

GMR Kamalanga Energy Limited

October 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities (Term Loan)	3,919.66 (reduced from 3,971.01)	CARE D (Single D)	Reaffirmed
Long term Bank Facilities (Working Capital Limits)	200.75 (reduced from 220.75)	CARE D (Single D)	Reaffirmed
Short term Bank Facilities (LC/BG)	481.70 (reduced from 600.52)	CARE D (Single D)	Reaffirmed
Total Facilities	4602.11 (Rs. Four thousand six hundred two crores and eleven lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings of GKEL takes into account the instances of delay in servicing of debt obligations by the company as per the latest auditor report for FY20 (refers to the period April 01 to March 31). As informed by the company and the bankers, there were delays in payment of due debt obligations in January-February 2020 which have been cleared in August 2020. The delays were largely on account of stretched liquidity position of the company owing to delay in regulatory receivables from its off takers. The ratings continue to remain constrained by below average financial risk profile of GKEL mainly on account of relatively weak credit profile of its off-takers leading to significant build-up of receivables. The ratings take note of the experience of its promoters in operating power projects.

Rating Sensitivities

Positive Factors

- Timely servicing of debt obligations for more than three months and improvement in liquidity profile of the company

Detailed description of the key rating drivers

Key Rating Weaknesses

Instances of delays in debt servicing

There have been instances of delays in servicing of debt obligations as reported by the company and also confirmed by the bankers. As per the quarterly financials for Q1FY21 (Prov) (refers to the period April 01 to June 30) financials, the interest accrued and due stood at Rs. 69.02 crore as against Rs. 74.71 crores as on March 31, 2020. The delays were largely on account of stretched liquidity position of the company due to delay in receipt of regulatory receivables from its counterparty DISCOMs. As confirmed by the management and the bankers, these dues have been cleared in August 2020.

Weak financial profile of power off-takers leading to significant build-up of receivables

The weak financial health of its power off-takers continues to remain a cause of concern for GKEL. The higher level of Aggregate Transmission and Commercial (AT&C) losses, the rising power purchase costs and the absence of cost reflective tariff regimes have put a strain on the financial position of its off-takers including Haryana and Bihar DISCOMs. The company's receivables position elongated from ~Rs. 1,045 crore as on March 31, 2019 to ~Rs. 1,411 crore as on March 31, 2020. The level of receivables has further increased to ~Rs. 1,675 crore as on August 31, 2020. This was mainly on account of delays in realization of regulatory receivables from the off-takers which has resulted in stretched working capital cycle for the company. The regulatory receivables stood at ~Rs. 1103 crores as on August 31, 2020. Correspondingly, the average collection period increased from 119 days in FY19 to 154 days in FY20.

Key Rating Strengths

Experienced promoter group with experience in developing power projects

GKEL 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.

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

Liquidity: Stretched

Liquidity profile of the GKEL remains stretched as characterized by delay in receipt of receivables (both regulatory as well as regular receivables) and high working capital utilization. GKEL's utilization of fund based working capital limit is on the high with average utilization during the last 12 months of ~94% ending July 2020. The company has cash and cash equivalents of ~Rs. 29 crore as on August 31, 2020. 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 post which GKEL has repayment obligations of ~Rs. 132 crore for FY21.

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 – Thermal Power Producers](#)

About the Company

Incorporated in December 2007, GMR Kamalanga Energy Limited (GKEL) is a Special Purpose Vehicle (SPV) promoted by GMR Energy Limited (GEL) which is an operating-cum-holding company for all power projects of the GMR Group. As on March 31, 2020 GEL held 87.42% stake in GKEL while 10.21% was held by India Infrastructure Fund (IIF), a fund managed by IDFC Project Equity Company Limited and 2.37% stake by IDFC Limited. GKEL has developed a 1,050 Mega Watt (MW) (3x 350MW) coal-fired power project at Kamalanga Village, Dhenkanal district, Odisha. The project cost was initially estimated at Rs. 4,540 crore, subsequently there was a cost overrun of Rs. 1,979 crore leading to the total project cost to Rs. 6,519 crore. The project was funded through debt of Rs. 4,269 crore and equity of Rs. 2,250 crore (D:E - 65.4: 34.6). The project consisting of 3 units of 350 MW each achieved COD on April 2013 for Unit-I, November 2013 for Unit-II and March 2014 for Unit-III respectively. GKEL has long term off-take agreements with GRID Corporation of Odisha (GRIDCO) for 25% of the capacity (262.5 MW), Haryana distribution companies for 31.94% of capacity (335.4 MW) and Bihar State Power Holding Company Ltd for 27.4% of capacity (287.7 MW). The balance untied capacity of 164.4 MW (15.7% of total capacity) for the time being is being sold on merchant basis or short term PPA's on bilateral basis.

The PLF of the company stood at 63.59% in FY20 as against 73.01% in FY19.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	2,377.64	2,262.75
PBILDT	929.85	832.97
PAT	56.63	-41.97
Overall gearing (times)	12.93	13.97
Interest coverage (times)	1.64	1.48

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

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

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	-	-	June 2034	3919.66	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	200.75	CARE D
Non-fund-based - ST-BG/LC	-	-	-	481.70	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 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	3919.66	CARE D	-	1)CARE D (03-Oct-19)	1)CARE D (07-Mar-19) 2)CARE D (06-Apr-18)	-
2.	Fund-based - LT-Working Capital Limits	LT	200.75	CARE D	-	1)CARE D (03-Oct-19)	1)CARE D (07-Mar-19) 2)CARE D (06-Apr-18)	-
3.	Non-fund-based - ST-BG/LC	ST	481.70	CARE D	-	1)CARE D (03-Oct-19)	1)CARE D (07-Mar-19) 2)CARE D (06-Apr-18)	-

Annexure 3: 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.	Fund-based - LT-Working Capital Limits	Simple
3.	Non-fund-based - ST-BG/LC	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.

Contact us

Media Contact

Name- Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact

Name – Puneet Kansal
Contact no. - +91-11-45333225
Email ID- punee.kansal@careratings.com

Relationship Contact

Name: Swati Agrawal
Contact no. : +91-11-4533 3200
Email ID: swati.agrwal@careratings.com

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