Ginni Global Private Limited

January 04, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	21.74* (Reduced from 27.05)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn**
Total Bank Facilities	**21.74 (₹Twenty-One Crore and Seventy-Four Lakhs Only)**		

Details of instruments/facilities in Annexure-1.
*Balance as on Nov 30, 2022
**CARE has withdrawn the rating assigned to the Long-term bank facilities (CC) of GGPL with immediate effect, as the company has repaid the aforementioned facility in full and there is no amount outstanding as on date.

Detailed rationale and key rating drivers

The reaffirmation of the ratings assigned to bank facilities of Ginni Global Private Limited (GGPL) continues to derive strength from experience of the promoter group in diversified businesses and revenue visibility of the company backed by long term 40 years Power Purchase Agreement (PPA) for Taraila project and short term PPA for Balsio project with Himachal Pradesh State Electricity Board Limited (HPSEBL). The rating also continues to take comfort from satisfactory operational performance of both the plants during FY22 (refers to the period April 01 to March 31) and moderate debt service coverage indicators and adequate liquidity position. However, the ratings are constrained by the sales risk emanating from short to medium term PPA in case of Balsio project, counterparty credit risk related to sole offtaker HPSEBL and hydrological and seismic risks associated with run-of-the-river power generation. The rating also takes cognizance of redemption of preference shares to the tune of Rs. 5.60 crore in July 2022.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Timely payment from the off-takers viz HPSEBL received within 30 days on a sustained basis.
- Entering into long term PPA for Balsio plant at remunerative tariff leading to improvement in debt service coverage indicators.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in credit profile of the offtaker leading to delay in receipt of payments beyond 60 days on a sustained basis.
- Lower than envisaged CUF levels leading to decline in profitability and debt coverage indicators.
- Any major debt funded acquisition leading to leveraged capital structure or impacting debt service coverage indicators.
- Any higher than envisaged repayment towards redeemable preference shares till the tenure of loan impacting the debt coverage indicators.

Detailed description of the key rating drivers

<u>Key rating strengths</u>

Satisfactory operational performance of both the plants

The company has a satisfactory operational performance as the total average capacity utilisation factor (CUF) remained above 70% during last 3 years and in FY22 average CUF stood at 76.90%. During FY22, total operating income of the company increased from Rs. 16.47 crore to Rs. 22.87 crore due to sale of Renewable Energy Certificate (REC) trades, which was resumed on November 24, 2021, after a brief suspension.

Moderate debt service coverage indicators with presence of DSRA equivalent to two quarter of debt servicing

The company has comfortable debt service coverage indicators during the tenure of the loan and presence of escrow mechanism for term loan repayments which provides additional comfort. The company is also required to maintain DSRA equivalent to two quarters of debt servicing obligations, which is in place since March 31, 2022.

Experienced and diversified promoter group with experience in operating hydel power projects

GGPL has been promoted by Mr. Sharad Jaipuria, an eminent industrialist having interest in textiles, renewable energy and education. He is associated with various Chambers & Associations like PHD Chamber of Commerce & Industry, FCCI, Confederation of Indian Textile Industry etc. The company commissioned Taraila Hydro Power Project in 2007 and Balsio Hydro Power Project in 2012 and has been operating both plants successfully since commissioning. Apart from hydel power projects, the promoter is also involved in textiles and education. Ginni International Limited (GIL) is an integrated textile company engaged in the manufacturing of cotton yarn, woven fabric and denim fabric. On education front, it is associated with Jaipuria legacy of education which began in 1945 and it has been delivering quality education consistently in various regions over the years.

Revenue visibility backed by long term and short term PPA with HPSEBL
In case of Taraila project, the company has entered into a 40 year long term PPA with HPSEBL at a fixed rate of Rs. 2.50 per unit (without escalation) which is valid till November 15, 2047. The long-term agreement provides revenue stability which will help in servicing debt obligations. In case of Balsio project, the company has entered into short/medium term PPA at Average Pooled Purchase Cost (APPC) rate with HPSEBL and the agreement has been renewed multiple times after every 1-3 years. The short-term agreement has a pricing risk associated with it. However, the project provides benefit of sale of Renewable energy certificates (REC) which helps to increase the revenue of the company. The payment from HPSEBL has normally been received in 30-40 days as compared to 30 days mentioned in PPA.

Key rating weaknesses
Sales risk emanating from tie up for power on short to medium term basis with HPSEBL for Balsio plant
The company has a pricing risk associated with short to medium term PPA in case of Balsio project which leads to instability of cash flows. Although the company has a benefit of sale of REC but there has been an instance of suspension of REC trades during FY21 which may happen again in future.

Counterparty credit risk related to sole offtaker HPSEBL
The company is exposed to credit risk related to sole off-taker HPSEBL as any delay in collections from the utility would have adverse impact on cash flow and debt servicing of GGPL. The financial risk profile of HPSEBL is moderate characterized by high operating costs due to high employee costs and O&M expenses, relatively long payable cycle and healthy billing and collection efficiency. However, the company realized its dues within 30-40 days as against 30 days mentioned in the PPA.

Hydrological risks and seismic risks associated with run-of-the-river power generation
Run-of-the-river power is considered an unstable source of power, as a run-of-the-river project has little or no capacity for water storage and therefore is dependent on the flow of river water for power generation. It thus generates much more power during times when seasonal river flows are high and much less during lean period. During March 2014, the Taraila project was shut down due to landslides as a result of heavy rainfall in Himachal Pradesh. This resulted in substantial damage to penstock and complete stoppage of power generation. The company couldn't service interest dues during the period and revenue generation from Balsio project was used for incurring expenses for restoration of Taraila project. However, there has been no disruption in operations since last 8 years. Also, the company has ensured that the major portion of power channel is inside of mountain to mitigate the impact of landslides. The company has also taken an insurance cover for damage of fixed asset and loss on profit which is renewed every year.

Liquidity: Adequate
The liquidity of the company is adequate as the company has expected gross cash accrual of ~Rs. 10.13 crore as against repayment obligations of Rs. 5.11 crore for FY23. The company has also maintained DSRA of Rs. 4.50 crore which is sufficient to service principal and interest of two quarters. Company has availed a WC limits from Canara Bank to the tune of 3 crore, however they have repaid all the dues and closed the facility in February 2022. The company has further paid Rs. 5.60 crore for redemption of preference shares in July 2022. As on November 30, 2022, company has free cash & bank balance of ~3 crore and investments in Mutual funds and REITS to the tune of ~15 crore.

Analytical approach: Standalone

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Infrastructure Sector Ratings
Power Generation Projects
Policy on Withdrawal of Ratings

About the company
GGPL is an independent power producer which is engaged in the generation of hydel power. The company is operating two hydro-electric plants of 5MW (with total cost per MW of Rs. 10.8 crore) capacity each at Taraila and Balsio, Distt Chamba, Himachal Pradesh. The company commissioned Taraila Hydro Power Project in 2007 and Balsio Hydro Power Project in 2012. The company also operated a 6-megawatt furnace oil generating set connected to the grid which was sold out to Ginni International Ltd. (GIL) in 2014. Its main purpose was to provide electricity to GIL

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	16.43	22.87	NA
PBILDT	9.63	16.46	NA
PAT	-1.42	9.59	NA
Overall gearing (times)	1.46	0.95	NA
Interest coverage (times)	2.93	6.26	NA

A: Audited.NA: Not Available

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review of GGPL as "Not Cooperating" vide its press release dated April 30, 2022

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2026	21.74	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	21.74	CARE BBB; Stable	-	1)CARE BBB; Stable (23-Dec-21)	-	-
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB; Stable (23-Dec-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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