Brief Rationale

CRAF reaffirms 'CARE MAU BBB+; Stable' 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 (enhanced from USD 38 million)	**CARE MAU BBB+ (Stable) [Triple B Plus; Stable]**	**Reaffirmed**

Rating Rationale

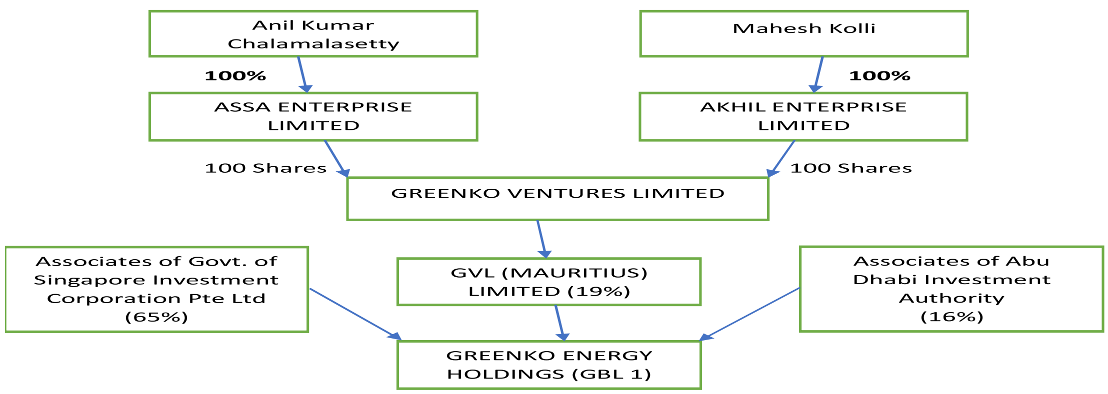
The rating assigned to the bank facilities of GVL Mauritius Limited (GVLML) continues to derive strength from the experience of its promoters (Mr. Anil Kumar Chalamalasetty & Mr. Mahesh Kolli) in renewable energy sector, satisfactory net worth of its promoters, their ability to raise fund through strategic sale (part or full) of their equity stake (19%) in Greenko Energy Holdings (GEH) and holdings in Ace-Urban group, refinancing through new USD Bond issue and financial performance of Greenko Energy Holdings, since GVLML is an investment company and its only source of revenue will be cash flows in the form of dividends 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), envisaged high reliance on refinancing of the rated debt at the time of its maturity due to inadequacy of expected dividend income in GVLML over next three years 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.

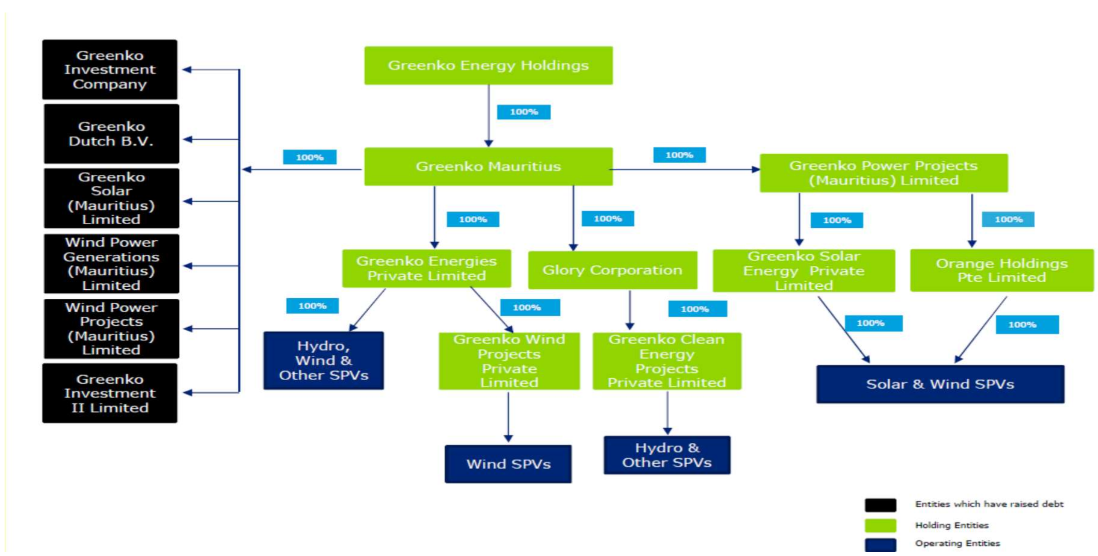
The rating is sensitive to the mode of redemption which is to be finalised before 12 months of due date of redemption, ability of the promoters of GVLML to encash part of their stake in GEH (USD 640 million) through IPO or sale to some strategic Investor and in ACE group (USD 300 million) to strategic investor in a timely manner; 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.

BACKGROUND

GVL (Mauritius) Limited (GVLML) was incorporated on January 24, 2018 as a Global Business License Category 1 company in Mauritius by Mr. Anil Kumar Chalamalasetty & Mr. Mahesh Kolli (who are the Indian promoters of Greenko group). GVLML and its promoters (19%) 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 limited , 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. The promoters and the holding structure of the group in Mauritius is as under:



The holding structure of the group below Greenko Energy Holdings is as under.



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.

Greenko group has installed operational capacity of 4.23 GW as on Nov. 30, 2019 (3.89 GW as on Nov. 30, 2018). Another 4 projects (3 solar & 1 Hydro) aggregating to 0.33 GW are under implementation.

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 on 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 5, 2019 based on Audited Financials of March 31, 2019, 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 - Rf +(Rm-Rf)*β– [14.7% (Rf- 6.7%, Market Risk premium (Rm-Rf) -7.0% and β– 1.15%)] **Rf-** YTM of 10-year Govt. Bonds and securities in India	3,020 (1,770)	3,136 (1,844)	3,260 (1,923)
No. of Equity Shares of GEH	802,975,134 (611,857,311)		
Value per Equity Share (USD)	3.76 (2.90)	3.91 (3.00)	4.06 (3.14)

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

Accordingly, as on March 31, 2019, value of pledged shares of GEH held by SBM towards the above-mentioned transaction is around USD 164 million (2.8x times the total loan value of USD 58 million; at the mid-point of the fair value of GEH shares – i.e. @ USD 3.91/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). Further, GVLML was required to provide a detailed repayment plan (refinancing, IPO, bond issuance, sale of shares and any other mechanism) of the facility 12 months prior to the termination date to SBM.

Development since last Rating:-

GVLML has serviced interest repayment for the period ended June 7, 2019 and the balance in DSRA as at March 1, 2020 was USD 3,820,589.54 representing 1 year of interest payable.

During discussion the management of GVLML has informed that the promoters of GVLML are in discussion with a strategic Investor (an International Corporate) to sell majority of their stake in GEH. The have already entered into a nonbinding Agreement with the Corporate and the deal is expected to be signed by September 2020. As confirmed by the management, the proceeds to be received from this deal will be more than adequate to repay USD 58 million loan in GVLML.

Pledge over dividend proceeds to be received from GEH – As per loan facility Agreement, SBM has created a pledge over dividend proceeds Account, held by GVLML and GVL management with SBM through which all dividends to be received from the 48 million CLASS A shares held by GVLML and GVL management shall be routed. SBM has also created a pledge over Interest Reserve Account.

Call Option on Shares in GEH – As per the Call option letter in relation to Shares in Greenko Energy Holdings, entered between SBM and GVLML and GVL management - GVLML, GVL management and each GVLML party hereby grant to each of Cambourne Investment Pte Ltd. and Green Rock B 2014a call option to purchase all of the pledged shares at the aggregate value of USD 58 million plus interest if due, in the event of default. Both Cambourne and Green Rock B 2014a has duly agreed and accepted the Call option letter.

This means that in the 'Event of Default', SBM has the right to sell all the pledged shares (48 million CLASS A shares of GEH held by GVLML and GVL management) to any investor with Cambourne and Green Rock B 2014 having the first right of refusal.

The rating takes comfort from the fact that GIC & ADIA have the first right of refusal to buy the pledged shares (42 million shares) for the loan amount (USD 58 million) – value of shares will be USD 1.41 per share (against current valuation of USD 3.91 per share). GIC & ADIA are majority shareholders (81%) with investable funds.

Annexure I

Long /Medium-term Instruments

Symbols	***Rating Definition***
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

Rating Outlook

The rating outlook can be ‘Positive’, ‘Stable’ or ‘Negative’.
A ‘Positive’ outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.
A ‘Negative’ outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.
A ‘Stable’ outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.