FEBRUARY 19, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE FACILITIES/INSTRUMENTS OF JSW ENERGY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Rating1	Remarks
Bank Facilities-Fund Based - LT-Term Loan	2,156.39	CARE AA-'under credit watch' [Double A Minus] {Credit Watch}	Reaffirmed
Bank Facilities-Fund Based - LT-Cash Credit	815	CARE AA-'under credit watch' [Double A Minus] {Credit Watch}	
Bank Facilities-Non-Fund Based - ST-BG/LC	3,827	CARE A1+ 'under credit watch' [A One Plus] {Credit Watch}	
Bank Facilities-Fund Based - ST-Term loan	500	CARE A1+ 'under credit watch' [A One Plus] {Credit Watch}	
Long Term Instruments-Debentures-Non Convertible Debentures - 1	1,800	CARE AA-'under credit watch' [Double A Minus] {Credit Watch}	
Long Term Instruments-Debentures-Non Convertible Debentures - 2	2,280	CARE AA-'under credit watch' [Double A Minus] {Credit Watch}	
Short Term Instruments-Commercial Paper/ Short Term NCD	700	CARE A1+ 'under credit watch' [A One Plus] {Credit Watch}	
Total facilities	**12078.39**		

Rating Rationale

In October 2014, CARE had placed the ratings assigned to the bank facilities/instruments of JSW Energy Limited (JSWEL) on "credit watch" in view of the impending possible impact of the acquisition of two operational plants of Jaiprakash Power Venture Limited (JVPL) namely 300 MW Baspa-II Hydro Electric Plant and 1091 MW Karcham Wangtoo Hydro Electric Plant on the credit profile of the company.

JSWEL has entered into binding Memorandum of Understanding (MoU) with JPVL for 100% acquisition of the aforesaid plants. The acquisition of the aforementioned projects is proposed through Himachal Baspa Power Company Ltd. (HBPCL)

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

post the approval of the Scheme of Arrangement. JSWEL Limited proposes to acquire 100% stake in HBPCL, a wholly owned subsidiary of Jaiprakash Power Ventures Limited (JPVL) for a base Enterprise Valuation of Rs.9,700 crore subject to the approval of the honourable High Court of Himachal Pradesh.

As such, CARE would await further developments to unfold, to enable it to assess the situation. CARE would take the final view on the credit rating of JSWEL after evaluating the final magnitude of acquisition, more so with the emergence of clarity on funding pattern of the same.

The ratings continue to derive strength from the strong promoter group having considerable experience in setting up and operating thermal power plants, successful implementation of projects and stabilization of operations at its Vijaynagar and Ratnagiri plants, healthy cash and bank balance, revenue visibility to the extent of presence of power off-take agreements and power-deficit scenario in the country.

The ratings are, however constrained by fluctuating merchant tariffs, exposure of profitability to volatile imported coal prices and foreign exchange fluctuations, residual project implementation risk for the ongoing projects and contingent liability on account of corporate guarantee extended to lenders of its subsidiaries to the extent of Rs.624.22 crore as at March 31, 2014.

The company's ability to obtain envisaged realization on merchant sales, maintain profitability amid volatility in imported coal prices and fluctuation in foreign exchange, manage its capital structure in the backdrop of the proposed acquisition of JVPL assets are key rating sensitivities.

Background

Incorporated in 1994, JSWEL is a part of the JSW group headed by Mr. Sajjan Jindal. The JSW group has presence in various sectors, such as steel, power, cement, infrastructure, etc. JSWEL is the holding company for the JSW group's power business having operational capacity of 3,140 Mega-Watts (MW, consolidated) as of March 31, 2014. The company also provides operation & maintenance services for power plants of the group companies and project management services for the power plants being set up by the group.

On an operating income of Rs.5977.34 crore, JSWEL posted PAT of Rs.602.48 crore in FY14 (refers to April 1 to March 31).

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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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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