

## GMR Warora Energy Limited

September 28, 2019

### Ratings

S.No.	Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
(i)	Long Term Bank Facilities (Term Loan)	2,933.64 (reduced from Rs.3,058 crore)	CARE D (Single D)	Reaffirmed
(ii)	Long/Short Term Bank Facilities (CC/LC)	390.00	CARE D/ CARE D (Single D/Single D)	Reaffirmed
(iii)	Short Term Bank Facilities (BG)	230.00	CARE D (Single D)	Reaffirmed
	<b>Total bank facilities</b>	<b>3,553.64</b> <b>(Rupees Three Thousand Five Hundred Fifty Three Crore and Sixty Four Lakh Only)</b>		
(iv)	Non-Convertible Debentures (NCD)	75.00	CARE D (Single D)	Revised from CARE C; Stable
	<b>Total</b>	<b>3628.64</b> <b>(Rupees Three Thousand Six Hundred Twenty Eight Crore and Sixty Four Lakh Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has revised the ratings for NCDs S.No. (iv) of GMR Warora Energy Limited (GWEL) to 'CARE D'. Instruments with this rating are in default or are expected to be in default soon. The revision in the rating factors in delays in servicing of obligations by the company

The reaffirmation in the ratings of bank facilities continue to factor in the delays in servicing of debt obligations by the company due to stretched liquidity position of the company on account of delay in receivables from its offtakers.

The ratings continue to remain constrained by below average financial risk profile of GWEL characterized by high overall gearing, marginal debt coverage indicators and relatively weak credit profile of its off-takers. The ratings take note of the experience of its promoters in operating power projects, its long-term power off-take arrangement for entire capacity and Fuel Supply Agreement (FSA) for coal supply with South Eastern Coalfields Ltd (SECL).

Going forward, the company's ability to timely service its debt obligations, and register improvement in its debtor realization along with improvement in overall financial risk profile shall be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Delays in servicing of debt obligations

As informed by Debenture Trustee (DT), the Debenture Holder had exercised the put option on NCDs S.No. (iv) following which the redemption payment had fallen due on 25<sup>th</sup> September 2019. The same has not been serviced by the company.

Further, the company has reported delays in servicing of debt obligations related to bank facilities as confirmed by the lenders to the company. The company has stretched liquidity position on account of delay in receivables from its offtakers. GWEL is supplying power to Dadra and Nagar Haveli Power Distribution Corporation Ltd (DNH), Maharashtra State Electricity Distribution Company Limited (MSEDCL) and Tamil Nadu Generation and Distribution Corporation (TANGEDCO). Among the three utilities, TANGEDCO has a relatively weak financial profile as reflected by high AT&C losses, significant subsidy support from the government, and relatively long payable cycle. GWEL has faced delays in receiving payment from TANGEDCO resulting in deterioration in liquidity profile of the company and hence delays in servicing of debt obligations. The overall receivable of the company stood at Rs 787 crore as on March 31, 2019 and has marginally increased to Rs 795 crore in June 30, 2019. Out of the total debtors of Rs 795 crore, TANGEDCO accounted for Rs 331 crore. Although GWEL has shown improvement in realization of its regulatory receivables in FY20, its regular receivables, especially from TANGEDCO continues to remain high.

#### Weak financial risk profile marked by leveraged capital structure

GWEL has below average financial risk profile characterised by high overall gearing and marginal debt coverage indicators. Although, overall gearing of the company improved from 11.60x in FY18 to 5.11x in FY19, largely on account of increased net worth, it continue to remain on the higher side. The net worth of the company stood at ~Rs 655 cr. in FY19 (PY: Rs. 299 crore). The improvement in net worth was largely on account of conversion of subordinated debt into Compulsory

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Convertible Preference Shares (CCPS). Debt coverage ratios continues to remain marginal, as total debt to gross cash accrual and interest coverage ratio was 16.05x and 1.50x respectively as on March 31, 2019 (PY: 11.01x and 1.75x respectively).

#### **Liquidity- Stretched**

Liquidity profile of GWEL remains stretched as characterized by delay in receipt of receivables (both regulatory as well as normal) and high working capital utilization. Realization of receivables from TANGEDCO has been sluggish as company is receiving payments in 150-180 days. However, order from Ministry of Power for issuance of LC as security payment mechanism augurs well for the company. The company also has significant regulatory receivables which stood at Rs 452 crore. As a result of elongated debtors, GWEL's utilization of fund based working capital limit is on the higher side with average utilization during the last 12 months of ~93-94%. The company has total repayment obligation of Rs 246 crore in FY20. GWEL's cash balance remained low at Rs 8.13 crore as on March 31, 2019 (PY: Rs 6.21 crore).

#### **Key Rating Strengths**

##### **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.

##### **Long-term PPAs in place providing revenue visibility**

The company has long term PPAs for entire capacity including PPA for 200MW with DNH, 200 MW with MSEDCL and 150MW with TANGEDCO while the balance power is for auxiliary consumption. This arrangement with its clients ensures long term revenue visibility for GWEL with 100% of net capacity of its plant. All the PPA provides tariff recoverable in the form of capacity charge & energy charges.

##### **Favourable order from Ministry of Power to ensure robust payment mechanism from DISCOMs**

Ministry of Power vide its order dated 28-Jun'19 has issued directions to National Load Dispatch Centre/ State Load Dispatch Centre/Discoms with regard to supply of power to be made only against submission of LCs so as to ensure robust Payment Security Mechanism to cover the payment due on account of drawl of power. Subsequent to this order, DNH, MSEDCL and TANGEDCO have already submitted LCs amounting to Rs.150.50 crore in favour of GWEL against the monthly power offtake. This is expected to improve debtor realization from the DISCOMs especially from TANGEDCO, against which the company is facing elongated receivable period. Track record of timely realization of debtors from the DISCOM post receipt of LCs remains to be seen going forward.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[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](#)

#### **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.

The project cost was initially envisaged at Rs. 3,480.00 crore to be funded in the ratio of 75:25 for debt and equity. During FY15, it was revised to Rs. 4,250.00 crore to meet the increased scope of work and funding of IDC. The increased scope of work included construction of weir (already implemented) on the Wardha River and for new township for employees. The weir system has been constructed on Wardha River to store four to six months of water given the low flow period in the river and meet the plants requirement.

During FY19, GWEL has reported a PAT of Rs.262.4 crore on a total operating income of Rs.1,923.1 crore as against a PAT of Rs.192.74 crore on a total operating income of Rs.1,784.70 crore during FY18.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	1,784	1,923
PBILDT	729	618
PAT	193	262
Overall gearing (times)	11.90	5.11
Interest coverage (times)	1.75	1.50

A: Audited

**Status of non-cooperation with previous CRA:** GWEL has not cooperated with ICRA Limited (ICRA), which has migrated its rating to issuer not co-operating. The agency has cited that ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated request by ICRA, the entity's management has remained non-cooperative.

**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	-	-	March' 2034	2,933.64	CARE D
Fund-based - LT/ ST-Working Capital Limits	-	-	-	390.00	CARE D / CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	230.00	CARE D

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 D
INE124L07022 NCD Series 2	April 23, 2014	12.15%	September 25, 2023	25.00	25.00	CARE D
INE124L07030 NCD Series 3	April 23, 2014	12.15%	November 25, 2023	25.00	25.00	CARE D

\*Put option available with the debenture holder

#### 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	2933.64	CARE D	1)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)	1)CARE D (11-Jul-16) 2)CARE BBB- (27-Apr-16)
2.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	390.00	CARE D / CARE D	1)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)	1)CARE D / CARE D (11-Jul-16) 2)CARE BBB- / CARE A3 (27-Apr-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	230.00	CARE D	1)CARE D (27-May-19)	1)CARE A4+ (07-Jan-19)	1)CARE A4 (19-Jan-18)	1)CARE D (11-Jul-16)

							2)CARE A4 (15-May-17)	2)CARE A3 (27-Apr-16)
4.	Debentures-Non Convertible Debentures	LT	75.00	CARE D;	1)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)	1)CARE D (11-Jul-16) 2)CARE BBB- (27-Apr-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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