

## Press Release

**G M R Solar Energy Private Limited**

June 06, 2019



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs.7.80 Cr.
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Negative (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has Reaffirmed a long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.7.80 crore bank facilities of G M R Solar Energy Private Limited (GSEPL). The outlook is '**Negative**'.

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 2.0 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.

### Analytical Approach

For arriving at its rating, Acuité has taken a standalone view of the business and financial risk profile of GSEPL.

### 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.

- **Improved Margins**

Operating Margins for the FY2018 stood at 83.86 percent as against 62.48 percent for the previous year. Further Operating margins for the period from April, 2018 to March, 2019 stood at 88.16 percent.

- **Moderate Working Capital Cycle**

GSEPL has moderate working capital operations marked by Gross Current Assets (GCA) of 77 days for the FY2018 as against 658 days in the FY2017. This was majorly on the account of debtor days of 37 days for the FY2018.

#### Weaknesses

- **Below average financial Risk Profile**

The financial risk profile of the company is below average marked by tangible net worth of Rs.2.86 crore as on 31 March 2018 as against Rs.2.25 crore in the previous year. Gearing (debt-equity) of the company stood at 2.70 times as on 31 March 2018 as against 2.08 times as on 31 March 2017. The interest coverage ratio stood at 2.66 times for FY2018 as against 2.51 times for FY2017. DSCR stood at 1.91 times for FY2018 as against (1.22) times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.87 times as on 31 March 2018.

• **Susceptibility of the cash flow to the reduction in Product Load Factor**

Since the generation of units is dependent on the weather conditions and Photovoltaic cells, further the future efficiency of the solar asset at optimal capacity and deterioration of Photovoltaic cells will be critical. Any significant shortfall in Product Load Factor 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.

**Liquidity Profile**

GSEPL has average liquidity position marked by moderate net cash accruals to its maturing debt obligation. Company has generated net cash accruals of Rs.1.01 crore for the FY2018 with Rs.0.75 crore maturing debt obligation for the same period. The company maintains unencumbered cash and bank balances of Rs.0.08 crore as on 31 March 2018 as against Rs.0.04 crore as on 31st March 2017. The current ratio of the company stood at 1.17 times as on March 31, 2018 and 0.28 times as on 31st March 2017. The operations of the company stood moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 77 days in FY2018 as against 658 days in FY2017

**Outlook: Negative**

Acuité believes that GSEPL's credit profile will be impacted by reducing Product Load Factor (PLF) of its solar power plant and decline in cash accruals with respect to its repayment obligation. The rating may be downgraded in case of further reduction in its PLF and cash accruals. Conversely, the outlook may be revised to 'Stable' if the company is able to achieve improved PLF and significant growth in cash accruals while efficiently managing its working capital cycle.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	2.23	0.18	NA
EBITDA	Rs. Cr.	1.87	0.11	NA
PAT	Rs. Cr.	0.60	(0.16)	NA
EBITDA Margin	(%)	83.86	62.48	NA
PAT Margin	(%)	26.88	(84.59)	NA
ROCE	(%)	16.75	2.59	NA
Total Debt/Tangible NetWorth	Times	2.70	2.08	NA
PBDIT/Interest	Times	2.66	2.51	NA
Total Debt/PBDIT	Times	4.03	35.70	NA
Gross Current Assets (Days)	Days	77	658	NA

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-Jun-17	Term Loan	Long term	7.70	ACUITE BBB/ Stable (Assigned)

	Proposed Bank Facility	Long term	0.10	ACUITE BBB/ Stable (Assigned)
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**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.77	ACUITE BBB/Negative (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.03	ACUITE BBB/Negative (Reaffirmed)

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**About Acuité Ratings & Research:**

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