

Brief Rationale

CRAF reaffirms ‘CARE MAU BBB+; Positive’ rating assigned to the bank facility of USD 58 million (enhanced from USD 38 million) of GVL Mauritius Limited

Ratings

Facility	Amt. (USD Million)	Rating	Rating Action
Bank facility (Term loan)	58	CARE MAU BBB+ (Positive) [Triple B Plus; Positive]	Reaffirmed with change in outlook from Stable to Positive

Rating Rationale

The rating assigned to the term loan of GVL Mauritius Limited (GVLML) has been reaffirmed with change in outlook from Stable to Positive due to the legally binding Agreement entered by GVLML and its promoters with Orix Corporation, Japan to sell around 151 million shares of GEH at about USD 4.12 per share at an aggregate value of around USD 620 million by January 31, 2021.

The rating continues to derive strength from the experience of its promoters in renewable energy sector, satisfactory net worth of its promoters, their ability to raise fund through strategic sale (part) of their equity stake (19%) in Greenko Energy Holdings (GEH) and valuable holdings in Ace-Urban group, since GVLML is an investment company and its only source of revenue will be cash flows in the form of dividends/distributions from its investments in GEH. The rating further derives some comfort from the pledge of GVLML’s promoters’ shares in GEH with the lenders wherein call option is available with the two other shareholders of GEH who have a strong credit profile i.e. [Associates of Government of Singapore Investment Corporation Pte Ltd (“GIC”) and Abu Dhabi Investment Authority (ADIA)] and funded Debt Service Reserve Account (DSRA) equivalent to one year of interest payment on the rated debt.

The rating is constrained by the lack of any operational cash flows in GVLML (being an investment holding company) on account of low free cash flows available in various operational subsidiaries of GEH given the high level of debt in those subsidiaries apart from their own investment requirements in various under-construction projects. The rating is further constrained by lack of readily available liquidity in GVLML; albeit its promoters have investments in real estate which imparts some degree of financial flexibility.

The rating is sensitive to the conclusion of the deal with Orix and ability to receive USD 620 million by selling the shares to Orix or any other strategic investor by January 31, 2021; apart from improvement in the operational & financial performance of GEH which would result in increase in its free cash flows for enhancing its dividend paying ability to GVLML.

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Update since last Rating: -

On September 11, 2020, GVL group companies (Greenko Energy Holdings (GEH), Greenko Ventures Limited, GVL Investments Ltd, GVL Management Services Limited and GVL (Mauritius) Limited) has signed a legally binding term sheet with ORIX CORPORATION (“ORIX”- incorporated in Japan) to sell GVL group’s stake (around 11%) in Greenko Energy Holdings (GEH) at an aggregate value of USD 620 million. As per the signed Agreement: - Post completion of this transaction, ORIX will hold minimum 20% stake in Greenko Energy Holdings and GVL entities will be required to maintain a minimum ownership of 9% of the issued A shares in Greenko Energy Holdings on a fully diluted basis for a certain period of time.

On September 11, 2020, ORIX has also announced that it entered into a definitive framework agreement to make an investment of at least USD 980 million to acquire shares in GEH, valuing Greenko equity at about \$5.75 billion.

The entire transaction is planned to be completed by 31st January 2021.

BACKGROUND

GVL (Mauritius) Limited (GVLML) was incorporated on January 24, 2018 as a Global Business License Category 1 company in Mauritius. GVLML and its associates along with Cambourne Investment Pte Ltd, (65%: Cambourne is wholly owned by GIC Infra Holdings Pte. Ltd., wholly owned by GIC (Ventures) Pte Ltd., which in turn is wholly owned by Ministry for Finance, Government of Singapore) and Green Rock B Ltd, an entity ultimately owned by Abu Dhabi Investment Authority (ADIA; 16%) are the shareholders of Greenko Energy Holdings (GEH), the ultimate holding company of Greenko Group of India.

Incorporated in June 12, 2015, GEH is an investment company, holding various intermediate holding companies that finally hold the SPVs which form the operating entities of Greenko Group. Greenko group owns and operates renewable energy plants in India through Greenko Energies Private Limited (GEPL: rated CARE A+; /CARE A1+ Under credit watch with negative implications) and Greenko Power Project (Mauritius) Limited (GPPML). GEPL owns and operates renewable energy plants in India either directly or through its 100% subsidiary Greenko Wind Projects Private Limited. As on November 30, 2019, GEPL at consolidated level has a totalled installed operational capacity of 1.97 GW of renewable energy assets and another 0.14 GW projects under implementation.

Greenko group has installed operational capacity of 4.23 GW as on Dec 31, 2019.

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Transaction

In June 2018, State Bank of Mauritius (SBM) has extended a term loan of USD 58 million to GVL (Mauritius) Limited (GVLML) for:

1. Acquiring 25,935,596 new CLASS A shares issued by GEH pursuant to the terms of a Warrant Deed dtd. March 13, 2017 at the predetermined price of USD 1.85501 per share (plus interest @8%) [**i.e. USD 52 million**] [These along with fund infused by GIC & ADIA was used for acquisition of Orange Renewable’s assets]
2. Financing the Interest Reserve Account (**USD 3,770,000**) – Account held with SBM and during the tenor of the facility will contain a minimum balance of **USD 3.77 million** representing at least 1 year of interest payable.
3. For financing the Fees attached to this acquisition (**USD 2.23 million**)

Post disbursement of the facility SBM has sold down USD 20 million to SBI (Mauritius) Ltd.

Interest Rate- Fixed rate of 6.50% per annum to be paid annually after 1 year from date of disbursement (i.e., June 2018). Interest to be received in June 2019, June 2021 and June 2022

Interest Reserve Account - Contain a minimum balance of USD 3,770,000 representing 1 year of interest payable to be maintained any time during the tenure of the facility.

Share Pledge: SBM has also entered into a Share Pledge Agreement with GVLML in relation to the pledge of 42 million CLASS A shares of GEH held by GVLML and its promoters (Mr. Anil Kumar Chalamalasetty & Mr. Mahesh Kolli) through different group companies.

Fair Value Coverage – As per the disbursement condition, the ‘fair value coverage’ of the GEH shares pledged with SBM shall at all times be 2x times the outstanding facility amount.

The valuation is to be done by Deloitte Touche Tohmatsu India LLP and a report to be submitted to SBM on annual basis. As per the Valuation Report submitted by Deloitte on September 2020 based on Audited Financials of March 31, 2020, the valuation Summary of

100% equity of GEH is as under:

Equity value (Cost of Equity - COE)	Low (15.0%)	Mid (14.5%)	High (14.0%)
	(USD million)		
Method - Discounted Cashflow of 32 years Cost of Equity - $R_f + (R_m - R_f) * \beta$ - [14.5% = (R_f - 6.0%, Market Risk premium ($R_m - R_f$) -7.0% and β - 1.23%)] Rf- YTM of 10-year Govt. Bonds and securities in India	3,509 (3,020)	3,665 (3,136)	3,832 (3,260)
No. of Equity Shares of GEH	919,000,000 (802,975,134)		
Value per Equity Share (USD)	3.82 (3.76)	3.99 (3.91)	4.17 (4.06)

Figures within parenthesis denotes values at the time of last year’s rating

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Accordingly, as on March 31, 2020, value of pledged shares of GEH held by SBM towards the above-mentioned transaction is around USD 168 million (2.9x times the total loan value of USD 58 million; at the mid-point of the fair value of GEH shares – i.e. @ USD 3.99/share).

Repayment – GVLML had to repay the facility of USD 58 million at maturity /termination date (in June 2021 i.e., 36 months from the date of disbursement i.e. June 2018).

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