KSK
Power from knowledge

KSK Energy Ventures Limited
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The Secretary
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
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Mumbai – 400 051
Security Symbol: KSK

The Secretary
BSE Limited (DCS- CRD)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: 532997

Dear Sir,

Sub: Company Update

Enclosed is a copy of the update on the developments with respect to KSK Group's business and developments thereto.

Thanking you,

Yours faithfully
For KSK Energy Ventures Limited

M.S. Phani Sekhar
Company Secretary

KSK Energy Ventures Limited

Cautionary Statement with Respect to Forward-Looking Statements:

This update contains projections and other forward-looking statements that involve risks and uncertainties. The use of the words "expect," "anticipate," "potential" and similar expressions is intended to identify such forward-looking statements. Projections and forward-looking statements are based on the current expectations and estimates of KSK Group regarding its plans, outlook, strategies and results for the future. All such projections and forward-looking statements are based on management's assumptions and beliefs derived from the information available at the time of producing this update and are not guarantees of future performance. KSK Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore, it is advised that you should not rely solely upon these projections and forward-looking statements in making your investment decisions.

COMPANY UPDATE

The Company, with business interest in multiple power plants across various states of India, over the last few years has been facing a number of significant challenges. Further to the last update provided in January 2018, the company is providing the following additional update

KSK Mahanadi has now executed the Fuel Supply Agreements under the "SHAKTI" (Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India). Coal auction and coal supplies have recently commenced from the Mahanadi Coal Fields area. Supplies from the South Eastern Coal Fields are expected shortly, providing the much required support on long term coal linkage supplies. The Group continues its efforts to secure necessary reliefs for revival and realisation of intrinsic value of the Sai Wardha and VS Lignite projects

During February 2018 the Indian Central Bank (Reserve Bank of India), notified a revised framework for resolution of distressed assets, harmonised with other regulations and this stipulates a strict time bound resolution of assets with large debt exposure. The action plan includes, exploring options such as the sale of debt exposure by banks to other investors, change in ownership or restructuring.

This undermines the historical efforts of the Group to achieve/conclude further strategic funding and equity collaboration at each of the asset levels as well as anticipated reduction of debt leverage at various asset holding companies of the Group, based upon fund realisations from such equity stake divestment at the project companies. Resultantly, the balance has tilted in favour of the project lenders for appropriate resolution plan approvals, at each of the project companies, impacting the existing sponsors continuing alongside the new investors in resolving the stress as well as the business challenges and participation in the value creation ahead.

For instance, at KSK Mahanadi, where approx $ 0.5 billion of equity and $ 3 billion of debt has been invested over the years, operational output currently is only 1800 MW; value creation is therefore contingent upon the lenders agreeing to debt restructuring, in terms of principal, coupon and tenor, to a position where a RP4 rating of the residual debt through independent credit evaluations can be achieved, in accordance with the revised framework notified by Reserve Bank of India

KSK Mahanadi

At a stabilised 85% PLF and linkage coal supplies secured for entire capacity, the potential of substantial revenue and EBITDA for the 2400 MW of KSK Mahanadi project subsists making it attractive. However, the new regulations and resolution framework expose the equity of the Group to any decision of the Project lenders at KSK Mahanadi to reorganise their $ 3 billion of debt that includes over $ 1+ billion of accumulated interest during construction over the years. Resultantly, KSK Mahanadi has unpaid EPC creditors and until further funding for capital expenditure is resolved there are likely to be delays associated with developing the fourth 600 MW unit.

Further, it is estimated that, while the Central Electricity Regulatory Commission has been hearing the petitions concerning KSK Mahanadi's claim under change in law provisions under PPA as well as Central Government directives on coal supplies, the delay being experienced in their realisation coupled with the challenges of providing extended credit to the Discoms for the power sales, has led to much higher working capital and funding requirements.

Therefore, the Group expects to have to engage actively with Private Equity and India focussed Infrastructure / Special Situation Funds who could partner with the Group to address the emerging situation and financing requirements. Further, such discussions require evaluating a number of potential alternative solutions to address the current situation at KMPCL with its lenders.

New Business Strategy

These developments require a different approach to be pursued at the Group to address the challenges and to continue to seek the restoration of economic value for the Group and its shareholders. The Directors are focussed on convincing various Indian banks and institutions that have funded the Group's holding companies to continue supporting the group in these efforts to turnaround the various assets, failing which the revised framework could impair the continued ability of such holding companies.

This effort could result in shareholder dilution through the capitalisation of debt as a result of a business restructuring as well as include a change of management driven by the lenders at the respective operating projects. In the process of such reorganisation driven forward by the lenders, substantial risk of loss of equity value exists.

Outlook

Therefore, a continued engagement with project stakeholders is envisaged to pursue all reasonable efforts to address the situation, with the ultimate objective to produce sustainable power generation on the best possible commercial terms. Majority of these are external issues and not directly within the Company's control to resolve.

Against this current difficult Indian policy environment, the Company continues to work tirelessly with the Government, the authorities at all levels and other project stakeholders seeking their support to address these issues in the best manner possible. However, actual achievement in these situations is contingent upon a number of factors, many of them outside the control of the Company.

Finally, this performance would not have been possible without the continued support of our shareholders, who have enabled us to pursue business opportunities against a background of challenging market conditions across the Indian power sector.