

**Jaypee Powergrid Ltd**  
**March 26, 2019**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	342.93 (reduced from 404.99)	<b>CARE A-; Stable</b> [Single A Minus; Outlook: Stable]	Reaffirmed
<b>Total</b>	<b>342.93</b> <b>(Rs. Three hundred and forty Two crore and ninety-three lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Jaypee Powergrid Limited (JPL) continues to derive comfort from low business risk due to the integrated nature of the transmission system with the national grid along with the determination of tariff on 'cost plus' principle, efficient operating performance, satisfactory payment receipt track record and moderately comfortable financial risk profile coupled with full DSRA creation for 1 quarter of interest and principal servicing. Furthermore, the rating continues to derive comfort from the experience of the promoters.

The rating, however, is 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.

Going forward, the ability of JPL to maintain the operating parameters and timely receipt of payments shall be key rating sensitivities.

**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 stipulated level. Also, the company is entitled to incentives on achievement of availability above normative rates.

**Satisfactory operating performance:** JPL's project with an operational track record of approximately seven years now, achieved availability of 99.87% in 9MFY19, 99.88% in FY18 as compared to 99.95% in FY17. Also, on account of higher efficiency, the company is entitled to incentives (received Rs.6.72 crore in 9MFY19, Rs.8.33 crore in FY18 and Rs.8.81 crore in FY17).

**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.

**Moderately comfortable financial risk profile:** The company has filed a petition for determination of tariff for the block period 2014-19 in September, 2017. However, as the final order for the same by CERC is awaited, JPL has adjusted tariff income for FY18 and H1FY19 in-line with currently applicable tariff. The company reported net profit of Rs.67.17 crore (FY17: Rs.49.87 crore) on total operating income of Rs.168.73 crore (FY17: Rs 175.02 crore) during FY18 and net profit of Rs.47.67 crore on total operating income of Rs.122.91 core during 9MFY19. The company's overall gearing and interest coverage ratio improved to 0.91x and 3.46x respectively as on March 31, 2018 as against 1.19x and 3.10x as on March 31, 2017 with gradual repayment of debt.

Further, JPL has created full amount of DSRA of 3 ensuing months of debt servicing amounting to Rs.27 cr as on Feb 28, 2019 (PY: Rs.13 crore as on February 28, 2018).

**Key Rating Weaknesses**

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**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.

**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 regulatory changes in the future.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Rating Methodology - Infrastructure Sector](#)

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

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

#### 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)	FY17 (A)	FY18 (A)
Total operating income	175.02	168.73
PBILDT	167.55	161.34
PAT	49.87	67.17
Overall gearing (times)	1.19	0.91
Interest coverage (times)	3.10	3.46

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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### Analyst Contact:

Name: Nitesh Ranjan

Tel: +91-11-45333239

Mobile: 9654107900

Email: [nitesh.ranjan@careratings.com](mailto:nitesh.ranjan@careratings.com)

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#### About CARE Ratings:

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### 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-23	317.93	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 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	317.93	CARE A-; Stable	1)CARE A-; Stable (03-Apr-18)	1)CARE A-; Stable (10-Apr-17)	-	1)CARE A- (21-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE A-; Stable	1)CARE A-; Stable (03-Apr-18)	1)CARE A-; Stable (10-Apr-17)	-	1)CARE A- (21-Mar-16)

**CONTACT****Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

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