

KSK Energy Ventures Limited

March 26, 2018

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	100.00	CARE D; ISSUER NOT COOPERATING* [Single D; ISSUER NOT COOPERATING]	Issuer not cooperating; Based on best available information
Short-term Bank Facilities	230.00	CARE D; ISSUER NOT COOPERATING* [Single D; ISSUER NOT COOPERATING]	Issuer not cooperating; Based on best available information
Long-term/Short-term Bank Facilities	500.00	CARE D; ISSUER NOT COOPERATING* [Single D; ISSUER NOT COOPERATING]	Issuer not cooperating; Based on best available information
Total	830.00 (Rupees Eight hundred and Thirty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking for information from KSK Energy Ventures Limited to monitor the ratings vide-mail communications and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on KSK Energy Ventures Limited (KEVL) bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

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

Detailed description of the key rating drivers

At the time of last rating on March 06, 2017 the following were the rating strengths and weaknesses:
(Financial Statements for FY17 provided by the company)

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 FY17, the majority of operational SPVs have been facing operational issues resulting in low PLF level reported. Consequently, KEVL reported net loss (Rs.699.62 crore) and cash loss (Rs.152.67 crore) in FY17, at consolidated level. This apart, the cash flow 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

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

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.

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

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology – Factoring Linkages in Ratings](#)
[Rating Methodology - Infrastructure Sector Ratings \(ISR\)](#)
[Financial ratios – Non-Financial Sector](#)
[Sector specific methodologies- Power](#)

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 1869MW, gas based 57.95 MW, lignite based 135MW and solar power 10MW]. 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.

Brief Financials (Rs. crore) – Consolidated	FY16 (A)	FY17 (A)
Total operating income	4400.22	4091.36
PBILDT	1662.70	1431.84
PAT	-433.98	-699.62
Overall gearing (times)	6.18	9.26
Interest coverage (times)	0.97	0.65

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 nearly 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 corporate 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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 factor.

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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ST-BG/LC	-	-	-	300.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	200.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	100.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	130.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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-Cash Credit	LT	100.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (06-Mar-17)	1)CARE BBB- (08-Mar-16)	1)CARE BBB- (05-Jan-15)
2.	Non-fund-based - LT/ST-BG/LC	LT/ST	300.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D / CARE D (06-Mar-17)	1)CARE BBB- / CARE A3 (08-Mar-16)	1)CARE BBB- / CARE A3 (05-Jan-15)
3.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	200.00	CARE D / CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D / CARE D (06-Mar-17)	1)CARE BBB- / CARE A3 (08-Mar-16)	1)CARE BBB- / CARE A3 (05-Jan-15)
4.	Non-fund-based - ST-BG/LC	ST	100.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (06-Mar-17)	1)CARE A3 (08-Mar-16)	1)CARE A3 (05-Jan-15)
5.	Non-fund-based - ST-Bank Guarantees	ST	130.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (06-Mar-17)	1)CARE A3 (08-Mar-16)	1)CARE A3 (05-Jan-15)

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