JANUARY 06, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES AND INSTRUMENTS OF JAIPRAKASH POWER VENTURES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	21339.10	**CARE BBB [Triple B] Continues on 'credit watch'**	**Revised from CARE BBB+ [Triple B Plus]; Continues on 'credit watch'**
Total Facilities	**21339.10**		
Zero coupon Non-Convertible Debenture - II	490.91	**CARE BBB [Triple B] Continues on 'credit watch'**	**Revised from CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]; Placed on 'credit watch'***

**Rating of ZCDs was earlier based on credit enhancement in the form letter of comfort provided by Jaiprakash Associates Ltd (JAL, Rated CARE BBB-/CARE A3)*

Rating Rationale

The revision in the ratings of bank facilities and instruments of Jaiprakash Power Ventures Ltd. (JPVL) takes into account decline in profitability, deterioration in solvency ratios in FY14 (refers to the period April 1 to March 31) and H1FY15, time and cost overrun in under execution thermal power projects (TPPs) and relatively large repayment obligations in the near to medium term exposing the company to refinancing risks. The ratings also factor in inherent risks associated with the power projects such as availability of fuel and fluctuation in merchant power tariffs.

The ratings, however, continue to derive comfort from the experienced promoter group having long track record in the power segment, satisfactory operating performance of various power projects of the company. The ratings also derive comfort from the commissioning of unit I of Nigrie TPP having 660 MW capacity.

Going forward, the performance of the various operational projects, the ability of the company to timely implement the ongoing projects and raising requisite funds to meet its capex and other obligations shall be the key rating sensitivities.

The rating continues to be on credit watch on account of a definitive agreement entered by JPVL with JSW Energy Ltd (JSWEL, rated CARE AA-/CARE A1 under 'credit watch') for sale of Baspa and Karcham HEPs, out of the three power projects of the company (including Bina TPP), for which MOU was signed . CARE is in the process of evaluating the impact of the above event on the credit quality of the company and would take a view on the ratings once the exact implication of the said event can be ascertained.

Background

JPVL, a 60.69% subsidiary of Jaiprakash Associates Ltd (JAL), is engaged in power generation and currently has operational hydro power projects aggregating 1,791 MW (400 MW Vishnuprayag in Uttarakhand, 300 MW Baspa and 1,091 MW Karcham Wangtoo in Himachal Pradesh) and thermal power projects of 1160 MW (500 MW Bina and 660 MW Nigrie, Madhya Pradesh). JPVL has a presence in the power transmission business through its 74% subsidiary Jaypee Powergrid Ltd (JPL, rated CARE A-) which has set up a 214 km transmission

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

line. The company has 660 MW Nigrie unit II and 1,980 MW Bara (in Uttar Pradesh, through its subsidiary Prayagraj Power Generation Ltd (PPGCL)) thermal power projects under implementation.

For FY14, JPVL reported a PAT of Rs.19.73 crore on a total operating income of Rs.2746.83 crore on a standalone basis. As per H1FY15 results (UA), JPVL (standalone basis) posted a total operating income of Rs.1988.43 crore with PAT of Rs.368.96 crore.

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

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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