



Press Release

GMR Energy Trading Limited

Revised Press Release December 09, 2022

This is with reference to the press release dated December 09, 2022. The revised press release consists of additional details as mentioned below as per the regulatory guidelines:

- Adequacy of credit enhancement structure
- Transaction structure
- Detailed explanation of covenants of the rated instrument/facilities

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings#	Rating Action	Complexity Indicator
Long Term Bank Facilities	271.21	IVR BBB- (CE)/ Credit Watch with Developing Implication [IVR Triple B Minus (Credit Enhancement) with Credit Watch with Developing Implication]	Reaffirmed	Simple
Short Term Bank Facilities	60.00	IVR A3 (CE)/ Credit Watch with Developing Implication [IVR A Three (Credit Enhancement) with Credit Watch with Developing Implication]	Reaffirmed	Simple
Short Term Bank Facilities (Proposed)	15.00	IVR A3 (CE)/ Credit Watch with Developing Implication [IVR A Three (Credit Enhancement) with Credit Watch with Developing	Reaffirmed	Simple



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Instrument / Facility	Amount (Rs. Crore)	Ratings#	Rating Action	Complexity Indicator
		Implication]		
Total	346.21 (Rupees Three Hundred Forty Six Crore and Twenty One Lakhs Only)			

#CE rating based on fully backed by an unconditional and irrevocable Corporate Guarantee of GMR Power and Urban Infrastructure Limited.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of GMR Energy Trading Limited (GETL) is based on the strength of the unconditional & irrevocable Corporate Guarantee given by GMR Power and Urban Infrastructure Limited (GPUIL) [Holding Company] to the bank facilities of the company (GETL). Further, the rating continues to derive strength from support of GMR group, experienced management, long track record of operations and established relationship with stakeholders, significant improvement in revenues and operating profitability and improved gearing parameters. The rating is however constrained by exposure to counterparty risks & credit concentration of trade receivables, weak debt protection metrics, illiquidity risk and stressed financial risk profile of the group holding company.

Adequacy of Credit Enhancement Structure

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by GMR Power and Urban Infra Limited (GPUIL) in favour of lender who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities. This corporate guarantee results in credit enhancement in the rating of the said bank facilities to IVR BBB-(CE)/ Credit Watch with Developing Implication [IVR Triple B Minus (Credit Enhancement) with Credit Watch with Developing Implication] and IVR A3 (CE)/ Credit Watch with Developing Implication [IVR A Three (Credit Enhancement) with Credit Watch with



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Developing Implication] against the unsupported rating of IVR BB; Stable (IVR Double B with Stable Outlook) and IVR A Four (IVR A Four).

Transaction Structure In event of payment default

For assigning the ratings, Infomerics has assessed the attributes of the guarantees issued by GMR Power and Urban Infra Limited (GPUIL) in favour of the lenders who have extended the said facilities. While the guarantee is legally enforceable and unconditional and covers the entire amount of the rated facilities, it does not have a structured payment mechanism defining invocation and payment timelines.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin of the Group while improving the debt protection metrics.

Downward Factors

- Any further decline in revenue and/or EBITDA margin of the Group leading to decline in debt protection metrics.
- Any deterioration in the guarantor's credit profile could also result in a rating downgrade.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Support from GMR Group**

GMR Energy Trading Limited (GETL) is a subsidiary of GMR Power and Urban Infrastructure Limited (GPUIL), holding company for GMR group. By virtue of being part of GMR group (having a diverse business profile including energy), the company has the advantage of operational synergies. Also, unconditional and irrevocable corporate guarantee given by GPUIL to the bank facilities of the company indicates support from the GMR group.



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- **Experienced management**

The day-to-day operation of the company is managed by professionals having rich industry experience. Mr. Nikhil Dujari, a Whole Time Director in the company has an experience of over three decades in the industry. There are other members in the Board (including two independent directors) who are highly qualified & experienced, adding credence & professionalism in the governance of the company.

- **Long track record of operations and established relationship with stakeholders**

GETL has been involved in the power trading business for more than a decade and over the years, established relationships with various market players. The company has maintained healthy relationship with state utilities and DISCOM's.

- **Significant improvement in revenues and operating profitability**

The total operating income of GETL has improved at compound annual growth rate (CAGR) of ~51.53% during the period FY20–FY22 and on year and year basis improved by ~30.37% and stood at Rs.851.77 crore in FY22 (vis-à-vis 653.34 crore in FY21) mainly on account of increase in energy consumption overall post pandemic situation, due to which there is increase in the residential as well as from the State DISCOM's. However total operating income includes the interest on delayed payment of Rs.64.48 crore during FY22, on account of delayed payment received from (Tamil Nadu Generation & Distribution Corporation Limited) and the same has been paid back to its supplier (GMR Warora Energy Limited) and is reflected under the interest cost.

The EBITDA increase from Rs.28.07 crore in FY21 to Rs.70.37 crore in FY22, similarly EBITDA margin has improved from 4.30% in FY21 to 8.26% in FY22. There were increased in EBITDA in FY22 was due to higher margin in bilateral contracts within state trades as well as enhanced trades on power exchanges coupled with energy banking contracts.

- **Improved gearing parameters**

The capital structure of the company marked by overall gearing has improved and stood at 4.84 times as on March 31, 2022 (vis-à-vis 4.39 times as on March 31, 2021), mainly on account schedule repayment of debt obligation. However total outside liabilities to



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tangible net worth of the company has deteriorated and stood at 13.00 times as on March 31, 2022 (vis-à-vis 10.21 times as on March 31, 2021) due to increase in creditors amount from Rs.347.94 crore as on March 31, 2021 to Rs.557.86 crore as on March 31, 2022.

Key Rating Weaknesses

- **Exposure to counterparty risks & credit concentration of trade receivables**

GETL is susceptible to the credit risk profiles of its customers, primarily State Power Utilities (SPUs). The company tries to mitigate counterparty risk by diversifying revenue profile across multiple buyers. Seasonal reversal (excess/deficit of power) of buy-and-sell positions of SPUs acts as a natural hedge to some extent. However, risk of delays and defaults in payment is a key sensitivity factor.

- **Weak debt protection metrics**

The debt coverage indicators marked by interest coverage ratio and total debt to gross cash accruals stood at 0.66 times and 47.58 times respectively in FY22 mainly due to lower profits. Further DSCR remained below unity level during FY22.

- **Illiquidity risk**

Shares of GMR Energy Limited (GEL) and GMR Airports Limited (GAL) are the primary security for the term loan taken by the company. The shares of both these companies are not listed and hence, there is an element of illiquidity.

- **Stressed financial risk profile of the group holding company**

GPUIL (on a consolidated basis) continues to have a stressed financial risk profile reflected by low profitability and weak debt coverage matrices. The company has been reporting losses in the last three financial years, primarily driven by high interest cost (on account of high debt burden) and share of loss on impairment of investments in associates resulting in low debt coverage indicators.



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Analytical Approach:

Credit Enhancement (CE Rating): Being the subsidiary of GMR Power and Urban Infra Limited (GPUIL), has given unconditional & irrevocable corporate guarantee for the debt of GMR Energy Trading Limited (GETL).

Unsupported rating: Standalone approach

Applicable Criteria:

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Rating Methodology on Trading Companies](#)

[Criteria On Parent/Group Support](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Rating methodology for Structure Debt Transaction \(Non-securitisation transaction\)](#)

Liquidity – Stretched

Being trading nature of the business, the company is generating low level of cash accruals however the same is expected to increase with an increase in scale of operation along with profitability margins. Further the company had cash accruals of Rs.10.19 crore as against debt obligation of Rs.44.95 crore in FY23, which resulted into DSCR remained below unity level. Further the support extended by the group acts as liquidity safeguard for the company. However, any liquidity mismatch will be funded by the guarantor. The average utilization of working capital limits remained high at 80% during the 12 months ended October 31, 2022.

About the Company

GMR Energy Trading Limited (GETL) is an unlisted public limited company incorporated in January 29, 2008 with the objectives of trading in electricity across all segments of Indian power market. GETL is a subsidiary of GMR Power and Urban Infrastructure Limited (GPUIL), which holds ~81.00% shares of the company. The company is a category-1 power trading licensee issued by Central Electricity Regulation Commission which permits unlimited trading of power under the Electricity Act, 2003. The operation of the company is managed by professionals having rich industry experience. GETL is an active member of



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both power exchanges – Indian Energy Exchange (IEX) and Power Exchange India Ltd. (PXIL). During FY20-21 GETL has traded almost 9,014 Mus.

About the Guarantor:

GMR Power and Urban Infra Limited (GPUIL), is a diversified infrastructure player and a subsidiary of GMR Enterprises Private Limited (GEPL) holds expertise in the sectors of Energy, Urban Infrastructure and Transportation. The EPC Business and Urban Infrastructure Business of GMR Infrastructure Limited (GIL); (now; GMR Airports Infrastructure Ltd.) has been demerged and stands transferred and vested in GPUIL, on a going concern basis w.e.f. April 1, 2021, being the Appointed Date, as per the scheme sanctioned by National Company Law Tribunal (NCLT), Mumbai (Bench). The Company and its subsidiaries, associates, joint ventures and jointly controlled operations (hereinafter collectively referred to as 'the Group') are mainly engaged in generation of power, coal mining and exploration activities, development of highways, development, maintenance and operation of special economic zones, and construction business including Engineering, Procurement and Construction ('EPC') contracting activities.

Financials (GETL – Standalone) *:

(Rs. Crore)		
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	653.34	851.77
EBITDA	28.07	70.37
PAT	12.34	4.76
Total Debt	341.29	329.98
Tangible Net worth	70.51	75.19
EBITDA Margin (%)	4.30	8.26
PAT Margin (%)	1.80	0.53
Overall Gearing Ratio (times)	4.84	4.39

*Classification as per Infomerics standards



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Financials (GPUIL – Guarantor) *:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	2733.23	4281.70
EBITDA	330.91	675.38
PAT	-2184.52	-651.57
Total Debt	11634.43	10401.78
Tangible Net worth	-1824.97	-2236.93
EBITDA Margin (%)	12.11	15.77
PAT Margin (%)	-71.36	-15.22
Overall Gearing Ratio (times)	-6.38	-4.65

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Press Release					15-Sep-2021	16-Jun-2020	16-Apr-2019
1.	Term Loan	Long Term	261.27	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE) / Stable	–
2.	Fund Based – Cash Credit	Long Term	10.00*	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE) / Stable	IVR BBB-(SO) / Stable
3.	Fund Based – Working Capital Demand Loan	Short Term	49.00^	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)	IVR A3 (SO)
4.	Fund Based – Working Capital Limits	Short Term	15.00	IVR A3 (CE)/ Credit	IVR A3 (CE)/ Credit	IVR A3 (CE)	–



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		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Press Release					15-Sep-2021	16-Jun-2020	16-Apr-2019
	(Proposed)			Watch with Developing Implication	Watch with Developing Implication		
5.	Non Fund Based – Letter of Credit / Bank Guarantee	Short Term	11.00	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)	IVR A3 (SO)

*Includes Rs.5.00 crore as proposed cash credit facility

^Includes Rs.15.00 crore as proposed Working Capital Demand Loan facility

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Rupee Term Loan	–	–	Sep – 2026	261.27	IVR BBB- (CE)/ Credit Watch with Developing Implication
Long Term – Fund Based – Cash Credit	–	–	–	10.00*	IVR BBB- (CE)/ Credit Watch with Developing Implication
Short Term – Fund Based – Working Capital Demand Loan	–	–	–	49.00^	IVR A3 (CE)/ Credit Watch with Developing Implication
Short Term – Fund Based – Working Capital Limits (Proposed)	–	–	–	15.00	IVR A3 (CE)/ Credit Watch with Developing Implication
Short Term – Non-Fund Based – Letter of Credit / Bank Guarantee	–	–	–	11.00	IVR A3 (CE)/ Credit Watch with Developing Implication

*Includes Rs.5.00 crore as proposed cash credit facility

^Includes Rs. 15.00 crore as proposed Working Capital Demand Loan facility

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: [Facility - GETL](#)

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

ICICI Bank:

- The WCDL facility shall be utilized by the Borrower for meeting its working capital requirements.
- The cash credit facility shall be utilized by the Borrower for meeting its working capital requirements.
- Corporate Guarantee of GMR Infrastructure Limited to be substituted by Corporate Guarantee from GMR Power and Urban Infra Limited (GPUIL) after prepayment/repayment of entire term loan outstanding of the Company. Further the



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said guarantee to comply with all applicable norms as stipulated by ICICI Bank and RBI.

- Onerous Clause BG - No BGs with onerous clause to be issued unless explicitly allowed by ICICI Bank. Such consent shall be based on internal guidelines.

Yes Bank:

- Residual charge over current assets (present and future) of the Borrower (without NOC from existing lender);
- First charge over assets created out of YBL facility to provide a min. cover of 1.0x;
- Unconditional and Irrevocable Corporate Guarantee of GMR Power and Urban Infra Limited (GPUIL).
- No change in shareholding of the Borrower without Yes Bank Limited (YBL) approval (applicable for dilution outside the GMR group);
- Any change in shareholding of the Borrower within the GMR group shall be intimated to YBL with- in 3 days.

Link to the previous press release dated December 09, 2022, published on Infomerics' website: [Press release - GMR Energy Trading Limited](#)

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.