

Jaypee Powergrid Limited
March 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	268.75 (reduced from 342.93)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total	268.75 (Rupees Two Hundred Sixty Eight Crore and Seventy Five Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of Jaypee Powergrid Limited (JPL) continues to derive comfort from low business risk due to the project being part of Inter State Transmission System (ISTS) wherein under Point of Connection (PoC) mechanism, billing, collection and disbursement are operated by Power Grid Corporation of India Limited (PGCIL, rated CARE AAA; Stable/CARE A1+), along with the determination of tariff on 'cost plus' principle, healthy operating performance and satisfactory payment receipt track record. The rating also factors into account the moderately comfortable financial risk profile coupled with full DSRA creation for 1 quarter comprising of interest and principal servicing. Furthermore, the rating continue to take into account the experience of the promoters in power industry.

The rating strengths, however, continues to be constrained by weak financial risk profile of Jaiprakash Power Ventures Ltd (holds 74% equity stake in JPL), regulatory risks and counter-party risk associated with the payments from the eventual end customers.

Key rating sensitivities**Negative Factors**

- Line availability below normative parameters on sustained basis.
- Significant delay in the receipt of payment from counter parties.
- Any adverse change in the regulatory environment of power transmission sector.

Detailed description of the key rating drivers**Key Rating Strengths**

Low business risk: The company's business model carries relatively low risk and provides steady cash flow generation as JPL's revenues are determined on cost plus basis considering post tax Return on Equity (ROE) of 15.5%, provided operating performance is as per normative parameters. Also, the company is entitled to incentives on achievement of availability above normative parameters. The project is part of PoC mechanism, wherein Power Grid Corporation of India Limited (PGCIL) is the collection agency for all ISTS projects. This benefits the project in terms of faster collection of dues and diversification of counter party credit risk as the risk of non-collection/delayed receipt of dues is being shared by all ISTS projects.

Satisfactory operating performance: JPL's project has an operational track record of approximately eight years now. The project has achieved line availability of 99.56% in 9MFY20 viz a viz 99.87% in 9MFY19. The line availability stood at 99.68% in FY19 as compared to 99.88% in FY18. Also, on account of line availability above normative parameters, the company is entitled to incentives (received Rs.6.98 crore in FY19).

Long experience and track record of the promoters: JPL is a 74% subsidiary of JPVL. Also, PGCIL holds 26% stake in JPL. Both the Jaypee group and PGCIL have extensive experience in the power sector, including execution and operation of various projects. PGCIL is the largest transmission utility of India and has been accorded the status of 'Maharatna' by Government of India (GoI),

Moderately comfortable financial risk profile: The company has filed the petition for true up of tariff for the tariff block 2014-2019 and for determination of tariff for the block period 2019-24 in October, 2019. However, as the final order for the tariff block 2019-2024 by CERC is awaited, JPL has recognised the tariff income for FY19 based on current available tariff order. The company has registered total operating income of Rs. 164.85 crore in FY19 (PY: 168.73 crore in FY18). The company has reported net profit of Rs.63.02 crore in FY19 (FY18: Rs.67.17 crore). The company's overall gearing ratio improved to 0.75x as on March 31, 2019 from 0.91x as on March 31, 2018 on the back of scheduled repayment of debt and accretion of profits to net worth. The interest coverage ratio improved to 4.08x as on March 31, 2019 as against 3.46x as on March 31, 2018 with reduced finance cost.

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

Key Rating Weaknesses

Weak financial risk profile of JPVL: Financial risk profile of JPVL is weak on account of deterioration in its financial performance and high debt levels leading to weakened liquidity position. This weakness may impact JPL adversely, should the need arise for further equity or any other financial support or upstreaming of cash flows.

Counterparty risk with payments and regulatory risk: The company is exposed to counter-party risk associated with the payments from the eventual end customers on account of weak financial profile of majority of the discoms. However, the company has been receiving majority of the payments regularly and benefits from the strong collection efficiency of PGCIL, which acts as an intermediary between JPL and discoms for collection of transmission charges. Furthermore, the company is dependent on actual tariff approved by the CERC for future years; and any shortfall in approved tariff could impact the profitability. The company is also exposed to the risk of any adverse regulatory changes in the future.

Liquidity: Adequate

The company has adequate liquidity profile backed by DSRA in place equivalent to one quarter of debt servicing covering interest and principal repayments. The company is expected to generate adequate cash accruals covering debt repayments for FY20. Further, the company has working capital limits of Rs. 25.00 crore, avg. utilization of which stood at around 27% for the trailing 12 months ended Jan 2020.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Power Transmission Projects](#)

[Rating Methodology – Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Jaypee Powergrid Ltd (JPL), a 74:26 joint venture (JV) company between Jaiprakash Power Ventures Ltd (JPVL, rated CARE D) and Power Grid Corporation of India Ltd (PGCIL, rated CARE AAA/CARE A1+), has set up a 224 km long 400 KV transmission line in Himachal Pradesh and Haryana. The project was commissioned on April 1, 2012. The project also includes a LILO (Loop In Loop Out) of 400 KV DC Baspa-Nathpa-Jhakri transmission line for which the COD was declared in June 2011. The transmission network of JPL was originally set up to provide evacuation of the power generated from Karcham Wangtoo hydro power project. However, later on, the project has been accorded status of Inter State Transmission System (ISTS) and can be used for the transmission of electricity from Karcham hydro project along with any future or existing projects in the area. Central Electricity Regulatory Commission (CERC) implemented the inter-state transmission charges and losses regulations in July 2011. Accordingly, PGCIL now functions as the central transmission utility (CTU) responsible for billing, collection and disbursement to all ISTS including JPL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	168.73	164.85
PBILDT	161.34	155.16
PAT	67.17	63.02
Overall gearing (times)	0.91	0.75
Interest coverage (times)	3.46	4.08

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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	-	-	Dec-2023	243.75	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE A-; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	243.75	CARE A-; Stable	-	1)CARE A-; Stable (26-Mar-19) 2)CARE A-; Stable (03-Apr-18)	1)CARE A-; Stable (10-Apr-17)	-
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE A-; Stable	-	1)CARE A-; Stable (26-Mar-19) 2)CARE A-; Stable (03-Apr-18)	1)CARE A-; Stable (10-Apr-17)	-

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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