

## Giriraj Renewables Private Limited

January 3, 2018

### Ratings

Facility	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities – Term Loan	75.00	<b>CARE BBB+; Stable (Triple B Plus; Outlook: Stable)</b>	<b>Assigned</b>
Long-term/Short-term Bank Facilities – Non-fund Based	100.00	<b>CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/A Two)</b>	<b>Assigned</b>
<b>Total</b>	<b>175.00 (Rs. One Hundred seventy five crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facility of Giriraj Renewables Pvt. Ltd. (GRPL) derives comfort from experienced and resourceful promoters and strong order book position. The ratings are also supported by the government led reforms to encourage the investments in the renewable energy sector.

The rating is however tempered by exposure to risks related to project implementation, dependency on group companies for orders and sector concentration risk.

Going forward, completion of project within stipulated timelines and budget, increase in the scale of operations, improvement in profitability and reduced dependency on group companies will remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced promoter and management:** GRPL is part of Avaada group which is owned and managed by Mr. Vineet Mittal, who is an alumnus of Harvard Business School and an experienced entrepreneur. Under Mr. Vineet Mittal, Welspun Energy Pvt. Ltd. (WEPL) became a significant player in the renewable energy industry. Within a short span of 5 years, Mr. Mittal had built ~1,140 MW of renewable energy portfolio of WEPL and monetized the same by selling it to TPREL for Rs. 9,249 crore.

**Strong EPC Order Book:** Apart from developing solar power projects, GRPL also undertakes EPC work for subsidiaries/group companies. As of Nov 30, 2017, the company has an outstanding order book of Rs. 996 crore (0.9x FY17 revenues) to be executed over the next 4 months providing revenue visibility in the near term.

#### Key Rating Weaknesses

**High exposure to SPVs/group companies:** During FY17 and FY18, the company's entire revenues will from undertaking EPC contracts for setting up group's projects, which is contingent to the SPV winning them thereby exposing the company to uncertainties in revenue visibility.

**Equity Commitments in SPVs:** GRPL has to commit equity in the subsidiaries once the project is won thereby exposing the company to equity commitment risks.

Post the sale of WREPL, the promoter and promoter group companies had received funds which will be utilised in funding the ongoing solar projects and thereby the commitment risk is mitigated. Going ahead, the company is also looking to tie up with PE investors and divest partial stake in its renewable projects and improve the capital structure.

**Fixed time and price contracts:** GRPL enters into EPC contracts wherein the price, timelines and performance parameters are fixed, failing which GRPL is liable to pay damages. The above conditions expose the company to project implementation risk, in case of any delays in execution and increase in input costs. The company enters into back to back orders for procuring materials from the suppliers thereby mitigating the risk to a certain extent.

**Analytical approach:** Consolidated

### 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](#)

[Factoring Linkages in Ratings](#)
**About the Company**

Giriraj Renewables Pvt. Ltd. (GRPL) is a part of the Avaada group and the EPC business of erstwhile Welspun Energy Pvt. Ltd. (WEPL) was demerged into GRPL with effective date of April 1, 2016 vide NCLT order dated May 26, 2017.

The company is now a subsidiary Avaada Power Pvt. Ltd. (APPL), promoted by Mr. Vineet Mittal (former co-founder of WEPL).

GRPL will undertake following businesses: i) EPC contractor for in-house projects, ii) Holding company for SPVs developing solar and wind projects and iii) GRPL shall develop 100 MW in Maharashtra (which has been transferred to GRPL vide demerger order and matter is being heard at CERC for transfer of PPA).

Currently, the company is executing EPC work for 230MW solar power projects and setting up 330MW of solar power capacity through SPVs.

Brief Financials	FY17 (A)
Total operating income	1,085.74
PBILDT	29.33
PAT	8.91
Overall Gearing (times)	0.57
Interest Coverage (times)	2.28

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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	-	-	Sep 2022	75.00	CARE BBB+; Stable
Non-fund-based - LT/ST-Letter of credit	-	-	-	100.00	CARE BBB+; Stable / CARE A2

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	75.00	CARE BBB+; Stable	-	-	-	-
2.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	100.00	CARE BBB+; Stable / CARE A2	-	-	-	-

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