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ICRA upgrades the rating assigned to the bank facilities of GMR Kamalanga Energy Limited; assigns stable outlook

ICRA has upgraded the rating assigned to the Rs. 3405 crore¹ term loan programme of GMR Kamalanga Energy Limited (GMR Kamalanga) to LBBB (pronounced as L Triple B) from LBBB-earlier[†]. The outlook on the rating is stable.

The rating upgrade reflects the easing of the equity funding risks for the project given the adequate funding now available at the Group level following recent successful initiatives on its part in raising funds through equity/long tenor debt. The rating continues to factor in the strengths arising from being part of the GMR Group of companies, the contractual arrangements made for the implementation of the project and supply of coal and offtake arrangements for approx 50% of the planned capacity of 1050 MW. The rating also reflects the expected competitive cost of generation given the competitive capital cost structure and the proximity to coal mines; the cost structure is also expected to be supported by the availability of captive coal at a later stage from the coal block allocated to GMR Kamalanga. The rating is however constrained by the execution risks typical to greenfield infrastructure projects in initial stages of implementation - this is already reflected in the current 5-6 month delays in implementation vis-à-vis the initial schedule. ICRA however draws comfort from the fact that the financial impact of the aforesaid delays on the project is likely to be moderate, given the sufficient moratorium available for debt repayments and the expectation of equity infusions to support the project for any cost overruns. The rating is also constrained by the exposure to coal supply/pricing risks given the growing domestic coal demand-supply imbalance, the early stage of development of the coal block, demand risks for the balance 50% capacity and technology risks arising from the use of imported boiler, turbine and generator (BTG) sets which have a limited track record in Indian conditions till date. The rating however continues to draw support from the strong sponsor profile (GMR Group and IDFC).

Company Profile:

GMR Kamalanga is an SPV promoted by GMR Energy Limited for the development of a 1050 MW coal based thermal power project at Kamalanga in Orissa. GMR Group holds 80% stake in GMR Kamalanga, while 20% is held by IDFC. The total project cost of Rs. 4540 crore is being funded through debt of Rs. 3405 crore and equity of Rs. 1135 crore. As on date, approx Rs. 917 crore has been spent on the project which has been funded by debt of Rs. 512 crore and the balance by equity. Unit I of the power plant is scheduled to be commissioned by November 2011. The project is currently running a 5-6 month delay in implementation.

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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

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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