

Press Release

G M R SOLAR ENERGY PRIVATE LIMITED

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.80 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) on the Rs. 7.80 crore bank facilities of G M R SOLAR ENERGY PRIVATE LIMITED. The outlook is '**Stable**'.

GMR SOLAR ENERGY PRIVATE LIMITED (GSEPL), incorporated in February 2016 is a 100 % subsidiary of GMR Enterprise Private Limited. The company is a special purpose vehicle (SPV) formed for setting up a 2 MW Solar PV (DC) rooftop Power Project based on poly crystalline Solar PV technology at Celebi cargo terminal at IGI Airport (Terminal 3), New Delhi. The project will cater to power requirement at Terminal 3.

Key Rating Drivers

Strengths

- **Steady Stream of Revenues from PPA agreement**

GSEPL has signed a Power Purchase Agreement (PPA) with Celebi Delhi Cargo Terminal Management India Private Limited (CDCTMPL) for the entire capacity at fixed tariff rate of Rs. 7.50 per unit (kwh) for the next 17 years. CDCTMPL is a joint venture between Delhi International Airport Limited (a GMR group co.) and Celebi Ground Handling Turkey. The company entered into an agreement in July, 2016 and commenced operations in February, 2017. The tariff under this agreement is significantly lower than the regular tariffs paid by CDCTMPL; hence the risk of discontinuation is mitigated.

Weaknesses

- **Susceptibility of the cash flow to the optimal capacity utilization**

GSEPL has set up a rooftop solar power plant at Terminal 3, Indira Gandhi Airport. The commercial operation has started from February 2017. The counter party is Celebi Delhi Cargo Terminal Management India Private Limited (CDCTMPL). The PPA has been signed for 17 years at pre-agreed price of Rs. 7.50/unit. The total units generated from April 2017 to Feb 2018 is 0.27 crore (unaudited) and the company has registered revenue of Rs. 2.03 crore (Unaudited figure). Since the generation of units is influenced by the weather condition and technical factors like degradation of the solar asset, the future efficiency of the solar asset at optimal capacity will be critical. Any significant shortfall in units generated will impact the revenues and cash flows of the company. The optimal utilization of the asset will be critical to the maintenance of stable credit profile.

- **Counter party Risk**

Any adverse changes in the credit profile of the counterparty which impacts their ability to meet the operational/ financial commitments may also translate into risks for players like GSEPL.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GSEPL.

Outlook: Stable

SMERA believes that GSEPL will maintain a stable outlook on account of steady cash flows under a power purchase agreement with an established capacity. The outlook may be revised to 'Positive' in case of any

significant capacity addition while maintaining or improving the debt protection indicators. The outlook may be revised to 'Negative' in case the company reports in lower than expected revenues translating to deteriorate debt protection metrices.

About the Group

GEPL incorporated in June 2007, is the key holding company for GMR Group which has interests into Airports, Energy, Transportation and Urban Infrastructure. Mr. G.M. Rao is a well-known industrialist and founder chairman of GMR group of companies.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.18	0.00	0.00
EBITDA	Rs. Cr.	0.11	0.00	0.00
PAT	Rs. Cr.	-0.16	0.00	0.00
EBITDA Margin	(%)	62.48	0.00	0.00
PAT Margin	(%)	-84.59	0.00	0.00
ROCE	(%)	2.59	0.00	0.00
Total Debt/Tangible Net Worth	Times	2.08	0.00	0.00
PBDIT/Interest	Times	2.51	0.00	0.00
Total Debt/PBDIT	Times	35.70	0.00	0.00
Gross Current Assets (Days)	Days	658	0	0

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.70	SMERA BBB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA BBB / Stable

Contacts

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ABOUT SMERA

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