March 11, 2025

GMR Energy Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term - Non-fund based facilities	129.12	18.56	[ICRA]BB+ (Stable)/[ICRA]A4+; reaffirmed
Total	**129.12**	**18.56**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in the extensive experience of the GMR Group in the energy sector and the revenue visibility for the 1,650-megawatt (MW) operational thermal power capacity and the 25-MW solar power capacity under GMR Energy Limited's (GEL) subsidiaries. The revenue visibility is supported by the availability of long-term and medium-term power purchase agreements (PPA) for ~93% of the capacity with various state distribution utilities (discoms).

Additionally, the company operates a 180-MW hydropower project as an 80:20 joint venture (JV) with Delhi International Airport Limited (DIAL), supplying power to DIAL and the discoms of Uttar Pradesh. Further, the ratings positively factor in the satisfactory operational performance of the thermal assets over the last five years, with availability above the normative level and a healthy plant load factor (PLF). Also, the fuel supply agreements (FSA) are sufficient to meet a major portion of the coal requirement for the thermal power plants.

The ratings, are, however, constrained by the counterparty credit risks arising from the exposure of the thermal capacities to the state discoms of Tamil Nadu, Bihar, Haryana, Odisha and Maharashtra, which have modest credit profiles. Also, the thermal entities have large dues in the form of regulatory receivables (~Rs. 1,050 crore as of December 2024) from the state discoms. Notwithstanding this, the regulatory receivables from the Bihar discoms (~Rs. 300 crore) were fully recovered over FY2024 and the current fiscal following a favourable order from the Supreme Court of India. Further, GEL's ratings are constrained by the relatively high leverage levels and moderate debt coverage metrics in the near to medium term at a consolidated level.

The ratings also factor in the exposure to volume and pricing risks in the short-term market for the thermal capacities without long-term/medium-term PPAs. While the company has benefited from the high tariffs in the short-term market in recent times, the sustainability of these tariff rates remains to be seen. Further, ICRA notes the lack of a fuel cost pass-through mechanism for power sales in the short-term market as the coal requirement for short-term sales is met through e-auctions. Also, ~84% of the company's long-term and medium-term PPAs have only a partial pass-through of fuel costs through the escalable component.

ICRA also notes that the thermal projects will have to incur additional capital expenditure (capex) to comply with the revised emission norms, increasing the debt levels. While such additional cost is expected to be a pass-through in tariff under the change-in-law clause of the long-term PPAs, a timely approval of such additional tariff remains to be seen. The Government has extended the timeline for compliance with these norms and the revised timelines applicable for GMR's thermal power plants is December 2028/2029. Hence there is no capex requirement for GEL towards this in the near term.

Further, the company has two hydropower projects under development: One project of 300 MW in Uttarakhand and a second one of 900 MW in Nepal. The 300-MW project in Uttarakhand has been on hold since the start (~11 years) and is not expected to make any progress. The progress of the 900-MW project in Nepal, awarded in 2014, has been slow but it is expected to pick up, going forward. New JV partners have also been onboarded in this project. The company has availed a Rs. 112.00-crore loan from a bank in Nepal for this project, wherein the debt servicing would require Group support, given that the project is in a very early stage of development.

Key rating drivers and their description

Credit strengths

Extensive experience of the GMR Group in the energy sector – The GMR Group is a major player in the infrastructure sector and has been developing projects in India and abroad in segments such as airports, energy and transportation. Over the years, the Group has successfully implemented multiple power projects and has gained substantial experience in this segment. At present, GEL operates a thermal power capacity of 1,650 MW and a solar power capacity of 25 MW through wholly-owned subsidiaries, and a hydropower capacity of 180 MW through an 80:20 JV with DIAL.

Long-term and medium-term PPAs for ~93% of the operational capacity provide revenue visibility - GEL's thermal subsidiaries, GMR Kamalanga Energy Limited (GKEL, 1050-MW) and GMR Warora Energy Limited (GWEL, 600-MW), have long-term/medium-term PPAs for ~93% of the net capacity. GKEL has long-term/medium-term PPAs with the Haryana discoms for 300-MW, Bihar discoms for 260 MW, GRIDCO for 262.50 MW and with Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) for 102 MW. GWEL has long-term/medium-term PPAs with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for 200 MW, with TANGEDCO for 150 MW and with the Haryana discoms for 150 MW. The solar asset, GMR Gujarat Solar Private Limited (GGSPL, 25-MW), has a 25-year PPA with the Gujarat discoms (GUVNL). These PPAs provide long-term revenue visibility for the company.

FSA availability sufficient to meet a major portion of the coal requirement for the thermal capacity - The thermal entities have FSAs with the subsidiaries of Coal India Limited (CIL) to procure domestic coal. GKEL has an FSA linkage for procuring ~4.3 million metric tonnes per annum (MMTPA) of coal, which fulfils around 80% of the requirement at a PLF level of 85%. Meanwhile, GWEL has an FSA linkage for procuring 2.4 MMTPA of coal, fulfilling 80-85% of the plant's requirement at 85% PLF.

Credit challenges

Modest debt coverage metrics in the near to medium term at a consolidated level - GEL's debt coverage metrics at a consolidated level are expected to remain modest. The debt service coverage ratio (DSCR) is expected to remain less than 1.15x in the near to medium term owing to the high leverage and relatively higher interest rates. The capital structure is expected to stay leveraged with the external debt/OPBDITA around 4.0x over the next three years.

Counterparty credit risks - The counterparty credit risks remain high for GEL due to the exposure of the thermal entities to the state distribution utilities of Tamil Nadu, Bihar, Haryana, Odisha and Maharashtra, most of which have modest credit profiles. While the receivable period declined to 130 days as on March 31, 2024, from 163 days as on March 31, 2023, it remains relatively high. Also, a large portion of the dues are stuck in the form of regulatory receivables from the discoms of Haryana and Odisha, whose recovery is under process. However, the presence of a letter of credit (LC) for one month's billing from the discoms as a payment security and the stringent provisions to make timely payments under the late payment surcharge (LPS) scheme notified by the Ministry of Power, Government of India, mitigate the counterparty credit risks to some extent. Going forward, timely payments from the state discoms to the thermal entities will remain a key monitorable for GEL.

Uncertainty over funding and execution of under-development capacities - There are two under-development projects under GEL, GMR Upper Karnali Hydro Power Public Limited (GUKPL, 900-MW hydro) in Nepal and GMR (Badrinath) Hydro Power Generation Private Limited (GBHPL, Alaknanda project, 300-MW hydro) in Uttarakhand, India. The Alaknanda project has been on hold for ~11 years due to a Supreme Court stay order on the construction of all such projects (24 power projects) in Uttarakhand. There is no outstanding external debt for this project. However, a bank guarantee of ~Rs. 18.6 crore has been issued by GEL to the state government for this project. This project is unlikely to move ahead.

The progress of the Upper Karnali project, awarded in 2014, has been slow but it is expected to pick up, going forward. In January 2024, Satluj Jal Vidyut Nigam Limited {SJVN, a JV of Govt. of India (MoP) & Govt. of Himachal Pradesh} was inducted as a strategic partner in the project. Further, recently, in January 2025, Indian Renewable Energy Development Agency Ltd. (IREDA) also became a part of the JV agreement with SJVN Ltd., GMR Energy Ltd., and Nepal Electricity Authority (NEA) for the development of the project. As per the agreement, NEA will hold a 27% share in the project, with the remaining 73% of the share divided among GMR (34%), SJVN (34%) and IREDA (5%).

The GMR Group has availed a debt of ~Rs. 112.50 crore for this project and its servicing would require promoter support, given that the project is in a very early stage of development. Notwithstanding this, there is limited equity infusion requirement in this project for GEL over the next 1-1.5 years as the JV partners would now fund the project till a certain stage. Also, the GMR Group is also currently evaluating the capital structure, financial closure and strategic divestment for this project.

Liquidity position: Stretched

GEL's liquidity position, at a standalone level, is stretched as the company does not have any major operations of its own. At present, GEL has total utilised non-fund based facility of Rs. 18.6 crore, which comprises bank guarantee (BG) issued for the Badrinath (Alaknanda) 300-MW hydropower project. GEL (at the standalone level) had cash and bank balances of Rs. 7.13 crore as on March 31, 2024, including encumbered balances in the form of margin money of Rs. 6.82 crore.

Rating sensitivities

Positive factors - ICRA could upgrade the ratings if GEL demonstrates a sustained improvement in its liquidity position on the back of a recovery in regulatory receivables and timely payments by the offtakers, while maintaining the operating and financial performance of its power projects, resulting in improved coverage metrics.

Negative factors - The ratings may be downgraded if there are significant delays in receiving payments from the offtakers, adversely impacting the liquidity profile of GEL and its subsidiaries. Also, GEL's inability to secure remunerative tariffs in the short-term market relative to its cost structure, or a significant decline in the plant availability below the normative level, would adversely impact its profitability and debt coverage metrics and could become a trigger for downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power – Thermal Power – Solar
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of the entities mentioned in Annexure II

About the company

GEL was held by the GMR Group through GMR Power and Urban Infra Ltd. (GPUIL) and its subsidiaries with around 58% stake till October 2023. Along with GPUIL and its subsidiaries, GEL had a private equity partner in Temasek {through Claymore Investments (Mauritius)}, which held a ~12% stake. Another strategic investor was Tenaga Nasional Berhad {through Power and Energy International Limited (Mauritius)}, which held a ~29% stake. In November 2023, GPUIL acquired 105.11 crore equity shares, representing a 29.14% stake in GEL from Power and Energy International (Mauritius) Limited. Following the stake purchase, the shareholding of GMR Power and Urban Infra and its subsidiaries in GEL increased to 86.90% from 57.76%. Further, on February 14, 2024, GPUIL signed a binding agreement to acquire 42.04 crore equity shares, representing an 11.66% stake in GEL, from Claymore Investments (Mauritius). The transaction, once completed, will consolidate the existing stake of GPUIL and its subsidiaries in GEL to about 99%.

At present, GEL houses four operational power assets: GKEL (1050-MW thermal), GWEL (600-MW thermal), GGSPL (25-MW solar) and GMR Bajoli Holi Hydropower Private Limited (GBHHPL, 180-MW hydro). GKEL, GWEL and GGSPL are fully-owned subsidiaries of GEL, while GBHHPL is a JV between GEL and DIAL (Group company of GMR) under the group captive structure. GEL's holding in GBHHPL is 79.9%, with 20.1% held by DIAL.

Apart from the above operational plants, the Vemagiri gas power plant (300-MW) that commenced operations in 2006 is not operational at present due to gas shortage. Moreover, the plant is currently under preservation. Also, there are two under-development projects under GEL, GUKPL (900-MW hydro) in Nepal and GBHPL (Alaknanda Project, 300-MW hydro) in Uttarakhand, India, which are currently stalled.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	4,715.2	4,639.4
PAT	-25.3	39.8
OPBDIT/OI	29.2%	30.4%
PAT/OI	-0.5%	0.9%
Total outside liabilities/Tangible net worth (times)	30.2	12.2
Total debt/OPBDIT (times)	6.9	6.1
Interest coverage (times)	1.1	1.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 11, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Non-fund based facilities	Long term/ Short term	18.56	[ICRA]BB+ (Stable)/ [ICRA]A4+	Mar 05, 2024	[ICRA]BB+ (Stable)/ [ICRA]A4+	May 31, 2022	[ICRA]B (Stable)/ [ICRA] A4; ISSUER NOT COOPERATING	-	-
				Jul 18, 2023	[ICRA]D/ [ICRA]D; ISSUER NOT COOPERATING	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-fund based facilities	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Non-fund based facilities**	-	-	-	18.56	[ICRA]BB+ (Stable)/ [ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
GMR Energy limited	**Holding entity**	**Full Consolidation**
GMR Badrinath Hydro Power Generation Private Limited (GBHPL)	100.00%	Full Consolidation
GMR Bundelkhand Energy Private Limited (GBEPL)	100.00%	Full Consolidation
GMR Gujarat Solar Power Limited (GGSPPL)	100.00%	Full Consolidation
GMR Warora Energy Limited (GWEL)	92.07%	Full Consolidation
GMR Vemagiri Power Generation Limited	100.00%	Full Consolidation
GMR Kamalanga Energy Limited (GKEL)	97.63%	Full Consolidation
GMR Maharastra Energy Limited (GMEL)	100.00%	Full Consolidation
GMR Rajam Solar Power Private Limited (GRSPL)	100.00%	Full Consolidation
GMR Consulting Services Limited (GCSL)	-*	Full Consolidation
GMR Indo-Nepal Power Corridors Limited (GINPCL)	100.00%	Full Consolidation
GMR Upper Karnali Hydropower Limited (GUKPL)	69.35%	Full Consolidation
Karnali Transmission Company Private Limited (KTCPL)	95.00%	Full Consolidation
GMR Energy (Mauritius) Limited (GEML)	95.00%	Full Consolidation
GMR Lion Energy Limited (GLEL)	95.00%	Full Consolidation
GMR Bajoli Holi Hydropower Power Limited (GBHHPL)	79.86%	Equity Method
GMR Tenaga Operation Maintenance Private Limited (GTOM)	50.00%	Equity Method

*Source: Company; *Ceased to be a subsidiary of the company on November 01, 2023*

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