

Press Release

Jaiprakash Power Ventures Limited

March 31, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 5,600.00 crore*
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 5,600.00 crore bank facilities of Jaiprakash Power Ventures Limited (JPVL). The outlook is '**Stable**'.

Rationale for ratings assigned

The ratings assigned derive comfort from successful implementation of Strategic Debt Restructuring (SDR), extensive experience of management, completed status of projects, presence of off-take agreement for entire capacity of Vishnuprayag hydro-electric project (VHEP), availability of coal covering majority of fuel requirement through captive mine as well as fuel supply agreement (FSA)/ linkages and improvement in financial risk profile as well as liquidity position post-restructuring. Further, the rating draws comfort from the cash flows generated from the sale proceeds of JPVL's stake in Jaypee Powergrid Limited (JPL) amounting to Rs. 351.65 crore. JPL is a 74: 26 joint venture between JPVL and Power Grid Corporation of India Limited (PGCIL) set up with an aim to evacuate power from Karcham-Wangtoo project. The entire amount of sale proceeds is applied to make the repayments of the outstanding debt. This will also cover the 10 per cent debt required to be repaid for the upgradation of account to "Standard" as per RBI guidelines along with significant pre-payment of the debt for a period of more than four quarters spanning through FY2022.

These rating strengths are partially offset by counterparty credit risk as discoms are at present facing liquidity constraints and moderately efficient operations of the company due to high variable cost of power generation and inadequate off-take agreement for Bina Thermal Power Plant (BTPP), thereby resulting in lower PLF.

The rating also takes into account that JPVL has extended corporate guarantee to its promoter company Jaiprakash Associates Limited (JAL) for USD 1,500 lacs of loans granted by lenders to JAL. The principal amount of loan outstanding has been converted into rupee term loan by State Bank of India. The said guarantee is unlikely to be invoked by the lenders and is expected to be released in the ongoing resolution plan of JAL. Therefore, Acuité believes that there will be no material impact of any adverse development in JAL on the financial risk profile of JPVL.

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of JPVL to arrive at this rating.

About the Company

JPVL was incorporated in the year 1994 as a part of "Jaypee Group" and is promoted by Jaiprakash Associates Limited (JAL). It is listed on NSE and BSE since 2005. The company is engaged in the generation of power through a 400 MW hydro power project- Vishnuprayag in Uttarakhand and two thermal power projects located in Madhya Pradesh viz. 1,320 MW Nigrie thermal power

plant and 500 MW Bina thermal power plant. Further, JPVL has a coal mine at Amelia, Madhya Pradesh and a cement grinding unit adjacent to its Nigrie power plant.

Jaypee group is a diversified business conglomerate with varied business interests in sectors such as infrastructure, real estate, cement, power, healthcare and sports, to name a few and the operations of the group are led by Mr. Manoj Gaur.

Key Rating Drivers

Strengths

- **Established track record of operations with completed status of projects and steady business risk profile**

Incorporated in the year 1994, JPVL has vintage of more than two decades and forms part of Jaypee Group. JPVL operates a 400 MW hydro power project- Vishnuprayag in Uttarakhand and two thermal power projects located in Madhya Pradesh viz. 1,320 MW Nigrie thermal power plant and 500 MW of Bina thermal power plant. All the plants are fully operational and the required approvals, as well as agreements, are in place leading to zero project execution risk.

The operational performance of Vishnuprayag HEP and Nigrie STPP have remained healthy in the past. Vishnuprayag HEP has off-take agreement for its entire capacity and has maintained a PLF of ~69 per cent. Nigrie STPP has PPAs for 37.50 per cent of its capacity and it sells a significant amount of its generated power by way of medium-term PPAs. Despite having lower tied up capacity against long-term PPA, Nigrie STPP has been able to maintain a PLF of around 70 per cent during 10MFY2021, on account of higher scheduling and healthy sales in merchant market.

Healthy performance of these two projects are partially offset by weaker performance of Bina TPP marked by PLF of 32 per cent during 10MFY2021. Due to higher cost of transportation on account of distant location of plant from the mines, the plant remains unfavorable for off-take by Madhya Pradesh Power Management Company Limited (MPPMCL), thereby resulting in lower PLF despite having a PPA for 70 per cent of the capacity.

However, all the three plants have maintained higher than normative availability of plants ensuring full recovery of fixed capacity charges.

Acuité believes that the sustainability of generating higher margins on merchant sales and JPVL's ability to get new PPAs at feasible tariff would remain key rating sensitivities.

- **Low fuel supply risk**

JPVL has a captive coal mine- Amelia (North), Madhya Pradesh which the company has won mine by way of reverse bidding of Rs. 712/ tonne. The mine caters to the fuel requirement of Nigrie TPP to the extent of its annual drawing capacity i.e. 2.8 MTPA of the total fuel requirement of 5.70 MTPA. Balance fuel requirement is met through e-auctions.

For Bina TPP, JPVL has signed fuel supply agreement with South Eastern Coalfields Limited and Central Coalfields Limited (subsidiaries of Coal India Limited) with an annual contracted quantity (ACQ) of 1.52 MTPA, which covers around 70 per cent portion of the total fuel requirement for the plant, resulting in lower reliance on e-auctioned/ imported coal.

- **Improved financial position of the company post-restructuring**

JPVL achieved successful implementation of resolution plan for its outstanding debt in March 2020 with the consortia, enabling the company to ward-off challenges of stressed financial position while at the same time achieving a substantial reduction in the humungous amount of external debts from Rs. 11,149.48 crore prior to effectuation of resolution to Rs. 5,595.91 crore as on December 31, 2020. The amount of unsustainable debt was converted into Cumulative Compulsorily Convertible Preference Shares (CCPS) amounting to Rs. 3,805.53 crore. The company has also issued Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 34.52 crore to a couple of the lenders.

Post-restructuring, the gearing levels of JPVL stood healthy at 0.58 times and total outside liabilities

to total net worth (TOL/TNW) of 0.71 times as on March 31, 2020. In addition to this, JPVL maintains a DSRA equivalent to one quarter of debt obligations in the form of cash amounting to ~Rs. 202 crore built as a part of resolution.

Furthermore, Acuité derives comfort from cash flows generated from the sale of JPVL's stake in JPL as the entire amount has been used to pay-off its debt obligations, covering 10 per cent of the debt required to be repaid for the upgradation of account to "Standard" as per RBI guidelines along with significant pre-payment of the debt for a period of more than four quarters spanning through FY2022. This pre-payment of debt will provide company with sufficient time to generate cash accruals and stabilize its operations. JPVL's future plans to raise funds through sale of its other non-core assets will remain a key monitorable. Cash accruals are expected to remain sufficient to service debt obligations on account of expected improvement in the profitability in FY2021.

Further, JPVL has planned capital expenditure of around Rs. 1,195 crore for the installation of FGD systems as required by the government norms for emission to be funded through cash accruals as well as long-term debt to be disbursed over the medium term. Therefore Acuité expects slight moderation in the leverage levels of JPVL on disbursement of the abovementioned debt, however it will continue to remain healthy.

Weaknesses

• Limited PPA tie-ups

JPVL has long-term PPA tie-ups for only 56.08 per cent of its capacity i.e. for 1,245 MW against total capacity of 2,200 MW leading to constrained operational performance. Long-term PPA ensures stable cash accruals position in the company, while Nigrie TPP has long-term PPA for only 37.50 per cent of its total capacity. This risk is to an extent mitigated by lower fuel costs of the company due to presence of captive coal mine and hence the company has been able to generate higher revenues through merchant sales on higher margins.

• Counterparty risk

The Company is dealing with State discoms- UPPCL and MPPMCL, which exposes it to high counterparty risk. Both the counterparties have weak credit risk profile. The risk is mitigated to an extent on account of track record of regular realisation of receivables leading to comfortable debtors' position at Rs. 488 crore (78 days) as on December 31, 2020 as against Rs. 362.12 crore (40 days) as on March 31, 2020. This deterioration is on account of covid-19 and its impact on the ability of discoms to make timely payments to the gencos. Any adverse movement in the financial profile, as well as liquidity position of UPPCL and MPPMCL, could lead to delay in realisation of receivables.

Rating Sensitivity

Positive

- Ability to enter into new PPAs
- Timely servicing of debt obligations
- Timely realisation of dues from the counterparties

Negative

- Non-release or any invocation of corporate guarantee extended to JAL, resulting in financial adversities for JPVL
- Significant stretch in the receivables

Material Covenants

None

Liquidity: Adequate

JPVL has adequate liquidity profile marked by successful implementation of SDR, presence of DSRA equivalent to one quarter of debt service obligations and inflows from recent sale transaction with PGCIL. The company is utilizing its fund-based working capital limits to the extent of ~85 per cent over the last twelve months ending February 2021. JPVL sold its stake in JPL to PGCIL and realised payment for the transaction on March 25, 2021. This amount of Rs. 351.65 crore been entirely used to repay its debt obligations and a significant amount equivalent to more than 4 quarters of repayment obligations spanning through FY2022 have been paid in advance. This will lend company enough time to generate sufficient cash flows. Further, one of the clauses in the PPAs allows the company to recover capacity charges if the company is able to maintain the normative availability along with recovery of incentives for maintaining higher than normative availability, thereby ensuring continuous generation of cash from operations. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of expected sustenance of business profile and absence of any significant debt service obligations over the next twelve month due to before-mentioned pre-payment.

Outlook: Stable

Acuité believes that JPVL will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to extensive experience of management, sustained business prospects, improved liquidity position and low fuel supply risk. The outlook may be revised to 'Positive' in case the company registers higher-than-expected improvement in its business risk profile and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or delay in realisation of receivables or lending any significant support to group companies.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	3,283.65	3,732.40
PAT	Rs. Cr.	(3,504.63)	(377.88)
PAT Margin	(%)	(106.73)	(10.12)
Total Debt/Tangible Net Worth	Times	0.58	1.27
PBDIT/Interest	Times	(2.39)	0.96

Status of non-cooperation with other CRA

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Not applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan-I (NTPP)	May 2016	9.50	March 2035	524.97	ACUITE BBB-/ Stable (Assigned)
Term Loan-II (NTPP)	May 2016	9.50	March 2035	205.83	ACUITE BBB-/ Stable (Assigned)
Term Loan-III (NTPP)	May 2016	9.50	March 2035	147.34	ACUITE BBB-/ Stable (Assigned)
Term Loan-IV (NTPP)	May 2016	9.50	March 2035	212.78	ACUITE BBB-/ Stable (Assigned)
Term Loan-V (NTPP)	May 2016	9.50	March 2035	166.45	ACUITE BBB-/ Stable (Assigned)
Term Loan-VI (NTPP)	May 2016	9.50	March 2035	164.32	ACUITE BBB-/ Stable (Assigned)
Term Loan-VII (NTPP)	May 2016	9.50	March 2035	81.78	ACUITE BBB-/ Stable (Assigned)
Term Loan-VIII (NTPP)	May 2016	9.50	March 2035	78.73	ACUITE BBB-/ Stable (Assigned)
Term Loan-IX (NTPP)	May 2016	9.50	March 2035	100.35	ACUITE BBB-/ Stable (Assigned)
Term Loan-X (NTPP)	May 2016	9.50	March 2035	96.66	ACUITE BBB-/ Stable (Assigned)
Term Loan-XI (NTPP)	May 2016	9.50	March 2035	89.78	ACUITE BBB-/ Stable (Assigned)
Term Loan-XII (NTPP)	May 2016	9.50	March 2035	83.50	ACUITE BBB-/ Stable (Assigned)
Term Loan-XIII (NTPP)	May 2016	9.50	March 2035	82.44	ACUITE BBB-/ Stable (Assigned)
Term Loan-XIV (NTPP)	May 2016	9.50	March 2035	78.57	ACUITE BBB-/ Stable (Assigned)
Term Loan-XV (NTPP)	May 2016	9.50	March 2035	55.72	ACUITE BBB-/ Stable (Assigned)

Term Loan-XVI (NTPP)	May 2016	9.50	March 2035	40.23	ACUITE BBB-/ Stable (Assigned)
Term Loan-I (BTPP)	November 2009	9.50	June 2033	53.81	ACUITE BBB-/ Stable (Assigned)
Term Loan-II (BTPP)	November 2009	9.50	June 2033	148.34	ACUITE BBB-/ Stable (Assigned)
Term Loan-III (BTPP)	November 2009	9.50	June 2033	274.68	ACUITE BBB-/ Stable (Assigned)
Term Loan-IV (BTPP)	November 2009	9.50	June 2033	231.01	ACUITE BBB-/ Stable (Assigned)
Term Loan-V (BTPP)	November 2009	9.50	June 2033	278.75	ACUITE BBB-/ Stable (Assigned)
Term Loan-VI (BTPP)	November 2009	9.50	June 2033	75.18	ACUITE BBB-/ Stable (Assigned)
Term Loan-VII (BTPP)	November 2009	9.50	June 2033	47.78	ACUITE BBB-/ Stable (Assigned)
Term Loan-VIII (BTPP)	November 2009	9.50	June 2033	103.34	ACUITE BBB-/ Stable (Assigned)
Term Loan-IX (BTPP)	November 2009	9.50	June 2033	55.86	ACUITE BBB-/ Stable (Assigned)
Term Loan-I (VHEP)	June 2009	9.50	December 2031	555.17	ACUITE BBB-/ Stable (Assigned)
Term Loan-II (VHEP)	June 2009	9.50	December 2031	14.12	ACUITE BBB-/ Stable (Assigned)
Term Loan-III (VHEP)	June 2009	9.50	December 2031	31.72	ACUITE BBB-/ Stable (Assigned)
Term Loan-IV (VHEP)	June 2009	9.50	December 2031	23.43	ACUITE BBB-/ Stable (Assigned)
Term Loan-V (VHEP)	June 2009	9.50	December 2031	26.01	ACUITE BBB-/ Stable (Assigned)
Term Loan (JNCGU)	Not available	9.50	December 2031	43.52	ACUITE BBB-/ Stable (Assigned)
Corporate Term Loan-I	June 2013	9.50	December 2031	677.36	ACUITE BBB-/ Stable (Assigned)

Corporate Term Loan-II	September 2012	9.50	December 2031	32.30	ACUITE BBB-/ Stable (Assigned)
Corporate Term Loan-III	April 2013	9.50	December 2031	94.60	ACUITE BBB-/ Stable (Assigned)
Cash Credit (NTPP)	Not applicable	Not applicable	Not applicable	226.35	ACUITE BBB-/ Stable (Assigned)
Cash Credit (NTPP)	Not applicable	Not applicable	Not applicable	62.48	ACUITE BBB-/ Stable (Assigned)
Cash Credit (NTPP)	Not applicable	Not applicable	Not applicable	37.16	ACUITE BBB-/ Stable (Assigned)
Cash Credit (BTPP)	Not applicable	Not applicable	Not applicable	15.66	ACUITE BBB-/ Stable (Assigned)
Cash Credit (BTPP)	Not applicable	Not applicable	Not applicable	34.15	ACUITE BBB-/ Stable (Assigned)
Cash Credit (BTPP)	Not applicable	Not applicable	Not applicable	113.68	ACUITE BBB-/ Stable (Assigned)
Proposed fund-based facilities*	Not applicable	Not applicable	Not applicable	134.09	ACUITE BBB-/ Stable (Assigned)

*Includes Cumulative Redeemable Preference Shares of Rs. 37.02 crore

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About Acuité Ratings & Research:

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