

Giriraj Renewables Private Limited

October 18, 2018

Ratings

Facilities/Instruments*	Volume (Rs. Cr)	Rating	Remark
Long Term Bank Facilities-Fund Based-Term Loan	281.00 (enhanced from 75.00)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Long/Short Term Bank Facilities-Non-Fund Based	100.00	CARE A-; Stable/CARE A2+ (Single A Minus; Outlook: Stable/A Two Plus)	Reaffirmed
Total	381.00 (Rs. Three hundred and eighty one crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Giriraj Renewables Private Limited (GRPL) continues to factor in experienced and resourceful promoters, proven track record in renewable energy business, expected equity infusion by a strategic/financial partner and availability of land bank for undertaking future solar power projects. 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 project implementation risk, short track record of operational projects, dependency on group companies for EPC business, equity commitment in SPV's, intense competitive industry and susceptibility to government regulations.

Going forward, completion of project within stipulated timelines and budget, increase in the scale of operations, improvement in profitability and envisaged power generation will remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful Promoter: Avaada group 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 Private Limited (WEPL) became a significant player in the renewable energy industry. Within a short span of 3 years, Mr. Mittal had built a renewable energy portfolio of 1,141 MW in WEPL and monetized the same by selling it for Rs. 9,249 crore.

Mr Vineet Mittal is on the board of infrastructure steering committee of the World Economic Forum, B20 Green Growth Action Alliance and Clean Energy Finance Forum, as well as industry advisor to multiple Indian government bodies.

EPC order book to provide medium term visibility: Apart from developing solar power projects, GRPL also undertakes EPC work for subsidiaries/group companies. As of Sep 30, 2018, the company has an outstanding order book of over Rs. 1,789 crore to be executed over the next 9-24 months providing revenue visibility in the medium term.

PE funding expected in Q3FY19; albeit delays: Avaada group is in advanced talks with PE investors for funding amounting to USD 170mn in GRPL. The investors further have an option to invest additional USD 40mn over a period of next 18 months. Initially, the funding was scheduled to happen in Q1FY19, which got delayed and the same is expected by the end of Q3FY19. The funding will act as a seed in capital towards new projects.

Pan India Land Bank: The promoters have identified 4,556 acres of land spread across various states of which acquired rights to 1712 acres of land. The availability of land bank gives significant competitive advantage to the group.

Key Rating Weaknesses

Limited track record of the entity: Avaada group has a limited track record in the renewable energy segment. The company through its subsidiaries has a total portfolio of 1041MW (AC) of which 363MW (AC) is operational which has a track record of less than six months. Further, some of the operational projects faced delays in commissioning. The other projects are at various stages of development. The ability of the company to generate units as envisaged and successfully execute projects without any delays or cost overruns remains a key rating monitor able.

High exposure to SPVs/group companies: The company's revenues are derived by undertaking EPC contracts for setting up group's power 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.

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.

Increased level of competitive intensity in the industry: Due to technological advancements relatively faster execution of solar energy projects compared with conventional sources is envisaged. Cheaper cost of raw materials and borrowings, government impetus to solar power, renewable purchase obligation targets, renewable energy certificates, etc. has increased the number of players in this industry.

Analytical approach: Combined including Avaada Power Pvt. Ltd., Giriraj Renewables Pvt. Ltd. along with SPV's on account of operational and financial linkages and are together referred to as Avaada Group.

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Financial ratios - Non-Financial sector](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector 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). The company through its subsidiaries has a total portfolio of 1041MW (AC) of which 363MW (AC) is operational and the balance is under various stages of development.

	(Rs. crore)	
Brief Financials – Combined	FY17 (UA)	FY18 (UA)
Total operating income	1,382.64	1,516.19
PBILDT	323.23	113.14
PAT	270.52	75.39
Overall Gearing (times)	0.07	1.59
Interest Coverage (times)	25.10	6.41

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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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	-	-	Sep 2023	281.00	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	281.00	CARE A-; Stable	1)CARE A-; Stable (10-Apr-18)	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 A-; Stable / CARE A2+ (10-Apr-18)	1)CARE BBB+; Stable / CARE A2 (03-Jan-18)	-	-

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