DECEMBER 26, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND DEBT INSTRUMENTS OF JSW ENERGY LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	2915.73 (Enhanced from Rs.1883.94 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Short term Bank Facilities	4177.00	**CARE A1+ [A one plus]**	Reaffirmed
Total Facilities	**6732.73 (Rupees six thousand seven hundred thirty two crore and seventy three lakh only)**		
Long term Non-Convertible Debenture -1	960 (Reduced from Rs 1200 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Long term Non-Convertible Debenture -2	840 (Reduced from Rs 1680 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Reaffirmed
Proposed Long term Non-Convertible Debenture	1000 (Enhanced from Rs 600 crore)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	Assigned
Commercial Paper Issue	700	**CARE A1+ [A one plus]**	Reaffirmed

Rating Rationale

The ratings continue to derive strength from the promoter group and management having considerable experience in setting up and operating thermal power plants, presence of long term PPA (62% of consolidated capacity) thereby providing revenue visibility to the extent of power off-take agreements as well as steady operating assets (under Raj West Power Limited and Himachal Baspa Power Company Limited).

The ratings are, however constrained by exposure to merchant tariffs (which have remained soft for the last one year), as well as to volatile imported coal prices (which have increased substantially from Q2FY17) coupled with foreign exchange fluctuations.

The company's ability to obtain PPAs for the un-tied capacity (especially at Vijaynagar Power Plant), envisaged realization on merchant power sales as well as maintain profitability amid increase in imported coal prices along with fluctuation in foreign exchange are the key rating sensitivities. Also, the company's ability to manage its capital structure and liquidity in the backdrop of its inorganic growth plans will also remain crucial.

Outlook: Negative

CARE believes that JSWEL's financial profile is likely to deteriorate in the medium term on account of decline in profitability (at the standalone level) due to decline in merchant power rates, delay in signing of PPA in case of the Vijaynagar plant and higher imported coal prices. Moreover, the inorganic growth plans of the company would entail cash

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

outflow which may requiring additional borrowings. However, JSWEL's gearing levels (on standalone basis) is comfortable providing financial flexibility and is cushioned to some extent on account of steady operating and cash generating assets (Raj West Power Limited and Himachal Baspa Power Company Limited). Any success in entering into PPA for the offtake of power from its Vijaynagar Plant at remunerative rates and decline in imported coal prices would improve the financial profile of JSWEL.

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 4.5GW (consolidated) as of March 31, 2016. 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.

Analytical Approach: - JSWEL has operating power assets at the standalone level and also is the holding company for other operating power assets. Based on this, CARE has analysed both at the standalone and consolidated level

During FY16, JSWEL (Consolidated) reported total operating income of Rs.10049.8 crore and PAT of Rs.1446.2 crore as against total operating income of Rs. 9527.4 crore and PAT of Rs1377.1 crore during FY15.

During FY16, JSWEL (Standalone) reported total operating income of Rs.6112.5 crore and PAT of Rs.965.9 crore as against total operating income of Rs. 6549.7 crore and PAT of Rs. 994.6 crore during FY15.

During H1FY17, JSWEL (Consolidated) reported total operating income of Rs. 4497.1 crore and PAT of Rs.583.9 crore as against total operating income of Rs. 4594.8 crore and PAT of Rs.842.6 crore during H1FY16.

During H1FY17, JSWEL (Standalone) reported total operating income of Rs.2114.2 crore and PAT of Rs.216.8 crore as against total operating income of Rs.2699.1 crore and PAT of Rs.440.3 crore during H1FY16.

Analyst Contact
Name: Ms Sharmila Jain
Tel: 022-6754 3638
Mobile : - 9920369405
Email: sharmila.jain@careratings.com

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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