Jamnagar Utilities & Power Private Limited

July 29, 2021

Ratings

Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Non-Convertible Debentures	5,125.00 (Reduced from Rs.5,350)	**CARE AAA; Stable (Triple A; Outlook: Stable)**	**Reaffirmed**
Commercial Paper	4,000.00	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total	**9,125.00 (Rupees Nine Thousand One Hundred Twenty Five Crore only)**		

Details of instruments in Annexure-1

Detailed Rationale & 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 e*stablished 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 long-term 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 94.64 crore fully paid up equity shares and 9.72 crore partly paid up equity shares of RIL having market value of around Rs.2,00,730 crore as on July 22, 2021. 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 - Not Applicable

Negative Factors

- Change in 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. 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 healthy revenue visibility to it given JUPPL's strong operating efficiency 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, 2021. The entities of the RIHPL group belong to the promoter group of RIL. The strong backing of an experienced and resourceful promoters with an experienced team in operating power plants provide 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

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

ownership of these companies by RIHPL together with control over RIL shares *(94.64 crore fully paid-up equity shares and 9.72 crore partly paid up equity shares held directly and indirectly)* 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.

Growth in Income

Significant revenues of JUPPL are from operations of its power plants. Total Income of JUPPL grew by around 14% to Rs.5,824 crore in FY21 from Rs.5,128 crore in FY20 primarily on account of growth in interest income from loans/investments in various entities including to Digital Fibre Infrastructure Trust (DFIT), an Infrastructure Investment Trust controlling Jio Digital Fibre Private Limited (rated CARE AAA; Stable), which houses 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 94.64 crore fully paid- up equity shares and 9.72 crore partly paid-up equity shares of RIL *(entailing market value of around Rs.2,00,730 crore as on July 22, 2021).* Apart from this, JUPPL had cash and cash equivalents including investments in mutual funds to the tune of ~Rs.7,100 crore as on March 31, 2021 and is expected to generate annual gross cash accruals of around Rs.3,000 crore in the medium term. Against this the company has no major capex plans and it has low debt repayment obligation of Rs.799 crore in FY22.

Key Rating Weaknesses

Moderate capital structure

The overall gearing of JUPPL moderated to 1.20 times as on March 31, 2021 from 0.83 times as on March 31, 2020 mainly upon allotment of preference shares of Rs.5,000 crore to SPTL. However, JUPPL's envisaged stable operational cash flows and strong liquidity provides comfort to its credit profile.

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 & 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- Notching by factoring linkages in Ratings
Financial ratios – Non-Financial sector

About the Company

JUPPL is a subsidiary of RIHPL which belongs to the promoter group of Reliance Industries Limited (RIL). JUPPL operates coal and gas-based captive power plants having combined capacity to generate ~ 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.

(Rs. Crore)

Brief Financials (Standalone)	FY20 (A)	FY21 (A)
Total operating income (TOI)	5,128	5,824
PBILDT	4,584	5,342
PAT	1,080	2,209
Overall gearing (times)	0.83	1.20
PBILDT Interest coverage (times)	7.34	8.21

A: Audited

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 (Rs. crore)	Rating assigned along with Rating Outlook
Non-Convertible Debentures	INE936D07117	-	-	-	-	Withdrawn
	INE936D07067	April 26, 2013	8.95%	April 26, 2023	2000.00	CARE AAA; Stable
	INE936D07075	August 02, 2014	9.75%	August 02, 2024	2000.00	
	INE936D07125	August 29, 2017	7.60%	May 27, 2022	175.00	
	INE936D07133		7.65%	August 29, 2022	225.00	
	INE936D07141		7.65%	Dec. 29, 2022	275.00	
	INE936D07158		7.67%	Feb. 28, 2023	175.00	
	INE936D07166		7.70%	June 29, 2023	275.00	
Commercial Paper	-	-	-	7-364 days	4000.00	CARE A1+

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.	Debentures-Non Convertible Debentures	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)	1)CARE AAA; Stable (25-Mar-19) 2)CARE AAA; Stable (06-Jun-18)
2.	Debentures-Non Convertible Debentures	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)	1)CARE AAA; Stable (25-Mar-19) 2)CARE AAA; Stable (06-Jun-18)
3.	Debentures-Non Convertible Debentures	LT	1125.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Jul-20)	1)CARE AAA; Stable (08-Jan-20)	1)CARE AAA; Stable (25-Mar-19) 2)CARE AAA; Stable (06-Jun-18)
4.	Commercial Paper-Commercial Paper (Standalone)	ST	4000.00	CARE A1+	-	1)CARE A1+ (30-Jul-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instruments: Not applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Standalone)	Simple
2.	Debentures-Non Convertible Debentures	Simple

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

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact 1
Name: Hardik Shah
Contact Number: +91-79-4026 5620
Email ID- hardik.shah@careratings.com

Analyst Contact 2
Name: Ranjan Sharma
Contact Number: +91-79-4026 5617
Email ID- ranjan.sharma@careratings.com

Relationship Contact
Saikat Roy
Contact Number: +91-22-6754 3404
Email ID- saikat.roy@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**