.40%	September 29, 2026	4000.00	
Proposed Non-convertible debentures	-	-	-	-	3000.00	
Commercial paper	INE936D14162	June 20, 2022	5.45%	September 19, 2022	500.00	CARE A1+
	INE936D14154	June 21, 2022	5.45%	September 20, 2022	550.00	
	INE936D14113	October 21, 2021	4.35%	September 21, 2022	375.00	
	INE936D14113	June 22, 2022	5.45%	September 21, 2022	1000.00	
	INE936D14170	June 24, 2022	5.45%	September 23, 2022	1100.00	
	Proposed	-	-	7-364 days	475.00	

Annexure-2: Rating history of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non-convertible debentures	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Jul-21)	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)
2	Debentures-Non-convertible debentures	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Jul-21)	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)
3	Debentures-Non-convertible debentures	LT	950.00	CARE AAA; Stable	-	1)CARE AAA; Stable (29-Jul-21)	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)
4	Commercial paper-Commercial paper (Standalone)	ST	4000.00	CARE A1+	-	1)CARE A1+ (29-Jul-21)	1)CARE A1+ (30-Jul-20)	-
5	Debentures-Non-convertible debentures	LT	7000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (20-Sep-21)	-	-

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	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple

Annexure-5: Bank lender details for this company

Not applicable

Note on complexity levels of the rated instruments: CARE Ratings 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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