

Press Release

G M R Solar Energy Private Limited

August 21, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB** (read as ACUITE triple B) on the Rs.7.80 crore bank facilities of GMR Solar Energy Private Limited. The outlook is revised to '**Stable**'.

The revision in outlook to 'Stable' from 'Negative' is on account of the significant improvement in net cash accruals vis-à-vis Acuité expectation. Further, the company's repayment obligations stood at Rs.0.75 crore as against net cash accruals of Rs.1.09 crore in FY2020 (Prov.). Further, the debt obligations stood at Rs.0.75 crore as against net cash accruals of Rs.0.75 crore in the previous year. This has led to an improvement in service coverage indicator marked by Debt Service Coverage Indicator, which stood at 1.24 times for FY2020 as against 1.00 times in FY2019. Moreover, the company derives comfort from its promoter group and a strong counterparty.

About the company

New Delhi-based GMR Solar Energy Private Limited (GSEPL) was incorporated in 2016 and is 100% subsidiary of GMR Enterprise Private Limited (GEPL). The company has set up a 2.0 megawatt rooftop Power Project based on polycrystalline Solar PV technology at Celebi cargo terminal at IGI Airport (Terminal 3), New Delhi. Company has a power purchase agreement (PPA) with Celebi Delhi Cargo Terminal Management Private Limited for the generation of power.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of GMR Solar Energy Private Limited (GSEPL) to arrive at this rating.

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 a fixed tariff rate of Rs. 7.50 per unit (kWh) for 17 years ending 2034. 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. Further, from FY2020, the company has well placed itself in terms of NCA/CPLTD. The debt repayments have been aligned with the net cash accruals of the company.

Acuité believes that the company will continue to benefit over medium to long term owing to its steady cash flows under PPA agreement.

• Working capital efficient nature of operations

Operations of GSEPL are working capital efficient in nature marked by Gross Current Assets (GCA) of 99 days in FY2020 (Provisional) as against 93 days in the previous year. This is majorly on account of debtor's collection period of 67 days in FY2020 (Provisional) as against 37 days in the previous year.

The current ratio stands at 0.58 times as on 31 March 2020 (Provisional).

• **Improvement in Financial Risk Profile**

The financial risk profile of the company has improved in FY2020 (Provisional) as against FY2019 marked by improvement in net worth, gearing levels and debt protection metrics. The net worth of the company stood at Rs.3.88 crore as on 31 March 2020 (Provisional) as against Rs.3.20 crore as on 31 March 2019. The gearing (debt-equity) level of the company stood at 1.60 times as on 31 March 2020 (Provisional) as against 2.17 times as on 31 March 2019 and TOL/TNW stood at 1.74 times as on 31 March 2020 (Provisional) as against 2.39 times as on 31 March 2019. There has been an improvement in the debt protection metrics marked by interest coverage ratio (ICR) of 2.54 times in FY2020 (Provisional) as against 2.32 times in the previous year.

Weaknesses

• **Risk of renegotiation**

The revenue of the company is susceptible to any renegotiation by the counterparty in the tariff under the PPA agreement. At present, the tariff is at Rs.7.50/kWh. Renegotiation will impact the ability of the company to timely meet its debt obligations.

• **Susceptibility of the cash flow to the reduction in Capacity utilization factor**

Generation of power is dependent on the capacity utilization factor (CUF) of the plant. Any significant shortfall in capacity utilization factor will impact the revenue and cash flows of the company, which in turn will impact its ability to meet debt obligations. Acuité believes that maintaining the CUF at an optimal level will be very critical for the company to maintain its stable credit profile.

Rating Sensitivities

- Maintaining CUF at an optimal level
- Timely realization of income

Material Covenants

None

Liquidity Position: Adequate

Company has adequate liquidity profile marked by average net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.1.09 crore in FY2020 (Provisional) as against debt obligations of Rs.0.75 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.96 crore to Rs.1.01 crore during FY2020-23 as against repayment obligation of Rs.0.75 crore during the same period. Further, the company derives liquidity support from Rs.1.20 crore investment been made. Company maintained unencumbered cash and bank balances of Rs.0.03 crore as on 31 March, 2020 (provisional).

Outlook: Stable

Acuité believes that GSEPL will maintain a 'Stable' outlook over the medium term owing to steady cash flows under the PPA agreement. The outlook may be revised to 'Positive' in case of any significant capacity addition with maintaining or improving the debt protection indicators. Conversely, the outlook may be revised to 'Negative' if the company generates lower than expected revenues translating to deterioration in debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	1.97	2.02
PAT	Rs. Cr.	0.68	0.34

PAT Margin	(%)	34.59	16.95
Total Debt/Tangible Net Worth	Times	1.60	2.17
PBDIT/Interest	Times	2.54	2.32

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-June-2019	Term Loan	Long Term	6.77	ACUITE BBB/ Negative (reaffirmed)
	Proposed Bank Facility	Long Term	1.03	ACUITE BBB/ Negative (reaffirmed)
03-Apr-2018	Term Loan	Long term	7.70	ACUITE BBB/ Stable (Assigned)
	Proposed Bank Facility	Long term	0.10	ACUITE BBB/ Stable (Assigned)

***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 Loan	Sep-2016	Not Applicable	Dec-2028	5.85	ACUITE BBB/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.95	ACUITE BBB/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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