MARCH 15, 2016

CARE REMOVES CREDIT WATCH AND REAFFIRMS THE RATINGS ON VARIOUS BANK FACILITIES AND DEBT INSTRUMENTS OF JSW ENERGY LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	1883.94 [Reduced from Rs2971.39 crore]	**CARE AA- [Double A Minus]**	Reaffirmed and credit watch removed
Short term Bank Facilities	5677 [enhanced from Rs 4327 crore]	**CARE A1+ [A one plus]**	Reaffirmed and credit watch removed
Total Facilities	**7560.94 (Rupees seven thousand five hundred sixty crore and ninety four lakhs only)**		
Long term Non-Convertible Debenture -1	1200	**CARE AA- [Double A Minus]**	Reaffirmed and credit watch removed
Long term Non-Convertible Debenture -2	1680	**CARE AA- [Double A Minus]**	Reaffirmed and credit watch removed
Proposed Long term Non-Convertible Debenture	600	**CARE AA- [Double A Minus]**	Assigned
Commercial Paper Issue	700	**CARE A1+ [A one plus]**	Reaffirmed and credit watch removed

Rating Rationale

The ratings of JSWEL were put on credit watch in October 2014 following the announcement of the acquisition of two operational Hydro Electric Plants (HEPs) of Jaiprakash Power Venture Limited (JVPL) namely the 300 MW Baspa-II HEP and the 1091 MW Karcham Wangtoo HEP located in Himachal Pradesh due to uncertainty on funding pattern as well as extent of impact of the acquisition on the credit profile of JSWEL. The "credit watch" is removed following completion of the acquisition of these two HEPs by JSWEL in September 2015 and emergence of clarity on funding pattern and business profile of JSWEL post acquisition. An SPV - Himachal Baspa Power Company Ltd (HBPCL; rated CARE A) was taken over by JSWEL from JPVL. JSWEL holds 100% equity stake in HBPCL. CARE believes the acquisition of the HEPs, although largely debt-funded, has strengthened and diversified the power generation asset portfolio of JSWEL. The financial support provided by JSWEL is expected to be limited to the initial equity investment made in HBPCL as these HEP assets are having stable track record of performance and the operational cashflows therefrom would be sufficient to cover its debt obligations.

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

The ratings continue to derive strength from the promoter group and management 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, comfortable liquidity position, revenue visibility to the extent of presence of power off-take agreements and the continuing power-deficit scenario in the country.

The ratings are, however constrained by exposure to fluctuating merchant tariffs, as well as to volatile imported coal prices and foreign exchange fluctuations, and contingent liability on account of corporate guarantee extended to lenders of some of its subsidiaries.

The company's ability to obtain PPAs for the un-tied capacity, envisaged realization on merchant power sales, maintain profitability amid volatility in imported coal prices and fluctuation in foreign exchange and manage its capital structure and liquidity in the backdrop of its inorganic growth plans 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 3.1GW (consolidated) as of March 31, 2015. 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. Post the acquisition of JPVL's HEP assets in September 2015, the installed capacity of JSWEL has jumped to 4.5GW.

Analytical Approach: - While arriving at rating of JSWEL, CARE has taken a standalone approach since risk profile of other SPVs is different (vis a vis operational assets) at the standalone level and there is limited cash flow fungibility between group companies.

During FY15, JSWEL (Consolidated) reported total operating income of Rs.9527.4 crore and PAT of Rs.1377.1 crore as against total operating income of Rs.8802.2 crore and PAT of Rs.759.8 crore during FY14.

During FY15, JSWEL (Standalone) reported total operating income of Rs.6549.7 crore and PAT of Rs.994.6 crore as against total operating income of Rs.5977.3 crore and PAT of Rs.602.5 crore during FY14.

During 9MFY16, JSWEL (Consolidated) reported total operating income of Rs. 7287.5 crore and PAT of Rs.1090.1 crore as against total operating income of Rs. 7190.4 crore and PAT of Rs.1024.3 crore during 9MFY15.

During 9MFY15, JSWEL (Standalone) reported total operating income of Rs.4327.3 crore and PAT of Rs.674.4 crore as against total operating income of Rs.4911.9 crore and PAT of Rs.760.3 crore during 9MFY15.

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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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