

KSK Energy Ventures Limited

July 02, 2019

Ratings:

| 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 / CARE D; ISSUER NOT COOPERATING* [Single D/ 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 had, vide its press release dated March 26, 2018, placed the rating(s) of KSK Energy Ventures Limited (KEVL) under the 'issuer non-cooperating' category as KEVL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. KEVL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated May 20, 2019 & June 18, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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 takes into account the 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 26, 2018 the following were the rating strengths and weaknesses:

(Updated information taken from Bombay Stock Exchange (BSE) as the company is listed)

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 FY19, the majority of operational SPVs have been facing operational issues due to low PLF level. Consequently, KEVL reported net loss of Rs.360.29 crore and cash loss of Rs.325.55 crore in FY19, 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 have 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

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

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. The subsidiaries considered in the consolidated financials are as follows-

1. Global Coal Sourcing PLC
2. KSK Wind Energy Private Power Limited
3. KSK Surya Photovoltaic Power Venture Limited
4. KSK Dibbin Hydro Power Power Private Limited
5. Kameng Dam Hydro Power Power Limited
6. KSK Upper Subansiri Hydro Power Energy Limited
7. KSK Jameri Hydro Power Power Private Limited
8. KSK Dinchang Power Company Power Private Limited
9. J R Power Gen Private Power Limited
10. KSK Wind Power Aminabhavi Power Chikodi Private Limited
11. Tila Karnali Hydro Electric Power Company Private Limited
12. Bheri Hydro Power Company Power Private Limited
13. KSK Electricity Financing Investment India Private Limited
14. KSK Wind Energy Halagali Power Benchi Private generation Limited
15. KSK Wind Energy Mothalli Power Haveri Private Limited
16. KSK Wind Power Sankonahatti Power Athni Private Limited
17. Sai Lilagar Power Generation Power Limited
18. Sai Maithili Power Company Power Private Limited

Applicable Criteria:

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

About the Company

Incorporated in 2001, KSK Energy Ventures Limited (KEVL) is engaged in developing, operating and maintaining power projects. KEVL is the holding company of power projects being developed by the KSK group under KSK Electricity Financing India Private Limited (KEFIPL). The company also provides project management services to various group Special Purpose Vehicles (SPVs)/companies setting up power plants. The company has total installed power capacity of 2071.95 MW [Coal based 1869 MW, Gas based 57.95 MW, Lignite based 135MW and Solar power 10 MW] and has been involved in the construction of coal based power of 1800 MW (600MW X 3) under KSK Mahanadi Power Company Ltd.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|------------|----------|
| Total operating income | 3227.04 | 216.23 |
| PBILDT | 922.29 | (203.61) |
| PAT | (1,712.97) | (360.29) |
| Overall gearing (times) | 2.55 | 4.09 |
| Interest coverage (times) | 0.42 | NM |

A: Audited; NM: Not Meaningful

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

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-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 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-Cash Credit | LT | 100.00 | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information | - | - | 1)CARE D; ISSUER NOT COOPERATING* (26-Mar-18) | 1)CARE D (06-Mar-17) |
| 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; ISSUER NOT COOPERATING* (26-Mar-18) | 1)CARE D / CARE D (06-Mar-17) |
| 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; ISSUER NOT COOPERATING* (26-Mar-18) | 1)CARE D / CARE D (06-Mar-17) |
| 4. | Non-fund-based - ST-BG/LC | ST | 100.00 | CARE D; ISSUER NOT COOPERATING* Issuer not | - | - | 1)CARE D; ISSUER NOT COOPERATING* (26-Mar-18) | 1)CARE D (06-Mar-17) |

| 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 |
| | | | | cooperating; Based on best available information | | | | |
| 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; ISSUER NOT COOPERATING* (26-Mar-18) | 1)CARE D (06-Mar-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.

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Group Head Name: Ms. Puja Jalan

Group Head Contact no.: +91-40-6793 7400

Group Head Email ID: Puja.jalan@careratings.com

Business Development Contact

Name: Mr. Ramesh Bob

Contact no. : +91-40-6793 7400

Email ID: ramesh.bob@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.

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 factors.

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