



## GMR Energy Limited

ICRA has revised the rating assigned to the Rs. 319.55 crore long-term bank facilities of GMR Energy Limited (GEL) to [ICRA]BB (pronounced as ICRA Double B) from [ICRA]BB+ (pronounced as ICRA Double B plus) earlier<sup>†</sup>. ICRA has reaffirmed the [ICRA]A4+ (pronounced as ICRA A Four Plus) rating assigned to the Rs. 1019.86 crore short-term bank facilities of GMR Energy<sup>†</sup>. The outlook on the long-term rating is stable.

The rating revision takes into account recent delays in servicing on debt obligations (Non Cumulative Redeemable Preference Shares) not rated by ICRA, which in turn is due to stretched liquidity and sizeable repayments in FY15. The liquidity continues to remain stretched because of weak operational and financial profile of GEL and its subsidiaries, who continue to face challenges related to fuel availability, lack of power transmission capacities and some non-remunerative Power Purchase Agreements (PPAs) leading to low Plant Load Factors (PLFs). This coupled with cost escalations in ongoing projects, cash losses in recently commenced projects and inadequacy of cash accruals vis-à-vis debt repayments of SPVs pose huge funding requirements for GEL apart from requirements to service its own standalone liabilities.

On a standalone basis, GMR Energy's own 235 MW merchant power plant based on KG basin gas witnessed no operations in FY14, FY15 on account of non-availability of gas, which coupled fixed overheads continue to result in operating losses. In absence of any operational cash flows of GEL and sizeable funding requirements at standalone and its subsidiary level, GEL will continue to rely on funding support from its holding company, i.e. GMR Infrastructure Limited (rated [ICRA]BBB (stable)) or fresh borrowings. The ongoing equity issue (on right basis) of GMR infra is expected to provide some liquidity relief in near term, however given the significant funding requirements being faced by energy vertical of the group, improvement in operational profile of SPVs in energy vertical remains critical for overall credit profile of the group.

### Company Profile

GMR Energy (GEL) was originally incorporated as Tanir Bavi Power Company Limited (TBPCPL) and promoted by foreign investors in October 1996. Subsequent to TBCPL's acquisition by GMR Infrastructure Limited (GIL), the name of the company was changed to GMR Energy Limited in 2003. GIL holds 92.6% shareholding in GEL. GMR Energy earlier owned and operated a barge-mounted, naphtha based combined cycle plant of capacity 235 MW near Mangalore in the state of Karnataka. The plant commenced commissioning in June 2001 and sold electricity to two of the Karnataka State electricity distribution companies namely Bangalore Electricity Supply Company Ltd and Mangalore Electricity Supply Company Ltd as per the terms of a PPA which expired in June 2008. Since the expiry of the PPA, GMR Energy has been operating the plant on merchant mode. During FY11, GMR Energy converted the plant to gas based operations at a cost of approx. Rs. 605 crore and the plant was relocated to Kakinada in Andhra Pradesh. GEL and its subsidiaries have a total installed capacity of 2500 MW of power generation across seven plants. Three of the GEL's subsidiaries are currently executing power projects with total installed capacity of 2318 MW. Due to lack of domestic gas availability, there were no operations of the power plant during FY14 resulting in losses of Rs 304 crore.

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<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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