

JSW Energy Limited

October 31, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	3582.49 (Reduced from Rs. 3982.49 crore)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	3997 (enhanced from Rs 3597 crore)	CARE A1+ [A one plus]	Reaffirmed
Total Facilities	7579.49 (Rupees seven thousand five hundred seventy nine crores and forty nine lakhs only)		

Other ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ²
Long term Non-Convertible Debenture -1	400	CARE AA-; Stable (Double A Minus; Outlook: Stable)
Long term Non-Convertible Debenture -2	1000	CARE AA-; Stable (Double A Minus; Outlook: Stable)
Proposed Long term Non-Convertible Debenture	500	CARE AA-; Stable (Double A Minus; Outlook: Stable)
Commercial Paper Issue	700	CARE A1+ [A one plus]

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.

Detailed description of the key rating drivers
Key Rating Strengths

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

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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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Term Loan	-	-	March 2025	2757.49	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	3997.00	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	825.00	CARE AA-; Stable

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-; Stable (05-Oct-18)	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)Withdrawn (05-Oct-18)	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+ (05-Oct-18)	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	3997.00	CARE A1+	1)CARE A1+ (05-Oct-18)	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-; Stable (05-Oct-18)	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	825.00	CARE AA-; Stable	1)CARE AA-; Stable (05-Oct-18)	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-; Stable (05-Oct-18)	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-; Stable (05-Oct-18)	1)CARE AA-; Negative (08-Sep-17)	1)CARE AA-; Negative (16-Mar-17)	-

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