

Press Release

G M R Solar Energy Private Limited

February 14, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.80	ACUITE BBB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	7.80	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 7.80 crore bank facilities of GMR Solar Energy Private Limited (GSEPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NDC received from the banker.

Rationale for reaffirmation

Rating reaffirmation takes into account the stability of revenues through long term fixed tariff PPAs, moderate financial risk profile and working capital efficient nature of operations. Company has long term PPA's in both Delhi Airport and Goa Airport projects having comfortable counterparties. Financial risk profile of the company is moderate with comfortable debt protection metrics along with efficient working capital operations marked by moderate GCA days. However, the rating is constrained by risk of renegotiation in PPA's and the susceptibility of the projects to lower CUF's which is dependent upon availability of sunlight which might impact revenues and debt servicing ability of the company.

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. In FY 2023 (Current fiscal) company has built a new 5 MW ground mounted solar project at Mopa International Airport, Goa, which is managed by GMR Goa International Airport Limited. Company has signed a 20-year PPA with fixed tariffs of Rs 4.47 per unit with GMR Goa International Airport Limited and the electricity will be used for captive consumption with no grid connectivity. The project's construction began from June 2022 and has commenced operations from December 2022.

Analytical Approach

Acuite 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. Apart from Delhi Solar project, company has also started operating 5 MW ground mounted solar project at Mopa International Airport, Goa, which is managed by GMR Goa International Airport Limited. Company has signed a 20-year PPA with fixed tariffs of Rs 4.47 per unit with GMR Goa International Airport Limited which would further add to revenue of the company.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by average net worth, comfortable coverage metrics and gearing. The net worth of the company stood at Rs. 4.72 Cr as on 31st March 2022 as against Rs. 4.19 Cr in FY 2021. Total debt of Rs. 3.23 Cr in FY 2022 consists of Rs. 2.48 Cr of long term debt and Rs. 0.75 Cr of CPLTD. Gearing (Debt to equity) ratio has improved from 1.12 times in FY 2021 to 0.68 times in FY 2022. Interest coverage ratio improved and stood strong at 4.10 times in FY 2022 as against 2.86 times in FY 2021 while DSCR improved from 1.16 times in FY 2021 to 1.30 times in FY 2022. NCA/TD improved from 0.20 times in FY 2021 to 0.34 times in FY 2022.

Working capital efficient nature of operations

Operations of GMR are working capital efficient marked by Gross Current Assets (GCA) of 87 days in FY 2022 as against 80 days in FY 2021. Debtor days have increased from 34 in FY 2021 to 38 days in FY 2022. As per the PPA of Delhi airport solar project, bills are raised on a monthly basis and the off taker is supposed to pay within 10 days for 75% of the monthly invoice and within 45 days for the balance 25% immediately succeeding month.

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 optimal level
- Timely Realization of income

Material covenants

None.

Liquidity Position Adequate

The liquidity position of the company is adequate marked by sufficient net cash accruals to its maturity debt obligations. Company generated net cash accruals of Rs. 1.10 Cr in FY 2022 against maturing debt obligation of Rs. 0.75 Cr. Company maintained unencumbered cash and bank balance of Rs. 0.23 Cr in FY 2022. Current ratio stood at 0.49 times in FY 2022.

Outlook:

Not Applicable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1.95	2.00
PAT	Rs. Cr.	0.53	0.39
PAT Margin	(%)	27.12	19.64
Total Debt/Tangible Net Worth	Times	0.68	1.12
PBDIT/Interest	Times	4.10	2.86

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

Not Applicable.

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Nov 2021	Proposed Bank Facility	Long Term	3.08	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.72	ACUITE BBB Stable (Reaffirmed)
21 Aug 2020	Proposed Bank Facility	Long Term	1.95	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.85	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.08	ACUITE BBB Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.72	ACUITE BBB Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 shreyansh.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.