JSW Energy

September 08, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	3711.29 (Enhanced from Rs. 1883.94 crore)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Reaffirmed
Short term Bank Facilities	4652 (enhanced from Rs 3817.00 crore)	CARE A1+ [A one plus]	Reaffirmed
Total Facilities	**8363.29 (Rupees eight thousand three hundred sixty three and twenty nine lakh only)**		
Long term Non-Convertible Debenture -1	720 (Reduced from Rs 960 crore)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Reaffirmed
Long term Non-Convertible Debenture -2	700 (Reduced from Rs 840 crore)	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Reaffirmed
Long term Non-Convertible Debenture -3*	1000	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Reaffirmed
Proposed Long term Non-Convertible Debenture	500	CARE AA-; Negative (Double A Minus; Outlook: Negative)	Reaffirmed
Commercial Paper Issue	700	CARE A1+ [A one plus]	Reaffirmed

** Rs 500 crore placed*

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 PPA (2/3rd 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 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 (declared acquisition of thermal assets) as well as diversification into un-related sector (electric vehicles) plans will also remain crucial.

<u>Outlook: Negative</u>

The outlook is negative as CARE believes that the company's financial profile is likely to remain stressed in the medium term on account of adverse impact on profitability due to continuing below par merchant power rates, delay in signing of long term PPA in case of the Vijaynagar plant and higher imported coal prices. The ability of JSWEL to tie up the PPA for the open capacities at remunerative rates coupled with ability to blend domestic cost (to reduced fuel cost) is the key

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

credit risk. Moreover, the inorganic growth plans of the company coupled with diversification into un-related business (electric vehicles) would entail cash outflow which may require additional borrowings.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced promoters in setting up and operating thermal power plants: Incorporated in 1994, JSWEL is the holding company for JSW group's power business. As of March 31, 2017, JSW group's consolidated operational capacity stood at 4.5GW.

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, 2017, JSWEL had long term PPAs for about 2/3rd capacity while the balance is being sold on merchant basis.

Key Rating Weaknesses
Exposure to Merchant tariffs: JSWEL's 1/3rd Capacity of its capacity on short-term/ merchant basis. In absence of PPA (especially for Vijaynagar & Ratnagiri power plants), the company remains exposed to soft 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 it capacity. Imported coal prices have increased substantially from Q2FY17. Since the company enters into fix price contracts (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, 2017. 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.

JSWEL – Consolidated

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	9925.1	8424.5
PBILDT	4129.4	3485.5
PAT	1460.3	622.5
Overall gearing (times)	1.72	1.53
Interest coverage (times)	2.76	2.07

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

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:

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
Long term Bank Facilities	-	-	June 2023	3711.29	CARE AA-; Negative
Short term Bank Facilities	-	-	-	4652.00	CARE A1+
Debentures-Non Convertible Debentures INE121E07270 INE121E07304 INE121E07312 INE121E07213 INE121E07288 INE121E07296	12.10.2010,	9.75%	Rs 120 crore each on 30.09.2020, 31.03.2022, 11.01.2022, 30.09.2017, 31.03.2021, 30.09.2021	720.00	CARE AA-; Negative
Debentures-Non Convertible Debentures INE121E07098 INE121E07196 INE121E07114	20.07.2010, 30.07.2010, 16.08.2010	9.75%	Rs 20 crore against INE121E07098 on 20-07-2017 20-01-2018 20-07-2018 20-01-2019 20-07-2019 20-01-2020 20-07-2020 , Rs 60 crore against INE121E07196 on 30-07-2017 30-01-2018 30-07-2018 30-01-2019 30-07-2019	700.00	CARE AA-; Negative

			30-01-2020 30-07-2020, Rs 20 crore against INE121E07114on 16-08-2017 16-02-2018 16-08-2018 16-02-2019 16-08-2019 16-02-2020 16-08-2020		
Debentures-Non Convertible Debentures INE121E07320	30.12.2016	8.65%	30.12. 2022	1000.00*	CARE AA-; Negative
Proposed Debentures-Non Convertible Debentures	-	-	-	500.00	CARE AA-; Negative
Proposed Commercial Paper	-	-	-	700.00	CARE A1+

Placed Rs 500 crore

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	2886.29	CARE AA-; Negative	-	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)	1)CARE AA- (Under Credit Watch) (19-Feb-15) 2)CARE AA- (Under Credit Watch) (27-Oct-14)
2.	Debentures-Non Convertible Debentures	LT	720.00	CARE AA-; Negative	-	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)	1)CARE AA- (Under Credit Watch) (19-Feb-15) 2)CARE AA- (Under Credit Watch) (27-Oct-14)
3.	Commercial Paper	ST	700.00	CARE A1+	-	1)CARE A1+ (26-Dec-16)	1)CARE A1+ (15-Mar-16) 2)CARE A1+ (Under Credit Watch) (04-Nov-15)	1)CARE A1+ (Under Credit Watch) (19-Feb-15) 2)CARE A1+ (Under Credit Watch) (27-Oct-14)
4.	Non-fund-based - ST-BG/LC	ST	4652.00	CARE A1+	-	1)CARE A1+ (26-Dec-16)	1)CARE A1+ (15-Mar-16) 2)CARE A1+	1)CARE A1+ (Under Credit

							(Under Credit Watch) (04-Nov-15)	Watch) (19-Feb-15) 2)CARE A1+ (Under Credit Watch) (27-Oct-14)
5.	Debentures-Non Convertible Debentures	LT	700.00	CARE AA-; Negative	-	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)	1)CARE AA- (Under Credit Watch) (19-Feb-15) 2)CARE AA- (Under Credit Watch) (27-Oct-14)
6.	Fund-based - LT-Cash Credit	LT	825.00	CARE AA-; Negative	-	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16) 2)CARE AA- (Under Credit Watch) (04-Nov-15)	1)CARE AA- (Under Credit Watch) (19-Feb-15) 2)CARE AA- (Under Credit Watch) (27-Oct-14)
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)	1)CARE A1+ (Under Credit Watch) (19-Feb-15) 2)CARE A1+ (Under Credit Watch) (27-Oct-14)
8.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA-; Negative	-	1)CARE AA-; Negative (26-Dec-16)	1)CARE AA- (15-Mar-16)	-
9.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Negative	-	1)CARE AA-; Negative (16-Mar-17)	-	-

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CIN - L67190MH1993PLC071691