

Giriraj Renewables Private Limited

April 10, 2018

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facility of Giriraj Renewables Pvt. Ltd. (GRPL) factors in commissioning of 230MW of solar power capacity, possible equity infusion by a strategic/financial partner and availability of land bank for undertaking future solar power projects.

The rating continues to derive comfort from experienced and resourceful promoters and proven track record of the promoters. The ratings are also supported by the government led reforms to encourage the investments in the renewable energy sector.

The ratings are however tempered by exposure to risks related to project implementation, dependency on group companies for EPC business 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 Dec 31, 2017, the company has an outstanding order book of over Rs. 787 crore to be executed over the next six months providing revenue visibility in the near term.

Land bank of 3000 acres: The land requirement for a typical solar project is ~3.25 acres per MW. For all the projects under implementation, the company already has the land in place. In addition, the promoters have a land bank in excess of 3000 acres spread across various states. The availability of land bank gives significant competitive advantage to the group.

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: Combined with Avaada Power Pvt. Ltd. on account of strong operational and financial linkage and common management.

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).

(Rs. crore)

Brief Financials	FY17 (UA)
Total operating income	1,382.64
PBILDT	323.23
PAT	270.52
Overall Gearing (times)	0.07
Interest Coverage (times)	25.10

UA: Unaudited

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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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	-	-	-	75.00	CARE A-; Stable
Non-fund-based - LT/ ST-Letter of credit	-	-	-	100.00	CARE A-; 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 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	75.00	CARE A-; Stable	-	1)CARE BBB+; Stable (03-Jan-18)	-	-
2.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	100.00	CARE A-; Stable / CARE A2+	-	1)CARE BBB+; Stable / CARE A2 (03-Jan-18)	-	-

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