July 02, 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	21,339.10	**CARE BB [Double B]**	**Revised from CARE BBB- [Triple B Minus]; 'removed from credit watch '**
Total Facilities	**21,339.10**		
Zero coupon Non-Convertible Debenture - II	245.13	**CARE BB [Double B]**	**Revised from CARE BBB- [Triple B Minus]; 'removed from credit watch '**

Rating Rationale

The revision in the ratings of the bank facilities and instruments of Jaiprakash Power Ventures Ltd. (JPVL) takes into account subdued operational performance of the company's thermal power projects (TPPs), delay in receipt of funds through selling of Baspa and Karcham Hydro power projects, weakened financial risk profile of the parent company Jaiprakash Associates Ltd (rated CARE BB/CARE A4), increased liquidity pressure and significant fund requirements in near term exposing the company to refinancing risks. The ratings, however, derive comfort from the experienced promoter group having long track record in the power segment, the company's position as a leading power generation company and commissioning of entire capacity of 1320 MW Nigrie power project.

Going forward, performance of the various operational projects, raising of requisite funds to meet investment and other obligations, secure adequate fuel supply for the Nigrie TPP and timely implementation of the project under JPVL's subsidiary Prayagraj Power Generation Ltd (PPGCL) shall be the key rating sensitivities.

The ratings were placed on credit watch on account of definitive agreement entered by JPVL with JSW Energy Ltd (JSWEL) for sale of Baspa and Karcham HEPs and developments with respect to redemption of the FCCBs. The ratings have been removed from credit watch upon JPVL executing a supplemental trust deed with the FCCB holders for rescheduling and the sanction of the scheme of arrangement pertaining to divestment of Baspa and Karcham HEPs by the Honorable High Court of Himachal Pradesh (the deal is expected to be consummated by August 2015).

Background

JPVL, a 60.69% subsidiary of Jaiprakash Associates Ltd (JAL, rated 'CARE BB/CARE A4'), is engaged in power generation business 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 1,820 MW (500 MW Bina and 1320 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 line. The company, through its subsidiary Prayagraj Power Generation Ltd (PPGCL), has 1,980-MW under implementation thermal power project in Bara, Uttar Pradesh.

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

JPVL is under process of transferring Baspa and Karcham hydro power projects to a subsidiary Himachal Baspa Power Company Ltd (HBPCL) and divest it to JSWEL (rated CARE AA-/A1+ under credit watch). The said scheme of arrangement has been sanctioned by the high court, the process of seeking shareholders approval through postal ballot has been initiated and the deal is expected to be consummated by August 2015.

For FY15 (refers to the period April 1 to March 31), JPVL, on a standalone basis, reported PAT of Rs.137.21 crore on total operating income of Rs.3944.13 crore as against PAT of Rs.19.73 crore on total operating income of Rs.2,746.83 crore in FY14.

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

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