

GVK Power (Goindwal Sahib) Limited

May 04, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	2400.00	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating ;Based on best available information
Short term Bank Facilities	40.50	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating ;Based on best available information
Total	2440.50 (Rs. Two thousand four hundred forty crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

GVK Power (Goindwal Sahib) Limited (GPGSL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on GPGSL's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account continued delay in debt servicing due to stretched liquidity position of the company.

Detailed description of the key rating drivers

At the time of last rating on March 28, 2019 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses**Stretched liquidity position**

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, from April 1, 2018 the company has started receiving coal under SHAKTI policy, due to shortage of working capital fund, the coal requirement could not be fulfilled to run both the units. Hence, while operations have commenced and the company reported PBILDT of Rs.260.0 crore in FY19 on revenue of Rs.1515 crore in FY19, the same has not been sufficient to cover the fixed costs. This apart, there have been deductions from bills raised to Punjab State Power Corporation Ltd. (PSPCL), the offtaker for low PLF and hence liquidate damages being imposed. This under recovery of bills further puts pressure on the liquidity. All the above factors coupled with high debt repayment obligation has resulted 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

[Policy in respect of Non-cooperation by issuer](#)

[Rating Outlook and Credit Watch](#)

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

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

*Issuer did not cooperate; Based on best available information

[Rating Methodology – infrastructure sector](#)
[Rating Methodology-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)	FY18 (A)	FY19 (A)
Total operating income	886.17	1515.91
PBILDT	8.08	260.21
PAT	(831.69)	(667.90)
Overall gearing (times)	NM	NM
Interest coverage (times)	0.01	0.36

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 instruments/facility: Detailed explanation of covenants of rated instruments/facilities is given in 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	-	-	May 2026	2400.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	40.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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	2400.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D (28-Mar-19)	1)CARE D (19-Mar-18)
2.	Non-fund-based - ST-Bank Guarantees	ST	40.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D (28-Mar-19)	1)CARE D (19-Mar-18)

Annexure 3: Detailed Explanation of covenants of rated instruments/facilities- N/A

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 clarification

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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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