



September 20, 2010

## ICRA reaffirms ratings assigned to the bank facilities of GMR Power Corporation Limited; assigns stable outlook

ICRA has reaffirmed the LA (pronounced as L A) rating assigned to the Rs. 47 crore<sup>1</sup> (reduced from Rs. 110 crore earlier) fund based facilities of GMR Power Corporation Limited (GMR Power)<sup>†</sup>. The outlook on the rating is stable. ICRA has also reaffirmed the A1 (pronounced as A One) rating assigned to the Rs. 254.74 crore (enhanced from Rs. 240 crore earlier) non fund based facilities of GMR Power.

The ratings favourably factor in the strengths arising from the cost-plus tariff principles and the availability based tariff mechanism within GMR Power's 15-year PPA with Tamil Nadu Electricity Board (TNEB), which, together with the historically healthy plant operating parameters, has enabled the full recovery of fixed capacity charges. The ratings also factor in the strong financial profile of the company with moderate offtake levels and timely cash collections from TNEB translating into healthy cash accruals. Debt servicing is also supported by the low debt levels and the relatively large accumulated cash balances/liquid investments. ICRA notes that GMR Power has completely repaid the project debt and has since borrowed an amount of Rs. 130 crore for on-lending to other Group companies. While cash surpluses generated are expected to be diverted to other Group companies particularly given the Group's large investment plans in the energy sector, the LA/A1 ratings are supported by the management's stated intention to limit incremental borrowings to prudent levels. The ratings are however constrained by the counter party credit risks given the exposure to TNEB and the high cost of generation and consequent uncompetitive tariff levels arising primarily from the liquid fuel based generation. While the existing availability based tariff mechanism would continue till the expiry of the PPA in February 2014, competitive power tariff levels would be critical to maintain or improve on current offtake levels thereafter. Further, given the loans advanced by GMR Power to other Group companies in the past, the extent to which GMR Power leverages on its balance sheet going forward would continue to be a key rating sensitivity.

### Company Profile:

GMR Power (51% held by GMR Energy Ltd) owns and operates a liquid fuel (LSHS) based power plant of capacity of 200 MW at Basin Bridge, in Chennai, in the state of Tamil Nadu. GMR Power commenced operations in February 1999 and has been selling electricity to TNEB as per a PPA which will expire in February 2014. The company has a fuel supply agreement with Hindustan Petroleum Corporation Limited for the PPA period. During 2009-10, GMR Power generated 1187 MU of power and recorded an operating income and profit after tax of Rs. 871 crore and Rs. 128 crore respectively.

September 2010

For further details please contact:

### Analyst Contacts:

**Mr. Sabyasachi Majumdar**, (Tel. No. +91-124-4545304)  
sabyasachi@icraindia.com

### Relationship Contacts:

**Mr. Jayanta Chatterjee**, (Tel. No. +91-80-43326401/ 098 450 22459)  
jayantac@icraindia.com

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.

## PRESS RELEASE

**Disclaimer:** ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website ([www.icra.in](http://www.icra.in)) or contact any ICRA office for the latest information on ICRA Ratings outstanding.