

GVK Power (Goindwal Sahib) Limited

August 12, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2,400.00	CARE D (Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short-term Bank Facilities	40.50	CARE D (Single D)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Total Facilities	2,440.50 (Rs. Two Thousand Four Hundred Forty Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to factor in stretched liquidity position of GVK Power (Goindwal Sahib) Limited (GPGSL) resulting in delays in servicing debt obligations.

The key rating sensitivities are as follows-

Rating Sensitivities

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

- Improvement in liquidity position with subsequent regularization of debt servicing

Detailed description of the key rating drivers

Key Rating Weaknesses

Stretched liquidity position led by subdued operational & financial performance: The plant remained non-operational even after achieving COD due to non-availability of coal, primarily on account of de-allocation of the coal block and paucity of working capital to procure coal via e-auction. Although the company has started receiving coal under Scheme for Harnessing and Allocating Koyala Transparently in India (SHAKTI), lower demand of electricity from Punjab State Electricity Board and shortage of working capital fund, has resulted in low PLF level.

During the period FY19-20, the plant availability has improved from 66.22% to 98.70%, however, the PLF of the plant continue to be lower at about 27%. Lower power generation and high fixed cost has resulted in continued net loss and cash loss during the period FY20 – 9MFY21. All the above factors coupled with high debt repayment obligation has resulted in delays in debt servicing.

Key Rating Strengths

Experienced promoter group: GPGSL belongs to Hyderabad based GVK group, which is one of the first Independent Power Plant developers in the country. The GVK group through GVK Power & Infrastructure Limited (GVKPIL) and its subsidiaries has substantial ownership interest into power generating assets and is also engaged in building and developing of highway projects, providing infrastructure facilities, exploration of oil & natural gas, operations, maintenance and development (OMD) of airport projects and exploration of coal mines.

Liquidity: Poor

The liquidity position of the company is poor with high debt repayment obligation and cash losses during the last 3 years resulting in delay in debt servicing. The company had free cash & bank of Rs.17.19 crore as on June 30, 2021.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology – Thermal Power Producers](#)

[Rating Methodology - Infrastructure Sector Ratings \(ISR\)](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

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

About the Company

Incorporated in 1998, GPGSL is a wholly owned subsidiary of GVK Energy Limited, which in turn is the subsidiary of GVK Power and Infrastructure Limited (GVKPIL), the flagship company of GVK group. GPGSL has implemented a 540 MW (2*270

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

MW), coal-fired thermal power project at Goindwal Sahib, District Tarn Taran, Punjab. The project was awarded to GVK group by Government of Punjab (GOP) & Punjab State Electricity Board (PSEB) during the year 1996, through International Competitive Bidding (ICB) route. The project achieved COD in April 2016. GPGSL has executed an amended and restated PPA (for 25 years) with PSEB on May 26, 2009, for sale of entire electricity to be generated through a two-part tariff structure.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1515.91	1231.22
PBILDT	260.21	554.53
PAT	(667.90)	(506.21)
Overall gearing (times)	NM	NM
Interest Coverage (times)	0.36	0.71

A: Audited, NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	May 2026	2400.00	CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	-	40.50	CARE D

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	2400.00	CARE D	1)CARE D; ISSUER NOT COOPERATING* (02-Aug-21)	1)CARE D; ISSUER NOT COOPERATING* (04-May-20)	-	1)CARE D (28-Mar-19)
2.	Non-fund-based - ST-Bank Guarantees	ST	40.50	CARE D	1)CARE D; ISSUER NOT COOPERATING* (02-Aug-21)	1)CARE D; ISSUER NOT COOPERATING* (04-May-20)	-	1)CARE D (28-Mar-19)

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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