

June 23, 2010

CARE ASSIGNS 'CARE A (SO)' RATING TO THE PROPOSED LONG-TERM ZCD OF JAIPRAKASH POWER VENTURES LTD

CARE has assigned a '**CARE A (SO)**' [**Single A (Structured Obligation)**] rating to the proposed Zero Coupon Non-Convertible Debentures (ZCD) of Rs.1,000 crore of Jaiprakash Power Ventures Ltd (JPVL). The proposed ZCDs will have a tenure of three years with bullet repayment at the end of the third year. Instruments with this rating are considered to offer adequate safety for timely servicing of debt obligations. Such instruments carry low credit risk.

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 Non-Convertible Debenture issue).

Instrument	Amount (approx) (Rs. crore)	Ratings ¹
Long-term ZCD	1,000	'CARE A(SO)'
Total	1,000	

Rating Rationale

JAL's rating reflects its market dominance and expertise in the hydro-power project construction business, successful track record, satisfactory order book position, established position of its cement brands in the Central-Northern region and consistent profitable margins in this business. The ratings factor in JAL's increased financial leverage, on-going significant expansions planned in the cement division as well as the increasing competition in both construction and cement industries, inherent risk and the cyclicity associated with real estate business, foray into other business activities like mining, expressway development etc and significant commitments towards subsidiaries. Successful and timely implementation of the ongoing cement expansion projects as well as the projects being executed by its subsidiaries, progress of real estate projects, impact of the increasing funding requirements on the capital structure, ability to infuse funds through alternative sources and consistency in profitability margin are 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 [which was under erstwhile Jaiprakash Hydro Power Ltd (JHPL)] and 400-MW HEP at Vishnuprayag, Uttarakhand (which was under erstwhile JPVL). 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.

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 rationale of the merger was to strengthen the financial position of the merged entity 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%.

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

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 UPPCL (for Vishnuprayag HEP) and HPSEB (for Baspa II HEP) are secured by a multi-tier payment security mechanism including an irrevocable LC in the company's favour.

During 9MFY2010, JPVL (merged entity) achieved total income of Rs.533.3 crore and earned PAT of Rs.191.0 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 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.5,787 crore, JAL earned a PAT of Rs.897 crore in FY09.

Analyst Contact

Name: Jyotsna Gadgil

Tel: 011-23716199

Mobile: 9811552926

Email: jyotsna.gadgil@careratings.com

CARE 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.

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 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.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat NagarHyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>