

August 12, 2010

CARE ASSIGNS 'CARE A(SO)' RATING TO THE PROPOSED ZERO COUPON NCD OF JAI PRAKASH POWER VENTURES LTD

| Instrument | Amount (Rs. Cr) | Rating ¹ | Remarks |
|---------------------------------|-----------------|--|----------|
| Long-term Zero Coupon NCD (ZCD) | 1,000 | 'CARE A(SO)' [Single A (Structured Obligation)] | Assigned |
| Total | 1,000 | | |

The proposed ZCDs would have a tenure of five years with redemption in four semi-annual installments beginning 42 months from the date of allotment. **The rating is based on the strength of a Letter of Comfort from the holding company viz. Jaiprakash Associates Ltd (JAL, rated 'CARE A+' for its long-term bank facilities and debt instruments).**

Rating Rationale

The rating assigned to JAL reflects the dominance and expertise of the company in the hydro-power project construction business, satisfactory order book position in the engineering and construction division, growing dominance in the cement industry after considerable capacity addition during FY09 & FY10 as well as consistent growth in revenue and profitability levels. The rating is constrained by increasing debt levels, risks pertaining to the ongoing expansions in the cement division, significant commitments of JAL towards subsidiaries which are engaged in developing projects of large sizes (in areas of power generation, expressway, construction) as well as inherent risks & cyclicity associated with the real estate business. As JAL's future growth plans are likely to result in increased debt levels, the ability of the company to continue to infuse funds through alternative sources as well to maintain the optimum capital structure along with factors such as higher-than-anticipated support towards subsidiaries, successful commissioning of the ongoing projects and sustainability of profitability margins would be the key rating sensitivities.

Company Profile

JPVL is a majority-owned subsidiary of Jaiprakash Associates Ltd (76.3% shareholding as in January 2010) and operates a 300-MW Hydro Electric Project (HEP) at Baspa, Himachal Pradesh and 400-MW HEP at Vishnuprayag, Uttarakhand. The company is in the process of implementing the Nigrie Super Critical Thermal Power Project (1,320 MW) which is a coal-fired thermal power plant. Through its subsidiaries/associates, the company is also in the process of implementing various other projects aggregating 11,450 MW.

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

The Jaypee Group has consolidated its power business into one single entity viz. Jaiprakash Hydro Power Ltd (since renamed Jaiprakash Power Ventures Limited (JPVL)) through merger of erstwhile Jaiprakash Hydro Power Ltd (JHPL) and erstwhile Jaiprakash Power Ventures Ltd w.e.f. April 01, 2009. The merger was aimed at strengthening the financial position and to optimize the synergies between erstwhile JHPL and the erstwhile JPVL. Post-merger, JAL's stake in the merged entity (JPVL) has increased to 76.3% from 63.3%.

Post merger w.e.f April 01, 2009, the off-take of power is from Vishnuprayag HEP (400 MW) and Baspa II HEP (300 MW). Power Purchase Agreements (PPAs) signed with Uttar Pradesh Power Corporation Ltd (for Vishnuprayag HEP) and Himachal Pradesh State Electricity Board (for Baspa II HEP) are secured by a multi-tier payment security mechanism including an irrevocable LC in the company's favour.

During FY2010, JPVL (merged entity) achieved total operating income of Rs.691 crore and earned PAT of Rs.252 crore.

About JAL

Jaiprakash Associates Ltd (JAL) is the flagship company of the Jaypee group and has over four decades of experience in executing river valley/hydro power projects and undertaking Engineering, Procurement & Construction (EPC) and turnkey contracts in the field of hydropower. The group has interests in diversified sectors viz. Engineering/Construction, Cement manufacturing, Power generation (hydel & thermal), Real estate, Expressways, Mining & Exploration.

On a total income of Rs.10,316 crore, JAL earned a PAT of Rs.1,708 crore in FY10.

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