

GMR Warora Energy Limited

August 12, 2020

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities (Term Loan)	2,785.00 (reduced from 2,933.64)	CARE C (Single C)	Revised from CARE D
Short term Bank Facilities (BG)	215.00 (reduced from 230.00)	CARE A4 (A Four)	Revised from CARE D
Long term/Short term Bank Facilities (CC/LC)	405.00 (enhanced from 390.00)	CARE C / CARE A4 (Single C / A Four)	Revised from CARE D/CARE D
Total Facilities	3,405.00 (Rs. Three thousand Four hundred and five crore only)		
Non- Convertible Debentures (NCD)	75.00 (Rs. Seventy-five crore only)	CARE C (Single C)	Revised from CARE D
Total	3,480.00 (Rs. Three thousand Four hundred eighty crore only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in the ratings of GMR Warora Energy Limited (GWEL) takes into account delay free track record of more than 3 months in servicing the debt obligations. CARE takes note of GWEL's payment of interest obligations with respect into NCDs on March 30, 2020 which was due on March 25, 2020. As informed by the company and the investor, the delay was largely on account of difficulties arising in COVID-19 pandemic situation and restricted bank operations. The ratings continues to be constrained by GWEL's weak financial risk profile characterized by high overall gearing, increased power off-take risks for the untied capacity after expiration of power purchase agreement (PPA) with Dadar and Nagar Haveli (DNH) and relatively weak credit risk profile of its off-takers.

The ratings continue to derive strength from the experience of its promoters in operating power projects and Fuel Supply Agreement (FSA) for coal supply with South Eastern Coalfields Ltd (SECL).

Rating Sensitivities
Positive Factors

- Timely realization of receivables from beneficiaries resulting in collections period below 60 days on a sustained basis
- Signing of long term PPA agreements for untied capacity at favourable rates.

Negative Factors

- Further delay in realization of receivables, including envisaged inflow of funds as per relief package for DISCOMs, resulting in a stretched liquidity position for the company.
- Inability of the company to enter into long term PPA for the un-tied capacity.

Detailed description of the key rating drivers
Key Rating Weaknesses
Increased off-take risk with expiration of PPA with DNH

Currently, GWEL has long term PPA for only 63% of the total capacity as the PPA with DNH has expired in June 2020, which exposes the company to increased power off-take risks. Earlier, GWEL had long term PPA for the entire capacities with Tamil Nadu Generation and Distribution Limited (TANGEDCO) for 150 MW, Maharashtra State Electricity Distribution Company Limited (MSEDCL) for 200 MW and DNH for 200 MW, while the balance power was for auxiliary consumption. Nevertheless, all the remaining PPAs continue to provide tariff recoverable in the form of capacity charge & energy charges. The un-tied capacity exposes the company to risk related to merchant sales. Tie up of long term PPA for the un-tied capacity shall remain monitorable going forward.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Weak Financial risk profile marked by leveraged capital structure

GWEL has weak financial risk profile characterized by high overall gearing and moderate debt coverage indicators. The overall gearing of the company deteriorated from 5.22x in FY19 to 7.17x in FY20, largely on account of decreased net worth due to net losses in FY20. The erosion of net worth was on account of loss reported at the net level of Rs. 213.82 crore as on March 31, 2020 due to change in taxation policy opted by the company. The interest coverage ratio slightly moderated from 1.22x as on March 31, 2019 to 1.17x as on March 31, 2020. The debt levels remained consistently high at Rs. 3,155 crore as on March 31, 2020.

Counterparty credit risks leading to delay in receivables

GWEL is supplying power to MSEDCL and TANGEDCO. Among the two utilities, TANGEDCO is having a relatively weak financial profile as reflected by high AT&C losses, significant subsidy support from the government, and relatively long payable cycle. The payments from counterparties had been regular in FY20 from August 2019 after the implementation of LC guidelines by Ministry of Power. However, the receivables have again started piling up due to current situation of COVID-19. The debtors have increased from ~Rs. 636 crore as on March 31, 2020 to ~Rs. 856 crore as on June 30, 2020. Going forward, GWEL's ability to realize the dues from discoms in a timely manner would remain important for its liquidity profile.

Key Rating Strengths**Delay free track record**

The ratings of bank facilities of GWEL have been revised on account of delay free track record of more than 3 months (December 2019-February 2020) in servicing the debt obligations with respect to bank facilities of the company. Further, CARE has revised the ratings for NCDs on account of delay free track record of more than 3 months (April 2020 – Till date).

Experienced promoter group with experience in developing power projects

GWEL is a part of GMR group which is a major player in the infrastructure sector through its flagship company GMR Infrastructure Limited (GIL) and has been developing projects in India and abroad in areas such as airports, energy, transportation, etc. Over the years GMR group has successfully implemented various power projects and has substantial experience in developing and operating diversified fuel based power projects.

Fuel Supply Agreement (FSA) in place with SECL

GWEL has FSA with SECL for feeding both the units of 300 MW each available only for long term PPAs. Presence of FSA with SECL safeguards GWEL against any fuel supply risks. In case of any short supply from SECL, GWEL meets the same through e-auction and imported coal.

Liquidity- Stretched

Liquidity profile of the GWEL remains stretched as characterized by delay in receipt of receivables (both change in law as well as normal) and high working capital utilization. GWEL's utilization of fund based working capital limit is on the high with average utilization during the last 12 months of ~97% ending April 2020. The cash balance in TRA account on June 30, 2020 stood at ~Rs. 52 crore. The company has availed the moratorium on their payment obligations as per RBI package with respect to bank facilities due in the period March 2020 to August 2020, and the same has been approved by the lenders.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Private Power Producers](#)

[Rating Methodology- Liquidity analysis on non-financial entities](#)

About the Company

GWEL was previously known as EMCO Energy Limited (EEL) - a Special Purpose Vehicle (SPV) promoted by the EMCO group on August 04, 2005 to set up a 2x135 MW coal based power plant at Maharashtra Industrial Development Corporation (MIDC), Warora, Maharashtra. The promoters of EEL sold the entire stake to GMR Energy Limited in July 2009 making it a 100% subsidiary of GEL. After the acquisition, scope of the project was enhanced from 2x135 MW to 2x300 MW in view of the demand for power in western India. The Unit 1 and Unit 2 (each having capacity of 300 MW) achieved COD on March 19, 2013 and September 01, 2013 respectively.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Abridged)
Total operating income	1,919.91	1,845.19
PBILDT	609.78	598.76
PAT	262.46	-213.82
Overall gearing (times)	5.22	7.17
Interest coverage (times, based on EBIT)	1.22	1.17

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2034	2785.00	CARE C
Fund-based - LT/ ST-Working Capital Limits	-	-	-	405.00	CARE C / CARE A4
Non-fund-based - ST-Bank Guarantees	-	-	-	215.00	CARE A4

Name of the Instrument with ISIN No.(NCD)	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	O/s (Rs. crore)	Rating assigned along with Rating Outlook
INE124L07014 NCD Series 1	April 23, 2014	12.15%	September 25, 2022	25.00	25.00	CARE C
INE124L07022 NCD Series 2	April 23, 2014	12.15%	September 25, 2023	25.00	25.00	CARE C
INE124L07030 NCD Series 3	April 23, 2014	12.15%	November 25, 2023	25.00	25.00	CARE C

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	2785.00	CARE C	-	1)CARE D (28-Sep-19) 2)CARE D (27-May-19)	1)CARE BB+; Stable (07-Jan-19)	1)CARE BB; Stable (19-Jan-18) 2)CARE D (15-May-17)
2.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	405.00	CARE C / CARE A4	-	1)CARE D / CARE D (28-Sep-19) 2)CARE D / CARE D (27-May-19)	1)CARE BB+; Stable / CARE A4+ (07-Jan-19)	1)CARE BB; Stable / CARE A4 (19-Jan-18) 2)CARE BB; Stable / CARE A4 (15-May-17)
3.	Non-fund-based - ST-Bank Guarantees	ST	215.00	CARE A4	-	1)CARE D (28-Sep-19) 2)CARE D	1)CARE A4+ (07-Jan-19)	1)CARE A4 (19-Jan-18) 2)CARE A4

						(27-May-19)		(15-May-17)
4.	Debentures-Non Convertible Debentures	LT	75.00	CARE C	-	1)CARE D (28-Sep-19) 2)CARE C; Stable (27-May-19)	1)CARE BB+; Stable (07-Jan-19)	1)CARE BB; Stable (19-Jan-18) 2)CARE BB; Stable (15-May-17)

Annexure-3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - LT/ ST-Working Capital Limits	Simple
4.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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