

## Press Release

### Jaiprakash Power Ventures Limited

March 07, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5600.00	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	5600.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) to '**ACUITE BBB** (read as **ACUITE t riple B**)' on the Rs. 5,600.00 crore bank facilities of Jaiprakash Power Ventures Limited (JPVL). The outlook is '**Stable**'.

The upgrade in ratings takes into account improved financial performance in FY21 with company reporting net profit resulting into significant improvement in financial risk profile, improved operational performance and collection efficiency of Bina Thermal Power Plant during 9MFY22 and partial prepayment of its debt obligation from the proceeds of sale of Jaypee Powergrid Limited (JPL). The rating continues to derive strength from 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. However, the above strengths are underpinned 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, disputed receivables and inadequate off-take agreement for Bina Thermal Power Plant (BTPP).

### 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 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 and healthcare.

### Analytical Approach

Acuite has considered standalone financial and business risk profile of Jaiprakash Power Ventures Limited

## Key Rating Drivers

### Strengths

#### Established track record of operations

The company was incorporated in the year 1994 and thus has track record 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. 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.

#### 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. Out of the total fuel requirement of 5.70 MTPA for Nigrie TPP the mine caters to the fuel requirement to the extent of its annual drawing capacity i.e. 2.8 MTPA Balance fuel requirement is met through e-auctions.

#### Improved operating and financial performance during 9MFY22

The company reported total operating income of Rs. 3,218.34 crores during 9MFY22 as against Rs. 2,344.84 crores in 9MFY21. In addition to this, the net profit of JPVL remained at Rs.110.86 crores in 9MFY22 vis-à-vis Rs.32.64 crores in 9MFY21. The same is backed by increase in power generation across all three plants. The PLF of Jaypee Nigrie Thermal Power Plant remained at 75.49% during 9MFY22 as against 70.70% during 9MFY21. Similarly, there has also been significant improvement in Jaypee Bina Thermal Power Plant from 28.39% in 9MFY21 to 55.96% in 9MFY22.

The realisation of receivables from Bina Thermal Power Plant also improved during current fiscal.

#### Improved financial performance during FY21

The company has reported total operating income of Rs. 3301.71 crore during FY21 as against Rs.3283.65 crore during FY20. The revenue segment of the company majorly comprises of sale of power, followed by sale of cement. The company derived revenue from sale of power to the tune of Rs.3273.37 crore in FY21 vis-à-vis Rs.3267.09 crore in FY20. The same is backed by increase in saleable energy. The operating profit of the entity increased significantly from Rs.887.41 crore in FY20 to Rs. 1,157.40 crores in FY21. The same is mainly on account of significant decline in fuel cost by 16.95%, from Rs.1995.26 crore to Rs.1706.01 crores in FY21. There has also been decline in capital charge (interest + depreciation) during FY21. The company had reported net loss during FY20 due to loss w.r.t loss in investment in Prayagraj Power Generation Company Limited (PPGCL) shares due to invocation of pledged shares and diminution in value of investment in trust. However, during FY21, JVPL has reported net profit of Rs.366.91 crore.

#### Prepayment of debt obligation

The company has prepaid its debt obligation towards some lenders upto September 2022 and part of December 2022. Further, the same has also resulted in decline in outstanding debt as on date

### 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 2,220 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 with disputed receivables

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 revenue w.r.t Rs. 195.35 crores related to invoice raised on MPPMCL for capacity charges for the month of April-May 2020 and August-October 2020, which has been disputed by MPPMCL as notices of invoking force majeure clause by MPPMCL. However, considering the prevailing Madhya Pradesh Electricity Grid Code, 2019 and legal opinion taken by the association of Private Electricity Generating Stations of MP, the MPPMCL is liable to make payment of capacity charges for declared availability of contracted capacity under PPA signed between company and MPPMCL. Hence, the stated amount has been considered good and fully recoverable and the process of recovery of same has been initiated. Further, of total bills raised to the tune of Rs. 1,924.26 crores during 9MFY22, only Rs.362.11 is yet to be recovered as on February 2022 w.r.t Nigrie Thermal Power Plant.

## ESG Factors Relevant for Rating

JPVL is a power producer based on thermal and hydroelectricity. The advancing environmental risk emanating from new regulations may adversely impact the cost of generation. Environmental risk is a major issue for thermal power generators as coal based power generation causes significant environmental damage. While there have been some measures adopted to reduce the carbon emission, the reduction however is not uniform. The risks of regulatory constraints therefore continues to remain high for this industry and additional measures could lead to cost escalation.

On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and handling of waste is important. Any increase in pollution levels is likely to create social unrest and political pressures. As thermal power plants also generate large amount of employment in local communities and are susceptible to unionization of labor force, managing social welfare of the local community is critical. JPVL has also undertaken measures such as reduction in new land acquisition by optimal utilization of existing ones, capacity addition to existing resources including land, machinery, infrastructure and human resource, reduction in water and fuel consumption by recycling and endorsing of more efficient combustion methods and state of the art technology.

On Governance front, the company has adopted requirement of Corporate Governance from Provision of Companies Act 2013 and SEBI (LODR) Regulations 2015. The board of directors comprises of professionals having expertise and experience in various filed such as construction, finance, banking, regulatory affairs, administration and management and technical operations of power plants. Hence, diverse board of directors ensures pooling of knowledge and balanced Board. An audit committee, comprising of 4 members has also been constituted by board. The three of them are independent directors and the fourth is nominee director. The Stakeholder's relationship committee has been constituted to assist the board in safeguarding the interests of and redressing the grievances of the security holders of the company.

## Rating Sensitivities

- >Linking new PPA.
- >Efficient realisation of dues from the counterparty.
- >Significant stretch in the receivables.
- >Ability of the company to grow further while remaining profitable

## Material covenants

None

## Liquidity Position: Adequate

The liquidity remained at adequate level with company reporting significant improvement in

net cash accruals of Rs.846.86 crores in FY21 as against cash loss in FY20. The company did not have any debt repayment obligation during current fiscal as it had already prepaid amount to the tune of Rs.207.98 crore (out of total sales consideration of Rs.351.55 crores) w.r.t debt repayment in FY22. The liquidity ratio also improved and remained above unity at 1.14 times as on March 31, 2021 as against 0.77 times as on March 31, 2020 due to absence of current portion of long term borrowings during FY21. Similarly, the debt service coverage ratio also remained above unity at 1.62 times during FY21. The company has also maintained cash and bank balance of Rs.40.0 crore as on March 31, 2021.

### 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	3301.71	3283.65
PAT	Rs. Cr.	366.91	(3505.05)
PAT Margin	(%)	11.11	(106.74)
Total Debt/Tangible Net Worth	Times	0.52	0.61
PBDIT/Interest	Times	2.65	(2.37)

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

The account classification of the company was changed to 'Standard' post restructuring. However, the same has been again modified to NPA by some lenders, only due to non-conformity with certain conditions in resolution plan.

The corporate guarantee provided to group entity was expected to be released by the lenders at the time of implementation of resolution plan. However, the same has not been released as on date.

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2021	Term Loan	Long Term	555.17	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	14.12	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	94.60	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	53.81	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	274.68	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	205.83	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	147.34	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	32.30	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	89.78	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	226.35	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	100.35	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	134.09	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	23.43	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	96.66	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	524.97	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	43.52	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	78.73	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	113.68	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	164.32	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	82.44	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	37.16	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	166.45	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	40.23	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	47.78	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	78.57	ACUITE BBB-   Stable (Assigned)	
Term Loan	Long Term	103.34	ACUITE BBB-   Stable (Assigned)	
		Long		ACUITE BBB-   Stable

Cash Credit	Term	15.66	(Assigned)
Term Loan	Long Term	55.72	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	31.72	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	26.01	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	83.50	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	231.01	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	278.75	ACUITE BBB-   Stable (Assigned)
Cash Credit	Long Term	34.15	ACUITE BBB-   Stable (Assigned)
Cash Credit	Long Term	62.48	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	75.18	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	212.78	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	148.34	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	55.86	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	677.36	ACUITE BBB-   Stable (Assigned)
Term Loan	Long Term	81.78	ACUITE BBB-   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	34.15	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
The Jammu and Kashmir Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.66	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	113.68	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.16	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	62.48	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	134.09	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	43.52	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
ICICI Bank Ltd	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	524.97	ACUITE BBB   Stable   Upgraded

							( from ACUITE BBB- )
IDBI Bank Ltd.	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	147.34	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	226.35	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	205.83	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Term Loan	01-05-2016	9.5	31-03-2035	212.78	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Central Bank of India	Not Applicable	Term Loan	01-05-2016	9.5	31-03-2035	166.45	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Term Loan	01-05-2016	9.5	31-03-2035	164.32	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Canara Bank	Not Applicable	Term Loan	01-05-2016	9.5	31-03-2035	81.78	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	78.73	ACUITE BBB   Stable   Upgraded ( from



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UCO Bank	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	100.35	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Edelweiss Assets Reconstruction Company Ltd.	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	96.66	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Life insurance corporation of india	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	89.78	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Canara Bank	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	83.50	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Bank of Baroda	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	82.44	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	78.57	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Indian Overseas Bank	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	55.72	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Bank of Maharashtra	Not Applicable	Term Loan	01-05-2016	Not available	31-03-2035	40.23	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )

ICICI Bank Ltd	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	53.81	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	148.34	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
IDBI Bank Ltd.	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	274.68	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	231.01	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Central Bank of India	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	278.75	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Canara Bank	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	75.18	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Indian Bank	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2035	47.78	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Union Bank of India	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2033	103.34	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
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The Jammu and Kashmir Bank	Not Applicable	Term Loan	01-11-2009	Not available	31-03-2033	55.86	BBB   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not Applicable	Term Loan	01-06-2009	Not available	31-03-2031	555.17	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
IDBI Bank Ltd.	Not Applicable	Term Loan	01-06-2009	Not available	31-03-2031	14.12	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not Applicable	Term Loan	01-06-2009	Not available	31-03-2031	31.72	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Indian Bank	Not Applicable	Term Loan	01-06-2009	Not available	31-03-2031	23.43	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Bank of Baroda	Not Applicable	Term Loan	01-06-2009	Not available	31-03-2031	26.01	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
ICICI Bank Ltd	Not Applicable	Term Loan	01-06-2013	Not available	31-03-2035	677.36	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not Applicable	Term Loan	01-09-2012	Not available	31-03-2035	32.30	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
							ACUITE BBB

IDBI Bank Ltd.	Not Applicable	Term Loan	01-04-2013	Not available	31-03-2035	94.60	Stable   Upgraded ( from ACUITE BBB- )
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