

JSW Energy (Barmer) Limited

October 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long-term bank limits	1,814.93 (reduced from 2,924.49)	CARE A+; Stable [Single A Plus; Stable]	Reaffirmed
Short-term bank limits	50.00 (reduced from 134.00)	CARE A1+ [A One Plus]	Reaffirmed
Total facilities	1,864.93 (Rs. One thousand eight hundred sixty four crore and ninety three lakhs only)		
Commercial Paper Issue	100.00	CARE A1+ [A One Plus]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings of bank facilities & instruments of JSW Energy (Barmer) Limited (JEBL) continues to derive strength from well-established and experienced promoter group in power industry, long-term firm offtake arrangement of entire operational capacity providing favourable medium to long-term revenue visibility, favourable debt coverage indicators and financial risk profile.

However, the rating strengths continue to be partially offset by counter party risk.

Rating Sensitivities

Positive rating sensitivities

- Significant improvement in counter party risk profile

Negative rating sensitivities

- Any capital/operational expenditure resulting in moderation in the financial risk profile with Total Debt to PBILDT above 5.00 times on sustained manner
- Any significant deterioration in counter party risk profile
- Significant increase in receivable days
- Rating downgrade of JSW Energy Limited (JEL, rated CARE A+; Stable/CARE A1+)

Detailed description of the key rating drivers

Key Rating Strengths

Well established and experienced promoter group in power industry

Incorporated in 1994, JEL is the holding company for JSW group's power business. As of March 31, 2020 JSW group's consolidated operational capacity stood at 4.5 GW. In addition, JEL has set up (through a subsidiary) 165 km transmission line for transmission of power generated at Ratnagiri region and is engaged in power trading through its subsidiary.

JEL has qualified, professional and experienced management team with significant experience in the power sector. The company also provides operation & maintenance services for power plants of the group companies and project management services for the power plants being set up by the group. JEL has successfully set up and is operating 860 MW thermal power plant at Vijaynagar, Karnataka, and a 1,200 MW imported coal based plant at Ratnagiri, Maharashtra. The company, through JSW Energy (Barmer) Limited (subsidiary of JEL) owns and operates a 1,080 MW lignite based power plant in Barmer, Rajasthan. JEL has presence in renewable segment through operations of hydro project capacity of 1,300 MW in Himachal Pradesh and 10 MW solar capacities across various locations.

In addition, the intra-state power transmission project, a 74:26 joint venture with MSETCL (through a subsidiary, Jaigad Power Transco Ltd. The project consists of 400 kV double circuit Jaigad – New Koyna (55 km) and Jaigad – Karad (110 km) lines for transmission of power generated at Ratnagiri plant (Maharashtra).

The company is also into mining business through its associate Barmer Lignite Mining Co. Ltd, (a 49:51 joint venture between JSW Energy (Barmer) Limited (JEBL) and Rajasthan State Mines and Minerals Ltd (RSMML)), commenced lignite mining from Kapurdi and Jalipa blocks in Rajasthan. BLMCL is a captive mine company for providing fuel to JEBL power plant at Barmer.

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

Long-term firm offtake arrangement of entire capacity under regulated framework providing stable operational performance

JEBL entered into long-term Power Purchase Agreements (PPAs) with three Rajasthan state distribution utilities, viz. Ajmer Vidyut Vitaran Nigam Limited (AVVNL, rated CARE BB), Jodhpur Vidyut Vitaran Nigam Limited (JdVVNL, rated CARE BB) and Jaipur Vidyut Nigam Limited (JVVNL, rated CARE BB) for entire capacity.

PPAs are 30 years from the date of the last power plant unit achieving commercial operation i.e. March 16, 2013. Under the PPAs, the entire net generation of power from the power plant is being purchased by JVVNL, AVVNL and JdVVNL in proportion of 36:36:28 on the tariff determined by Rajasthan Electricity Regulatory Commission (RERC). In event of lower off-take of available power by any of these agencies, JEBL will be permitted to sell surplus power to third parties. Further, DISCOMS will be liable to pay penalty to JEBL to the extent of tariff loss faced in the event the company is compelled to sell surplus power to third parties at a lower tariff compared to the tariff determined by RERC.

JEBL has two-part tariff where comprises of 1) Fixed Cost (100% recovery based on Actual PAF > 80%) and 2) Variable Cost (which is 100% pass through). Currently, RERC has approved ad-hoc tariff of Rs 4.2/kWh comprising of Rs 2.5/kWh as variable and Rs 1.70/kWh fixed cost.

JEBL has a Fuel Supply Agreement (FSA) contract with Barmer Lignite Mining Co. Ltd (BLML, rated CARE BBB; Stable/CARE A3) for supply of 9 MTPA of lignite (3MTPA from Kapurdi block and 6 MTPA from Jalipa block) which will be used to generate power in all the 8 units. In FY15, the company received environmental clearance from Ministry of Environment, Forests & Climate Change (MoEFCC) for Kapurdi mine to increase the mining capacity from 3.75 MTPA to 7 MTPA until FY18. The Jalipa mine became operational in the month of November 2017.

JEBL has extended subordinated loan of Rs. 567.74 crore to BLML towards supporting the company's business operations. The company in turn received funds from JEL which was repaid in FY20.

Favourable debt coverage indicators and financial risk profile

Overall gearing ratio improved from 0.75 times as on March 31, 2019 to 0.56 times as on March 31, 2020 on account of reduction of debt. Total Debt to GCA of the company improved from 3.66 times in FY19 to 2.68 times in FY20 on account of higher gross cash accruals. Interest coverage ratio of the company improved to 4.82 times in FY20 as compared to 3.79 times in FY19 on account of lower interest & finance charges.

Going forward any capital/operational expenditure impacting overall financial risk profile of the company remains key rating monitorable.

Key Rating Weaknesses**Counter party risk**

JEBL has power off-take arrangement on long-term basis with Discoms in Rajasthan. As a result, the company's revenue visibility is exposed to the vagaries of financial risk profile of these entities. The receivables value at consolidated level increased from Rs. 601.16 crore as on March 31, 2019 to Rs. 935.48 crore as on March 31, 2020. The Discoms in Rajasthan have entered into an arrangement with Power Finance Corporation Limited (PFC) and Rural Electrification Corporation Limited (REC) to fund the payments to power generating companies. The receivables from these Discoms are generally received within stipulated time period. However, in case of any delay the company receives delayed payment charges.

Liquidity: Adequate

JEBL at standalone level has free cash and cash equivalent of Rs. 190 crore as on March 31, 2020 coupled with unutilized fund based working capital limits of Rs. 297 crore provides a liquidity support to an extent towards annual debt obligations of around Rs. 467 crore in FY21. With gearing of 0.56 times as on March 31, 2020, JEBL has sufficient gearing headroom. Average collection days of the company increased from 69 days as on March 31, 2019 to 108 days as on March 31, 2020. Consequently, the operating cycle of the company increased from 46 days as on March 31, 2019 to 78 days as on March 31, 2020.

Analytical approach: Standalone**Applicable Criteria**

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[Factoring Linkages in Ratings](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for Private Power sector](#)

About the Company

JEBL is a wholly-owned subsidiary of JEL. The company operates a 1,080 MW (8x135 MW) lignite based thermal power plant in Barmer district, Rajasthan.

JEBL executed Implementation Agreement (IA) with the Government of Rajasthan for the implementation, operation and maintenance of Lignite Mining cum Thermal Power Plant of 8X135 MW capacity based on Lignite mined from the Jalipa and Kapurdi Mines in the Barmer District of Rajasthan. In accordance with the IA, JEBL commissioned power plant in March, 2013. The company has executed power purchase agreements with the Rajasthan State distribution entities for the supply of entire power generated from the plant.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	2655.12	2684.10
PBILD	1018.75	1069.61
PAT	314.19	413.79
Overall gearing (times)	0.75	0.56
Interest coverage (times)	3.79	4.82

A: Audited CARE has adjusted financials of JEBL for analytical purpose.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: 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
Term Loan-Long Term	-	-	December, 2023 and June, 2027	1505.43	CARE A+; Stable
Fund-based - LT-Cash Credit	-	-	-	309.50	CARE A+; Stable
Non-fund-based - ST-BG/LC	-	-	-	50.00	CARE A1+
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Commercial Paper-Commercial Paper (Standalone)	-	-	-	100.00	CARE A1+

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	1505.43	CARE A+; Stable	1)CARE A+; Stable (10-Sep-20) 2)CARE AA- (Under Credit watch with Negative Implications) (23-Apr-20)	1)CARE AA- (Under Credit watch with Negative Implications) (24-Jan-20) 2)CARE AA- (Under Credit watch with Negative Implications) (17-Oct-19) 3)CARE AA-; Stable (03-Oct-19)	1)CARE AA-; Stable (31-Oct-18)	1)CARE A+; Stable (17-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	309.50	CARE A+; Stable	1)CARE A+; Stable (10-Sep-20) 2)CARE AA- (Under Credit watch with Negative Implications) (23-Apr-20)	1)CARE AA- (Under Credit watch with Negative Implications) (17-Oct-19) 2)CARE AA-; Stable (03-Oct-19)	1)CARE AA-; Stable (31-Oct-18)	1)CARE A+; Stable (17-Jan-18)
3.	Non-fund-based - ST-BG/LC	ST	50.00	CARE A1+	1)CARE A1+ (10-Sep-20) 2)CARE A1+ (Under Credit watch with Negative Implications) (23-Apr-20)	1)CARE A1+ (Under Credit watch with Negative Implications) (17-Oct-19) 2)CARE A1+ (03-Oct-19)	1)CARE A1+ (31-Oct-18)	1)CARE A1+ (17-Jan-18)
4.	Term Loan-Long Term	LT	-	-	1)CARE A+; Stable (10-Sep-20) 2)CARE AA- (Under Credit watch with Negative Implications) (23-Apr-20)	1)CARE AA- (Under Credit watch with Negative Implications) (24-Jan-20) 2)CARE AA- (Under Credit watch with Negative Implications) (17-Oct-19) 3)CARE AA-; Stable (03-Oct-19)	1)CARE AA-; Stable (31-Oct-18)	1)CARE A+; Stable (17-Jan-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
5.	Commercial Paper- Commercial Paper (Standalone)	ST	100.00	CARE A1+	1)CARE A1+ (10-Sep-20) 2)CARE A1+ (Under Credit watch with Negative Implications) (18-Dec-19) 2)CARE A1+ (17-Oct-19) 3)CARE A1+ (03-Oct-19)	1)CARE A1+ (Under Credit watch with Negative Implications) (18-Dec-19) 2)CARE A1+ (17-Oct-19) 3)CARE A1+ (03-Oct-19)	1)CARE A1+ (31-Oct-18)	1)CARE A1+ (17-Jan-18)

Annexure-3: N.A.

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Non-fund-based - ST-BG/LC	Simple

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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