

GMR Warora Energy Limited

September 28, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2,782.00 (Reduced from 2,785.00)	CARE D (Single D)	Reaffirmed
Long Term / Short Term Bank Facilities	325.00 (Reduced from 405.00)	CARE D / CARE D (Single D / Single D)	Reaffirmed
Short Term Bank Facilities	227.00 (Enhanced from 215.00)	CARE D (Single D)	Reaffirmed
Total Bank Facilities	3,334.00 (Rs. Three Thousand Three Hundred Thirty-Four Crore Only)		
Non Convertible Debentures	75.00	CARE D (Single D)	Revised from CARE C (Single C)
Total Long Term Instruments	75.00 (Rs. Seventy-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has revised the ratings for NCD of GMR Warora Energy Limited (GWEL) to 'CARE D' as there are delays in servicing of debt obligations by the company. The reaffirmation of rating for the bank facilities bearing S. No (i) to (iii) continues to take into account the delay in servicing of debt obligation.

The rating continues to remain constrained by GWEL's weak financial risk profile characterized by high overall gearing. The rating is also constrained by untied capacity of the plant and a relatively weak credit risk profile of its off-takers. The ratings derive strength from the experience of its promoters in operating power projects and Fuel Supply Agreement (FSA) for coal supply with South Eastern Coalfields Ltd (SECL).

CARE takes cognizance of development with respect to the company applying for implementation of a Resolution Plan (RP) in line with RBI circular dated June 7, 2019. The lenders have executed the Inter Creditor Agreement (ICA) as per the requirements under the RBI guidelines. Subsequently, GWEL has submitted a debt restructuring proposal to the lenders for their consideration. The final terms of the implemented RP shall remain a key monitorable.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Timely servicing of debt obligations for more than 3 months.

Detailed description of the key rating drivers

Key Rating Weaknesses

Instances of delay in servicing of debt obligations

The company vide exchange announcement dated September 27, 2021 has reported that the interest and redemption amount which was due for the NCDs on September 25, 2021 could not be paid on the due date. Further, there are continued delays in servicing of debt obligations related to the bank facilities. The company continues to face delays in realization of receivables from its off-takers which has resulted in deterioration of the liquidity profile and consequent delays in servicing of debt obligations.

Weak financial risk profile marked by leveraged capital structure

GWEL has a weak financial risk profile characterized by high overall gearing and moderate debt coverage indicators. The overall gearing of the company deteriorated from 7.18x as on March 31, 2020 to 8.55x as on March 31, 2021, largely on account of increase in total debt and further due to erosion in net worth due to net losses reported during FY21.

Counterparty credit risks leading to delay in receivables

GWEL is supplying power to Maharashtra State Electricity Distribution Company Limited (MSEDCL) and Tamil Nadu Generation and Distribution Limited (TANGEDCO). Among the two utilities, TANGEDCO has a relatively weak financial profile with high AT&C losses, high power purchase cost and a relatively long payable cycle. The payments from the counterparties especially TANGEDCO are being received in a delayed manner and has resulted in piling up of receivables during FY21.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths

Experienced promoter group with experience in developing power projects

GWEL is a part of GMR group which is a major player in the infrastructure sector through its flagship company GMR Infrastructure Limited (GIL). Over the years GMR group has successfully implemented various power projects and has substantial experience in developing and operating diversified fuel based power projects.

Fuel Supply Agreement (FSA) in place with SECL

GWEL has FSA with SECL for feeding both the units of 300 MW each available only for long term PPAs. Presence of FSA with SECL safeguards GWEL against any fuel supply risks. In case of any short supply from SECL, GWEL meets the same through e auction and imported coal.

Liquidity - Poor

The liquidity position of the company continues to remain poor with ongoing delays in servicing of debt obligations related to both bank facilities and NCDs. The average utilisation in the fund based working capital limits stood above 95% during the past 12 months ended May 2021. The company had free cash and bank balance of Rs. 9.56 crore as on March 31, 2021.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Rating Methodology – Thermal Power Producers](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the Company

GWEL was previously known as EMCO Energy Limited (EEL) - a Special Purpose Vehicle (SPV) promoted by the EMCO group on August 04, 2005 to set up a 2x135 MW coal based power plant at Maharashtra Industrial Development Corporation (MIDC), Warora, Maharashtra. The promoters of EEL sold the entire stake to GMR Energy Limited in July 2009 making it a 100% subsidiary of GEL. After the acquisition, scope of the project was enhanced from 2x135 MW to 2x300 MW in view of the demand for power in western India. The Unit 1 and Unit 2 (each having capacity of 300 MW) achieved COD on March 19, 2013 and September 01, 2013 respectively.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	1845.19	1480.23
PBILDT	605.46	435.88
PAT	-213.81	-63.33
Overall gearing (times)	7.18	8.55
Interest coverage (times)	1.48	1.12

A: Audited

Status of non-cooperation with previous CRA: ICRA has placed its rating under non-cooperation due to non- submission of information by the entity as per its press release dated July 27, 2021.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2034	2782.00	CARE D
Fund-based - LT/ ST-Working Capital Limits		-	-	-	325.00	CARE D / CARE D
Non-fund-based - ST-Bank Guarantees		-	-	-	227.00	CARE D
Debentures-Non Convertible Debentures	INE124L07063; INE124L07055; INE124L07048	April 23, 2013	12.15%	09/25/2023	75.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	2782.00	CARE D	-	1)CARE D (07-Dec-20)2)CARE C (12-Aug-20)	1)CARE D (28-Sep-19)2)CARE D (27-May-19)	1)CARE BB+; Stable (07-Jan-19)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	325.00	CARE D / CARE D	-	1)CARE D / CARE D (07-Dec-20)2)CARE C / CARE A4 (12-Aug-20)	1)CARE D / CARE D (28-Sep-19)2)CARE D / CARE D (27-May-19)	1)CARE BB+; Stable / CARE A4+ (07-Jan-19)
3	Non-fund-based - ST-Bank Guarantees	ST	227.00	CARE D	-	1)CARE D (07-Dec-20)2)CARE A4 (12-Aug-20)	1)CARE D (28-Sep-19)2)CARE D (27-May-19)	1)CARE A4+ (07-Jan-19)
4	Debentures-Non Convertible Debentures	LT	75.00	CARE D	-	1)CARE C (07-Dec-20)2)CARE C (12-Aug-20)	1)CARE D (28-Sep-19)2)CARE C; Stable (27-May-19)	1)CARE BB+; Stable (07-Jan-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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