Company	KSK Power Ventur PLC
TIDM	KSK
Headline	April 2014 Trading Update
Released	07:01 30-Apr-2014
Number	8426F07

RNS Number : 8426F
KSK Power Ventur PLC
30 April 2014

KSK Power Ventur plc

("KSKPV" or "the Company")

April 2014 Trading Update

KSK Power Ventur plc, the power project company listed on the London Stock Exchange, with interests in multiple power plants and businesses across India, is pleased to provide the following update for the six months to the end of March 2014

- Existing operating capacity of 891 MW generated 2,076 MWh. The first 600 MW of KSK Mahanadi is now up and running at 62% PLF, which should continue to improve, and generated 1,088 MWh taking aggregate generation in the period to 3,164 MWh. Although the overall generation across the portfolio is below earlier expectations, the same has been achieved despite the challenges currently facing all aspects of the energy sector in India.

- The second 600 MW unit at Mahanadi is scheduled to be commissioned during the next three months, bringing the Company's total operating portfolio to 2,000 MW in Q1 FY2015.

- Operating constraints at Wardha with respect to coal costs, open access and PPAs continue. Efforts to address these issues are being pursued, with improvements expected in the coming year. In the interim, reduced asset utilisation levels means revenue and profitability will be lower than indicated earlier.

- Depreciation of the Indian Rupee is significantly increasing the capital costs for constructing the Mahanadi project. Timelines are also being impacted by EPC contractor concerns regarding the challenging Central Government policy environment and generally very slow decision making process.

- Significant long term PPAs signed in recent months with state utilities for an aggregate 1,500 MW. 1,000 MW now signed with distribution companies in the State of Uttar Pradesh with average tariff of Rs 5.58 per KWh, following on from the earlier signing of 500 MW with a distribution utility in the State of Tamil Nadu with average tariff of Rs 4.91per KWh

- Fuel Supply Agreement now signed with tapering linkage provides cover to Mahanadi for potential delays in production and supplies from the Morga-II Coal Block.

- Additional £24 million of equity raised in February 2014 through placement of new shares.

<u>Operational Developments:</u>

• 540 MW Wardha Power Company Limited (WPCL):

The 1,079 MWh of power generation with an average PLF of 46% reflects the challenging local operating environment, and the fuel and open access grid constraints currently experienced by Wardha Power.

The Company continues to pursue compensation for the calorific value shortfall in the coal supplied during the year, and a prima facie opinion has been expressed by the Competition Commission of India ("CCI") on 22 January 2014 in favour of the Company's submission. Further developments and reliefs from CCI are awaited.

The Company's earlier PPA with R-Infra for 290 MW of supplies ended on 31 March 2014. Discussions are being held with R-Infra and Maharashtra Electricity Regulatory Commission (the local electricity regulator) for the necessary extension, which is expected. Alternative power supply options are also being considered.

The Company is also pursuing with the local regulators renewal of open access for supplies to industrial customers and expects to achieve resolution shortly

• 135 MW VS Lignite Power (VSLP):

The power generated in the plant was 397 MWh, with a PLF of 67%. Improvements to the plant's maintenance are being implemented to improve the plant's overall performance.

• 86 MW Arasmeta Captive Power (ACPCPL):

The power generation for the plant was 183 MWh, with a PLF of marginally below 50% due to local factors. With new PPA arrangements now in place, gross generation is expected to increase and reach a fully stabilised level by the end of Q1 2015.

• 77 MW Sai Regency Power (SRPCPL):

The power generation for the 58 MW combined cycle gas based power plant was 231 MWh, with a PLF of 91%. Power continued to be supplied to captive consumers under the committed long term Power Delivery Agreements, as well as to utilities and third party consumers on a shorter term basis. Opportunities to refinance the project on more favourable terms are being sought.

The 18.9 MW of wind turbines generated 6 MWh with a PLF of 7%, essentially due to the post monsoon seasonality.

• 43 MW Sitapuram Power (SPL):

The power generation was 171 MWh, with a PLF of 91%. The Company is seeking to enhance the overall financial performance of the project through savings on fuel costs

• 10 MW Sai Maithili Power (SMPPL):

The 10 MW PV solar power generation plant in the State of Rajasthan under the Jawaharlal Nehru National Solar Mission, has commenced operation. The power generation for the period was 8.96 MWh, with a PLF of 20%, and is in line with expectations.

• 3.6 GW KSK Mahanadi Power Company Limited:

The first 600 MW unit is now operational, with over 1,000 Mwh of generation and power being supplied under the PPA. Significant efforts are being made to commission the second 600 MW unit during the current quarter. Full output under the PPAs will rely on the expected additional transmission systems of the power grid being fully functional.

Construction activity for the remaining four units is being pursued, with much of the support infrastructure and balance of plant for all 3.6 GW having already been completed substantially. While continuing to be engaged, on ground challenges and concerns of the EPC contractor relating to the Indian policy environment are impacting project timelines. Commitments from project lenders remain firm and commissioning is expected to be achieved in line with the lenders supporting the necessary project payments and the planned fuel supplies being fulfilled by the respective agencies.

The currency impact due to the significant depreciation of the Indian Rupee against the US Dollar has resulted in considerably greater costs on imported capital goods. The Company is exploring ways to address this including efforts to firm additional debt required for the same. Additionally, a small US Dollar denominated Term Financing facility was obtained with considerably lower interest charges than higher cost Indian Rupee debt. Additional financing is being pursued on similar terms, where possible, to align these costs more with the underlying currency requirements.

The Company has secured debt financing within the Indian holding companies that have enabled the earlier tender offer as well as the buyout of the entire minority of the KSK Mahanadi project resulting in KSKPV owning a 74.94% interest in KSK Energy Ventures, the listed Indian subsidiary and a 100% interest in KSK Mahanadi Power Company Limited. Also, the Company is pursuing further refinancing at more favourable terms at the operational projects' level to provide the necessary liquidity to retire part of the existing higher rate leverage.

Further, the Company has received a number of proposals, from various national and overseas utility businesses, for collaboration on the KSK Mahanadi project. These are currently under evaluation.

The recent execution of the PPA for 1000 MW with distribution companies in the State of Uttar Pradesh has been signed at a levelised tariff of Rs 5.58 per kwh. Together with the PPA for Tamil Nadu previously announced, we are seeing better rates being achieved. Further, the Fuel Supply Agreement under tapering linkage has now been executed and the linkage is to cover any delays in production and supplies of coal from the Morga-II Coal Block for power production at the KSK Mahanadi Power Plant. As a result of both the improved pricing under the PPAs and tapering linkage arrangements, spreads are definitely improving and helping the Company absorb the impact of the increased project costs

• **KSK Mineral Resources:**

Mine development support and associated works on behalf of Goa Industrial Development Corporation (GIDC), the owner of the Gare Pelma block, will enable timely access to coal at the Mahanadi project. Commencement of production during the current year, and the gradual increase, is expected in line with the approved Mine Plan. This would enable the fuel requirement for operations to be met, and the commencement of power supplies to the Goa state.

• **KSK Water Infrastructure:**

Infrastructure works, including the construction of the 60km pipelines and the pump stations for the supply of water for the 3.6 GW Mahanadi project, have been completed and are operational. Additional intermediate reservoir works sufficient to support the continuous operation of all six units are expected to be completed during the later part 2014 enabling full completion of this infrastructure.

• Raigarh Champa Rail Infrastructure:

The Company's 15.7 km inward railway line connecting the Mahanadi plant with the Indian Railways main line was completed during second half of 2013, enabling the movement of coal into the power plant. Work on the 65.5 km line connecting the Gare Pelma coal block to the main line is planned to be constructed over the next 24 to 36 months to meet the fuel requirements when the final units are commissioned.

Business Strategy and Outlook:

The high capital intensity and associated debt required in developing and growing the Company's power generation business, coupled with high currency volatility and the current difficult Indian policy environment, will impact the Company's overall funding requirements and financial performance in the near term. Work continues on a number of major initiatives in this regard.

The challenge continues within the Indian power sector as a whole to obtain fuel at the right price, and open access for the supply of power to customers at sensible PPAs. However, with tapering linkage of coal supplies now secured to cover any potential delays for the Mahanadi plant, and with significant long term PPAs signed at higher tariff rates, the Company's growing plant portfolio and operational experience enables it to be better placed to secure the necessary further funding for its major capital projects, resulting in an improved financial performance over time.

With the high quality of its asset base, a proven execution capability, an increasingly efficient business structure, and with secured fuel supplies to the power plants, the Company is well positioned to address the Indian power generation opportunities.

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