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CARE CONTINUES TO MAINTAIN "CREDIT WATCH" ON THE RATINGS ASSIGNED TO THE BANK FACILITIES, NCD AND CP PROGRAMME OF JSW ENERGY LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities – Term Loan	2971.39	**CARE AA- (Double A minus) {Credit Watch}**	**Continues on Credit Watch**
Short term Bank Facilities – NFB (LC/BG)	4327.00	**CARE A1+ (A One Plus) {Credit Watch}**	**Continues on Credit Watch**
Total Facilities	**7298.39 (Rupees seven thousand two hundred ninety eight crore and thirty nine lakhs only)**		
Long term Non-Convertible Debenture -1	1200[Reduced from Rs 1800 crores]	**CARE AA- (Double A minus) {Credit Watch}**	**Continues on Credit Watch**
Long term Non-Convertible Debenture -2	1680[Reduced from Rs 2280 crores]	**CARE AA- (Double A minus) {Credit Watch}**	**Continues on Credit Watch**
Commercial Paper Issue	700	**CARE A1+ (A One Plus) {Credit Watch}**	**Continues on Credit Watch**

Rating Rationale

In October 2014, CARE had placed the ratings assigned to the bank facilities/instruments of JSW Energy Limited (JSWEL) on "credit watch" following 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 due to uncertainty on funding pattern as well as extent of impact of the acquisition on the credit profile of JSWEL.

In September 2015, the company has completed the acquisition at an asset value of Rs 9275 crore. At the same time, JSWEL has entered into non-binding Memorandum of Understanding (MoU) with JPVL to acquire its operational Thermal power plant (500MW) at Bina, Madhya Pradesh. This is in addition to MoU signed recently with Monnet Ispat and Energy Limited (MIEL) and Monnet Power Company Limited (MPCL) for possible acquisition of their thermal power assets aggregating 1050MW. Due diligence is currently being carried out by JSWEL in both the cases before a decision is taken on the same.

Although clarity has emerged with regard to the acquisition of JPVL's HEP assets, the other possible acquisitions announced by JSWEL are sizeable and the uncertainty regarding their conclusion as well as impact on the operational and financial profile of JSWEL continues. As such the ratings continue to remain on "credit watch".

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 its subsidiaries.

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

The company's ability to obtain envisaged realization on merchant power sales, maintain profitability amid volatility in imported coal prices and fluctuation in foreign exchange, 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 asset, the installed capacity of JSWEL has jumped to 4.5GW.

During FY15, JSWEL 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.

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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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