



Press Release

GMR Energy Trading Limited

February 23, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings#	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities – Term loan	190.25 (Reduced from Rs. 261.21 Cr.)	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Rating downgraded from IVR BBB-(CE) to D and simultaneously upgraded	Simple
Long Term Bank Facilities – Cash Credit	5.00 (Reduced from Rs. 10 Crore)	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Rating downgraded from IVR BBB-(CE) to D and simultaneously upgraded	Simple
Long Term Bank Facilities – WCDL	34.00 (Reduced from Rs. 49 Crore)	IVR B+/ Stable (IVR Single B Plus with Stable Outlook)	Rating downgraded from IVR BBB-(CE) to D and simultaneously upgraded	Simple
Short Term Bank Facilities (Proposed)*	0.00 (Reduced from Rs. 15 Cr.)	--	Withdrawn	Simple
Total	229.25			

*The issuer did not avail proposed facility as envisaged.

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings have been downgraded to IVR D as the company had delayed repayment by 10 days in WCDL facility on March 21, 2023, and repaid on March 31, 2023 as confirmed by the lender. Post that, GETL is regularly paying its interest and principal on the due date till date. The delays are on account of liquidity mis-match due to delays in payment from government owned power distribution firms. The ratings have been reassigned simultaneously at IVR B+ on account of regular debt servicing from March 31, 2023, till date.



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The proposed short term bank facility has been withdrawn as the issuer did not avail the proposed short-term facility as envisaged, at the request of company and in line with 'Infomerics' Policy on Withdrawal of Rating'.

The rating continues to derive strength from experienced management, long track record of operations and established relationship with stakeholders. The rating is however constrained by moderate financial risk profile, exposure to counterparty risks & credit concentration of trade receivables, weak debt protection metrics and delay in servicing of debt obligations.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & profitability margin.
- Improving its liquidity position and debt coverage indicators.

Downward Factors

- Any further decline in revenue and/or profitability margins
- Cash flow mismatches impacting debt servicing capacity.

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. A.K. Prusty, the 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 a healthy relationship with state utilities and DISCOM's.

Key Rating Weaknesses



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Moderate financial risk profile

The company follows Ind AS 115 which provides for netting off of the revenue if the entity is acting as an agent and not as a principal. Therefore, the total operating revenue of FY23 declined from Rs. 851.76 crore in FY22 to Rs. 642.20 crore due to decrease in volume of sale of bilateral power. However, overall margin has improved due to increase in exchange volume. Since bilateral contracts are recorded in financials at gross level (revenue and purchase separately), it looks that revenue has declined, but overall volume and margins have increased. The EBITDA declined from Rs. 70.36 crore in FY22 to Rs. 35.43 crore in FY23 and consequently the EBITDA margin declined from 8.26% in FY22 to 5.52% in FY23. Decline in EBITDA in FY23 was due to higher margin in bilateral contracts within state trades as well as enhanced trades on power exchanges coupled with energy banking contracts. The absolute PAT improved to Rs. 7.68 Cr. in FY23 from that of Rs. 4.75 Cr. in FY22 mainly on account of higher interest income received by the company from bank deposits and inter-corporate loans and deposits during the year. Consequently, the PAT margin stood improved to 1.10% in FY23 as against 0.53% in FY22. The company's financial risk profile is moderate with adjusted gearing of 3.43 times as on 31 March, 2023 as compared to 12.72 times in the previous year. TOL/TNW stood at 12.78 times in FY23 as against 37.86 times in the previous year.

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 weak debt protection metrics of the company is marked by weak Interest Coverage Ratio (ICR) at 0.46 times as on March 31, 2023, and Debt Service Coverage Ratio (DSCR) at 0.72 times as on March 31, 2023.

Delay in servicing of debt obligations



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There was a single instance of delay in servicing of WCDL facility availed by the company. The slowdown in payment from government owned power distribution resulted into liquidity mismatch.

Analytical Approach: Standalone approach

GMR Energy Trading Limited (GETL) is a wholly owned subsidiary of GMR Power and Urban Infra Limited (GPUIL). The erstwhile Credit enhanced (CE) Rating was based on the corporate guarantee provided by GMR Power and Urban Infra Limited (GPUIL) for the bank facilities availed by GMR Energy Trading Limited (GETL).

For assigning the ratings, Infomerics has assessed the attributes of the guarantees issued by GPUIL in favour of the lender who have extended the said facility. 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. Hence, the CE rating is not in line with Infomerics CE policy. The Credit Enhancement is removed, and rating approach has been revised to Standalone approach.

Applicable Criteria:

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

[Rating Methodology on Trading Companies](#)

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

[Default Recognition Policy | Infomerics Ratings](#)

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 lower cash accruals as compared to the debt obligations thereby resulting in DSCR below unity level. The average utilization of working capital limits remained high at ~77% during the 12 months ended December 31, 2023.

About the Company



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

Financials (Standalone):

(Amt in Rs. Crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	851.76	642.20
EBITDA	70.36	35.43
PAT	4.75	7.68
Total Debt	329.98	257.98
Adjusted Tangible Net-Worth	25.76	71.19
Ratios		
EBITDA Margin (%)	8.26	5.52
PAT Margin (%)	0.53	1.10
Overall Gearing Ratio (x)	12.72	3.43

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Instrument / Facilities	Type	Current Ratings (Year 2023-24)		Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating* (Feb 23, 2024)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					December 09, 2022	15-Sep-2021	16-Jun-2020
1.	Term Loan	Long Term	190.25 (reduced from Rs. 261.21Crore)	IVR B+/ Stable <hr/> IVR D	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	5.00 (reduced from Rs. 10 Crore)	IVR B+/ Stable <hr/> IVR D	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE)/ Credit Watch with Developing Implication	IVR BBB-(CE) / Stable
3.	Fund Based – Working Capital Demand Loan	Long Term	34.00 (reduced from Rs. 49 Crore)	IVR B+/ Stable <hr/> IVR D	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)/ Credit Watch with Developing Implication	IVR A3 (CE)
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	IVR A3 (CE)
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	IVR A3 (CE)

*Downgraded to IVR D & simultaneously upgraded to IVR B+

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About Infomerics:



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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:



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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	190.25	IVR B+/ Stable Outlook
Long Term – Fund Based – Cash Credit	–	–	–	5.00	IVR B+/ Stable Outlook
Long Term – Fund Based – Working Capital Demand Loan	–	–	–	34.00*	IVR B+/ Stable Outlook

*Sublimit of WCDL: Letter of Credit: Rs. 11 Cr.

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GMREnergy-feb24.pdf>

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