

GVK Power (Goindwal Sahib) Limited

March 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	2400.00	CARE D	Reaffirmed
Short term Bank Facilities	40.50	CARE D	Reaffirmed
Total	2440.50 (Rs. Two thousand four hundred forty crore and fifty only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings continue to factor in stretched liquidity position resulting in delays in servicing debt obligations.

Detailed description of the key rating drivers

Key rating Weaknesses

Stretched liquidity position

The company has been facing subdued operational performance on account of non-availability of coal, primarily due to working capital shortage, which along with deductions made by Punjab State Electricity Board (PSEB) from the bills generated, due to dispute over payment of Surface Transportation charges has ultimately impacted the overall financial performance of the company. This, has resulted in insufficient profits to service its debt obligation resulting in delays in debt servicing.

Key rating Strengths

Strong and 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.

Analytical approach: Standalone

Applicable criteria

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

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

[Criteria for Short Term Instruments](#)

[CARE's Rating Methodology for Private Power Producers](#)

[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 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)	FY17 (A)	FY18 (A)
Total operating income	109.32	886.17
PBILDT	14.60	8.08
PAT	(658.57)	(831.69)
Overall gearing (times)	63.15	NM
Interest coverage (times)	0.03	0.01

A: Audited

Status of non-cooperation with previous CRA: Nil

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

Any other information: Not Applicable

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	2400.00	CARE D	-	1)CARE D (19-Mar-18)	1)CARE D (10-Jan-17)	1)CARE D (03-Mar-16) 2)CARE BB (10-Apr-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	40.50	CARE D	-	1)CARE D (19-Mar-18)	1)CARE D (10-Jan-17)	1)CARE D (03-Mar-16) 2)CARE A4 (10-Apr-15)

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