
June 23, 2010

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF RAJ WEST POWER LTD.

CARE has reaffirmed the rating of '**CARE BBB**' (**Triple B**) assigned to the Long-term Bank Facilities of Raj West Power Limited (RWPL) aggregating Rs.3,878 crore (enhanced from Rs.3,750 cr). This rating is applicable for facilities having tenure of over one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk.

CARE has also assigned a '**PR3**' (**PR Three**) rating to the Short-term Bank Facilities of RWPL, aggregating Rs.205 crore. This rating is applicable to facilities having a tenure upto one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

(Rs. crore)

Instrument	Amount	Rating
Term Loans	3,750	' CARE BBB '
Fund-based Limits	128	' CARE BBB '
Non-Fund Based Limits	205	' PR3 '
Total	4,083	

Rating Rationale

The ratings continue to factor in JSW Energy Limited's (JSWEL) experience in construction and implementation of power plants, successful commissioning of the first unit of Phase-I (having capacity of 135 MW), existence of Fuel Supply Agreement (FSA), long-term Power Purchase Agreement (PPA) and complete land acquisition for Phase-I of the project, favourable industry scenario and support of the Government of India (GoI) for the power sector.

However, the rating is constrained by largely debt-funded nature of the projects, limited track record in developing and operating mega power projects, early stage of Phase II project (in the absence of financial closure and FSA as well as government approvals), and the risks associated with the implementation of projects of this scale. Ability of RWPL to complete the entire project within the envisaged time and cost estimates remains the key rating sensitivity.

Company Profile

RWPL, a wholly-owned subsidiary of JSWEL, is setting up a 1,080-MW (8x135 MW) lignite-fired power plant in Barmer, Rajasthan in Phase-I. The company is also implementing a 270-MW power plant at the same location under Phase-II. The cost of the Phase-I, estimated at Rs.5,000 crore, is being funded at a debt to equity ratio of 3:1 and the same is fully tied-up. As on January 30, 2010, RWPL had spent about 85% of the total cost. The project is progressing as per schedule and the company has successfully commissioned Unit 1 in November 2009. It is expecting to commission Unit 2 by March 2010 and entire project by November 2010. RWPL has entered into FSA with Barmer Lignite Mining Company Limited (BLMCL) for supply of Lignite. RWPL has signed PPAs with the three Rajasthan discoms for the entire power generation capacity under Phase I.

The Phase-II of the project, estimated at Rs.1,350 crore, is being funded at a debt to equity ratio of 3:1. The plant is expected to start commercial operations by January 2013. Financial closure for Phase II has not yet been achieved and RWPL is awaiting Government approval for the same.

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