



Press Release

GMR Energy Trading Limited

October 01, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	33.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Upgraded	Simple
Total	33.00 (Rupees Thirty Three Crores Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgraded its rating assigned to bank facilities of GMR Energy Trading Limited (GETL) keeping in view the reduction in long term debt resulting in improvement in overall gearing and debt protection parameters. The rating continues to derive comfort from experienced management, long track record of operations and established relationship with stakeholders. However, these rating strengths remain constrained by moderate financial risk profile, exposure to counterparty risks, concentration of trade receivables, and regulated nature of power trading industry.

The outlook is stable in view of experienced management and long track record of operations alongside established relationship with stakeholders

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & profitability margin.
- Decrease in debtor collection period.



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Downward Factors

- Any decline in revenue and/or profitability margins.
- Increase in debt impacting financial profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

The day-to-day operation of the company is managed by professionals having rich industry experience. Mr. Nikhil Dujari, the Whole Time Director has an experience of over three decades in the industry. GETL is also supported by a team of qualified professionals, having relevant industry experience.

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 a healthy relationship with state utilities (DISCOM's) and private players in power generation.

Improvement in debt profile and coverage indicators

The Company has paid off the long term debt outstanding of Rs 190.25 crore on Feb 23, 2024 availed from Yes Bank, due to which the interest cost reduced for FY24 (refers to period from April 1, 2023 to March 31, 2024) and also for future years. This has aided in improving overall gearing as on March 31, 2024 and interest coverage indicator going forward.

Key Rating Weaknesses

Moderate financial risk profile

The EBITDA declined from Rs. 35.42 crore in FY23 to Rs. 22.99 crore in FY24 and also the EBITDA margin declined from 5.52% in FY23 to 2.40% in FY24 on account of trading nature of its operations coupled with lower trading margin. Further PAT has declined from Rs 7.67 crore in FY23 to Rs 4.72 crore in FY24 and has adversely impacted the PAT margin which has fallen below unity for FY24. Accordingly, GCA has also dropped by 6.39% in the FY24



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compared to FY23. The company's financial risk profile is moderate with TOL/TNW is at 5.94 as on March 31,2024.

Exposure to counterparty risks, 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 in payment is a key sensitivity factor. Further Top 3 debtors forms about 93% of the total debtors as on March 31,2024.

Regulated nature of power trading industry

The power trading market can be segregated into two types: Long term Bilateral contracts (>1 year) and short term contracts (≤ 1 year). The trading margins allowed by CERC, in short term segment, is currently capped at Rs. 0.07/kWh subject to fulfilment of condition of LC. This limits the trading margins of power trading companies.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity – Adequate

GETL is engaged in the business of power trading, and hence 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 lower cash accruals as compared to the debt obligations thereby resulting in DSCR below unity level for FY 24. However the company has paid off long term debt of Rs 190.25 crores in Feb 2024, hence DSCR is projected to improve going forward. The average utilization of working capital limits remained low below 50% during the 12 months ended August 31, 2024.



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About the Company

GMR Energy Trading Limited (GETL) is an unlisted public limited company incorporated on 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 rated IVR BBB-/Stable/A3), which holds 46.65% shares of the company. GETL 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 both power exchanges – Indian Energy Exchange (IEX) and Power Exchange India Ltd. (PXIL).

Financials (Standalone):

For the year ended/ As on*	31-03-2023	(Rs. crore) 31-03-2024
	Audited	Audited
Total Operating Income	642.18	957.42
EBITDA	35.42	22.99
PAT	7.67	4.72
Total Debt	257.97	99.58
Tangible Net Worth	137.13	143.99
EBITDA Margin (%)	5.52	2.40
PAT Margin (%)	1.10	0.47
Overall Gearing Ratio (x)	1.88	0.69
Interest Coverage (x)#	0.46	0.34

* Classification as per Infomerics' standards.

Non-operating income is not considered

Status of non-cooperation with previous CRA: None

Any other information: Nil



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Rating History for last three years:

		Current Ratings (Year 2024-25)			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 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Date of Press Release :					March 13, 2024	February 23, 2024	December 09, 2022	Sep 15, 2021
1	Fund Based – Working Capital Demand Loan	Long Term	33.00*	IVR BB/Stable	IVR B+/Stable	IVR B+/Stable IVR D#	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication
2	Term Loan	Long Term	0.00 (reduced from Rs. 190.25 Crore)	-	Rating withdrawn	IVR B+/Stable IVR D	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE)/ Credit Watch with Developing Implication
3	Fund Based – Cash Credit	Long Term	0.00 (reduced from Rs. 5.00 Crore)	-	IVR B+/Stable	IVR B+/Stable IVR D	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE)/ Credit Watch with Developing Implication
4.	Fund Based – Working Capital Limits (Proposed)	Short Term	0.00 (reduced from Rs. 15 Crore)	-			IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication
5.	Non Fund Based – Letter of Credit / Bank Guarantee	Short Term	0.00 (reduced from Rs. 11 Crore)	-			IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication

*sublimit of WCDL : CC Limit- Rs 5.00 crore & LC/BG Limit - Rs 11.00 crore

#Downgraded to IVR D &simultaneously upgraded to IVR B+(Stable)



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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Working Capital Demand Loan	NA	NA	NA	Running Limit	33.00	IVR BB/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GETL-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.