JSW Energy Limited

October 05, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	3982.49 (Enhanced from Rs. 3711.29 crore)	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed; Outlook revised from Negative
Short term Bank Facilities	3597 (reduced from Rs 4652 crore)	**CARE A1+ [A one plus]**	Reaffirmed
Total Facilities	**7579.49 (Rupees seven thousand five hundred seventy nine crores and forty nine lakhs only)**		
Long term Non-Convertible Debenture -1	-	-	Withdrawn
Long term Non-Convertible Debenture -2	400 (Reduced from Rs 700 crore)	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed; Outlook revised from Negative
Long term Non-Convertible Debenture -3	1000	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed; Outlook revised from Negative
Proposed Long term Non-Convertible Debenture	500	**CARE AA-; Stable (Double A Minus; Outlook: Stable)**	Reaffirmed; Outlook revised from Negative
Commercial Paper Issue	700	**CARE A1+ [A one plus]**	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 power purchase agreements (PPA) upto ~75% of consolidated capacity thereby providing revenue visibility to the extent of power off-take agreements, steady cash flows from its operating assets (under Raj West Power Limited and JSW Hydro Energy Limited - erstwhile Himachal Baspa Power Company Limited) and improvement in capital structure of the company.

However, the ratings are tempered by exposure to merchant tariffs, volatility in imported coal prices coupled with foreign exchange fluctuations.

The company's ability to obtain PPAs for the medium/ long term for the un-tied capacity (especially at Vijaynagar Power Plant), envisaged realization on merchant power sales as well as ability to 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 through acquisition of stressed thermal power assets as well as diversification into un-related sector (electric vehicles) plans will also remain crucial.

CARE has withdrawn the rating assigned to the NCD issue -1 of JSW Energy Limited. with immediate effect, as the company/ has repaid the aforementioned NCD issue in full and there is no amount outstanding under the issue as on date

Outlook: Stable

The revision in outlook to stable factors in incremental tie-up of untied capacity through long term PPAs at the standalone level, and back-ended nature of company's capex in Electric Vehicles business.

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

Any delays in PPA tie up for residual capacity at Ratnagiri plant or a material deterioration in capital structure due to any large debt funded acquisition or front loaded capex in electric vehicles would remain as key rating sensitivity factors.

Detailed description of the key rating drivers
Key Rating Strengths
Presence of Long term and short term PPAs: JSWEL has historically operated its power plants and sold power through a combination of long/medium-term PPAs as well as on merchant basis. As on June 30, 2018, JSWEL had long term PPAs for 75% of its consolidated installed capacity while the balance is being sold on merchant basis.

Stable Operational performance: In FY18, the company clocked in stable operating performance at consolidated level with net generation at 21.8 BUs. Its two subsidiaries- Raj West power and JSW Hydro Energy clocked in healthy PLFs of 84% (Deemed) and 52% PLF.

Moderate capital structure : The consolidated overall gearing (including acceptances) which was 1.53 as on March 31, 2017 improved to 1.23x as on March 31, 2018. Also, being a part of a strong group (JSW), the company has a strong financial flexibility.

Experienced promoters in setting up and operating thermal power plants: JSWEL is the holding company for JSW group's power business and has around two decades of experience in the sector. As of March 31, 2018, JSW group's consolidated operational capacity stood at 4.5GW which includes 2.06GW of coal based capacity at standalone level, 1.08 GW of Lignite based capacity at Raj West Power Limited and ~1.3GW of hydro generation at JSW Hydro Energy Limited .

Key Rating Weaknesses
Exposure to Merchant tariffs: Presently, 25% of JSWEL's capacity is on short-term/ merchant basis. In the absence of PPAs (especially for Vijaynagar & Ratnagiri power plants), the company remains exposed to merchant tariffs which would impact profitability.

Increase in imported coal prices coupled with forex fluctuations: The company depends on imported coal (from Indonesia and South Africa) to fuel 2060 MW of its capacity. Imported coal prices have increased substantially from Q2FY17. Since the company enters into fix price contracts (only for short term PPAs), increase in coal prices with forex volatility impacts profitability.

Analytical approach: Consolidated

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Infrastructure Sector Ratings
Financial ratios – Non-Financial Sector
CARE's methodology for Power sector

About the Company
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, 2018. 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.

Brief Financials (Rs. crore) #	FY17 (A)	FY18 (A)
Total operating income	8424.5	8360.6
PBILDT	3485.5	3110.9
PAT	622.5	84.9
Overall gearing (times)	1.53	1.23
Interest coverage (times)	2.07	2.14

CARE adjusted

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-		1225.00	CARE AA-; Stable
Fund-based - LT-Term Loan			March 2025	2757.49	CARE AA-; Stable
Short term Bank Facilities	-	-	-	4652.00	CARE A1+
Debentures-Non Convertible Debentures -1	-	-	-	-	Withdrawn
Debentures-Non Convertible Debentures – 2 INE121E07098 INE121E07106 INE121E07114	20.07.2010, 30.07.2010, 16.08.2010	9.75%	Rs 80 crore on 20.07.2020 Rs 240 crore on 30.7.2020, and Rs 80 crore 16.08.2020	400.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – 3 (i) INE121E07320	30.12.2016	8.65%	Rs 100 crore on 30.12.2020, Rs 200 crore on 30.12.2021 and Rs 200 crore on 30.12.2022	500.00	CARE AA-; Stable
Debentures-Non Convertible Debentures – 3 (ii) INE121E07338	20-09-2017	8.40%	18.09.2020	500.00	CARE AA-; Stable
Proposed Debentures-Non Convertible Debentures	-	-	-	500.00	CARE AA-; Stable
Proposed Commercial Paper	-	-	-	700.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	2757.49	CARE AA-; Stable	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)
3.	Commercial Paper	ST	700.00	CARE A1+	-	1)CARE A1+ (08-Sep-17)	1)CARE A1+ (26-Dec-16)	1)CARE A1+ (15-Mar-16) 2)CARE A1+ (Under Credit Watch) (04-Nov-15)
4.	Non-fund-based - ST-BG/LC	ST	3597.00	CARE A1+	-	1)CARE A1+ (08-Sep-17)	1)CARE A1+ (26-Dec-16)	1)CARE A1+ (15-Mar-16) 2)CARE A1+ (Under Credit Watch) (04-Nov-15)
5.	Debentures-Non Convertible Debentures	LT	400.00	CARE AA-; Stable	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)
6.	Fund-based - LT-Cash Credit	LT	1225.00	CARE AA-; Stable	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)
7.	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (26-Dec-16)	1)CARE A1+ (15-Mar-16) 2)CARE A1+ (Under Credit Watch) (04-Nov-15)
8.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA-; Stable	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16)
9.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (16-Mar-17	-

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