



September 20, 2010

## ICRA assigns LBBB/A3+ ratings to the bank facilities of GMR Energy Trading Limited

ICRA has assigned an LBBB (pronounced as L triple B) rating to the Rs. 20 crore<sup>1</sup> fund based limits of GMR Energy Trading Limited (GETL)<sup>†</sup>. ICRA has also assigned an A3+ (pronounced as A three plus) rating to the Rs. 30 crore non fund based limits of GETL. The long term rating carries a stable outlook.

The LBBB/A3+ ratings favourably factor in the strengths arising from being a part of the GMR Group of companies, the buoyant growth prospects for the power trading business in the country, GETL's conservative risk profile with limited number of uncovered and/or long term trading positions held and the fact that the company primarily acts as the trading arm for the operational merchant capacity of the Group. The rating also draws comfort from the currently strong capitalisation levels and the expected improvement in traded volumes with a stabilisation of the company's operations. The ratings are however constrained by GETL's weak business and financial risk profile with a limited operational track record, limited product portfolio relative to other established power trading companies and losses at net level. The ratings are also constrained by the risks inherent in the industry like exposure to regulatory risks, evident in areas like caps on margins for short term trades, and counter-party risk for all transactions with non-Group companies. ICRA notes that GETL currently maintains its operational risk at low levels through limited exposure to long term and/or uncovered positions; GETL's ability to improve its market position while maintaining the risk profile at acceptable levels will be critical.

### Company Profile:

GETL (80% held by GMR Infrastructure Limited), engaged in power trading, was incorporated in January 2008, to optimize the GMR group's energy resources. GETL is a category I license holder, and has traded more than 1000 million units in the first 20 months of its existence. In 2009-10, GETL reported an Operating Income of Rs. 345.8 crore and a net loss of Rs. 2.2 crore.

September 2010

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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