

GMR Kamalanga Energy Limited

Instrument	Amount Rated	Rating Action
Long Term Bank Limits	Rs. 3855.00 Crore	[ICRA]D (Reaffirmed)

ICRA has reaffirmed the rating assigned to the Rs. 3855.00 crore¹ bank facilities of GMR Kamalanga Energy Limited (GKEL) at [ICRA]D[†].

The rating reaffirmation takes into account the continued delays in debt servicing by the company due to weak operational and financial performance resulting in large losses, increased debt levels and stretched liquidity.

While reaffirming the rating, ICRA takes into account the few favourable developments related to tariff orders from Central Electricity Regulatory Commission (CERC), whereby CERC has issued final tariff order against the Power Purchase Agreement (PPA) with Grid Corporation of Odisha Limited (GRIDCO) in November 2015, which was earlier being billed at lower provisional tariff of Rs 2.75/kwh. ICRA also notes that CERC its order in February 2016 has allowed for certain items related to energy costs on account of impact due to change in law under its PPA with the power distribution utilities in state of Haryana. Additionally, In October 2015, Bihar State Power (Holding) Company Limited has allowed an additional tariff of Rs 0.138/Kwh due to change in law. Based on the above orders, GKEL recognised prior period revenues of ~Rs 350 crore in FY16. Notwithstanding the above positives, ICRA notes that the collections against the above billing remain weak resulting in accumulation of receivables and stretched liquidity. Further as per ICRA's estimates, despite the additional tariff under its PPA with Haryana, due to increase in project cost, it will continue to remain a loss-making PPA, which is equivalent to ~32% of its capacity, thereby resulting in overall weak project dynamics.

Apart from delays in the project commissioning of ~2 years; power transmission constraints also resulted in low PLF in initial years of operations as reflected in PLF of ~26% in FY14, 53% in FY15 and ~67% in FY16 thereby resulting in large cash losses of ~Rs 800 crore till FY16. Accordingly the debt levels have witnessed a sharp increase to ~Rs 5359 crore (including unsecured loans of ~Rs 592 crore from GMR group companies) vis a vis originally budgeted debt levels. Given the above operational challenges in the initial phase of operations, GKEL refinanced its debt in June 2015 under 5/25 refinance scheme for infrastructure projects, and the repayments are now scheduled to commence from October 2017. However due to stretch liquidity, the company continues to delay on its interest servicing.

ICRA also notes the weak financial position of GKEL as reflected in project creditors of ~ Rs 607 crore and liabilities of ~640 crore (as on 31st March 2016) on account of encashment of bank guarantees of its contractor, the matter for which is presently sub-judice. ICRA notes that these liabilities are not backed by adequate undrawn project debt or cash balances, which also constrains the financial profile.

In ICRA's view, GKEL will continue to face challenges related to high debt levels, aggressively bid tariff under PPA. Ability to reduce debt levels, improving the collection against the billings done at higher rate after receipt of tariff order will be critical for its debt servicing.

Company Profile:

GMR Kamalanga Energy Limited (GKEL) is an SPV promoted by the GMR Group for development of 1050 MW (3 X 350 MW) domestic coal based thermal power plant at Kamalanga in the state of Odisha. GMR Group holds ~86% stake in GMR Kamalanga through GMR Energy Limited, while balance is held by India Infrastructure fund and IDFC Limited. The plant has been commissioned in March 2014 as against original commissioning schedule of March 2012. The final project cost is estimated at Rs 6519 crore with debt of Rs 4319 crore as against original project cost of Rs 4540 crore and debt of Rs 3405 crore. The company has three PPA with GRIDCO (263 MW), Haryana Utilities (300 MW net) and Bihar state utility (260 MW net). The plant was originally conceptualised with part of its domestic coal from captive coal block, which was cancelled by Honable Supreme Court of India in September 2014. During FY16, the company achieved at Plant load factor

¹ Note: Amounts in Rs. Crore (100 lakh = 1 crore = 10 million)

[†] For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications



of 67% and reported revenues from sale of power at Rs 1960.84 crore with net loss of Rs 269.67 crore as against a PLF of 53% and revenues of Rs 1144.31 crore and net loss of Rs 853.78 crore in FY15.

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