# KSK Energy Ventures Limited

March 6, 2017

**Ratings**

| **Facilities** | **Amount (Rs. crore)** | **Rating[1]** | **Rating Action** |
|---|---|---|---|
| Long-term Bank Facilities | 100 | **CARE D (Single D)** | Revised from CARE BBB- (Triple B Minus) |
| Short-term Bank Facilities | 230 | **CARE D (Single D)** | Revised from CARE A3 (A Three) |
| Long-term/Short-term Bank Facilities | 500 | **CARE D/CARE D (Single D/Single D)** | Revised from CARE BBB-/CARE A3 (Triple B Minus/ A Three) |
| **Total** | **830 (Rupees Eight Hundred Thirty crore only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The revision in the ratings assigned to the bank facilities of KSK Energy Ventures Limited (KEVL) takes into consideration delays in servicing of debt obligations by the company due to its stretched liquidity position with delay in implementation of major thermal power project undertaken at subsidiary level and weak operational and financial performance at consolidated level.*

**Detailed description of the key rating drivers**

**Key Rating Weaknesses**

***Subdued operational & financial performance of power generating units of the KSK group, resulting in stretched liquidity position***

KEVL is the holding company for all the power SPVs of the KSK group and hence the financial performance of KEVL is mainly dependent on the performance of major power generating units of its SPVs. During FY16 (refers to the period April 01 to March 31), the majority of operational SPVs have been facing operational issues resulting in low PLF level reported (average PLF of the group at 57%, ranging from 20% to 90% across the various SPVs). Consequently, KEVL reported net loss (Rs.492.87 crore) and cash loss (Rs.99.26 crore) in FY16, at consolidated level. This apart, the cashflow has been strained due to significant cost and time overrun in execution of under construction 2400 MW mega power project under KSK Mahanadi Power Company Ltd (out of 3600 MW). Consequently, there has been delays in debt servicing.

**Key Rating Strengths**

**Experienced promoter group with continued financial support**

KSK group, promoted by Mr K. A. Sastry and Mr S. Kishore, has been engaged in the business of power generation for more than two decades and has set up a large number of renewable and non-renewable power projects across India. The promoters have been actively involved in the day-to-day business with Mr Sastry heading the operations and execution divisions and Mr Kishore taking care of the business development and capital formation segment of the group. The promoters have been infusing funds continuously to support the business operation.

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

**Analytical approach**

KEVL operates through its subsidiaries which are majorly operating SPVs and hence the financial risk profile of the company is derived from that of the subsidiaries. Given the strong linkage as parent-subsidiaries, the overall financial profile of KEVL and its subsidiaries have been considered for analysis purpose.

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[CARE's methodology for Manufacturing Companies]
[Financial ratios – Non-Financial Sector]
[Factoring Linkages in Ratings]

**About the Company**

Incorporated in 2001, KSK Energy Ventures Limited (KEVL), the step-up holding company of power projects being developed by the KSK group, is engaged in developing, operating and maintaining power projects. The company also provides project management services to various group Special Purpose Vehicles (SPVs)/companies setting up power plants. It currently supplies power through its SPVs to a combination of industrial and state-owned consumers in India. As on December 31, 2016, the company had six operational power plants (under subsidiaries) along with two units (600MW X 2) of KSK Mahanadi Power Company Limited (KMPCL) with total installed capacity of 2071.95 MW [Coal-based 1869 MW, gas-based 57.95 MW, lignite-based 135 MW and solar power 10 MW]. KMPCL is engaged in developing a relatively large size thermal power plant of capacity 3600 MW of which 1200 MW has become operational and 2400 MW is under construction.

During FY16, KEVL reported PBILDT of Rs.40.54 crore (FY15: Rs.39.89 crore) and net loss of Rs.55.65 crore (FY15: Rs.5.87 crore) on a total operating income of Rs.57.56 crore (FY15: Rs.56.21 crore)

On a consolidated basis, during FY16, KEVL reported PBILDT of Rs.1650.25 crore (FY15: Rs.525.73 crore) and and net loss of Rs.493.87 crore (FY15: Rs.369.53 crore) on a total operating income of Rs.4,418.48 crore (FY15: Rs.2,415.01 crore).

**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 |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 100.00 | CARE D |
| Non-fund-based - LT/ ST-BG/LC | - | - | - | 300.00 | CARE D / CARE D |
| Non-fund-based - LT/ ST-Bank Guarantees | - | - | - | 200.00 | CARE D / CARE D |
| Non-fund-based - ST-BG/LC | - | - | - | 100.00 | CARE D |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 130.00 | CARE D |

**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 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund-based - LT-Cash Credit | LT | 100.00 | CARE D | - | 1)CARE BBB- (08-Mar-16) | 1)CARE BBB- (05-Jan-15) | 1)CARE BBB- (08-Jan-14) |
| 2. | Non-fund-based - LT/ ST-BG/LC | LT/ST | 300.00 | CARE D / CARE D | - | 1)CARE BBB- / CARE A3 (08-Mar-16) | 1)CARE BBB- / CARE A3 (05-Jan-15) | 1)CARE BBB- / CARE A3 (08-Jan-14) |
| 3. | Non-fund-based - LT/ ST-Bank Guarantees | LT/ST | 200.00 | CARE D / CARE D | - | 1)CARE BBB- / CARE A3 (08-Mar-16) | 1)CARE BBB- / CARE A3 (05-Jan-15) | 1)CARE BBB- / CARE A3 (08-Jan-14) |
| 4. | Non-fund-based - ST-BG/LC | ST | 100.00 | CARE D | - | 1)CARE A3 (08-Mar-16) | 1)CARE A3 (05-Jan-15) | 1)CARE A3 (08-Jan-14) |
| 5. | Non-fund-based - ST-Bank Guarantees | ST | 130.00 | CARE D | - | 1)CARE A3 (08-Mar-16) | 1)CARE A3 (05-Jan-15) | 1)CARE A3 (08-Jan-14) |

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