

Gammon India Limited

April 17, 2017

Rating

Facilities/ Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Fund-based Facilities – Cash Credit	949.05 (949.05)	CARE D (Single D)	Reaffirmed
Long / Short-term Non-fund-based Facilities – Letter of Credit	9092.78 (10355.00)	CARE D (Single D)	Reaffirmed
Total Bank Facility	10041.83 (Rs. Ten Thousand Forty One crore Eighty Three lakh only)		
Non - Convertible Debenture	324.00 (324.00)	CARE D (Single D)	Reaffirmed

Detailed Rationale and Key Rating Drivers

The ratings assigned to the bank facilities and Instruments of Gammon India Limited (GIL) have been reaffirmed on account of the delays in servicing of interest on non-convertible debentures, over-drawals in fund-based limits and devolvement in non-fund-based limits. The liquidity position of the company is constrained due to delays in recoveries from customers and project execution delays resulting in holding of high inventory, thereby blocking working capital funds and causing cost-overruns. The company is currently undergoing restructuring on invocation of strategic debt restructuring by its lenders.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in Debt Servicing: There are delays in servicing of debt obligations owing to delayed execution of projects, delays in recoveries from customers and huge debt burden leading to constrained liquidity position of the company.

Analytical approach - Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

Company Background

Incorporated in 1922, GIL is the flagship company of the Gammon group and offers services covering the whole gamut of the civil and construction activities. GIL undertakes construction of roads, bridges, flyovers, power plants, chimneys and cooling towers, cross-country pipelines, structures for hydro-electric power projects, buildings and factories. The company has also been present in the infrastructure project development space since 2001 through GIL's subsidiary Gammon Infrastructure Projects Limited (GIPL, 74.98% stake), which executes public private partnership based projects in the road, port and power sectors through project-specific special purpose vehicles.

The company has provided corporate guarantee for repayment to non-convertible debenture holders towards principal and interest payments of Metropolitan Infra Housing Private Limited (subsidiary of GIL), which is currently invoked but not paid. Currently the Strategic Debt Restructuring Scheme is under implementation in GIL.

Status of non-cooperation with previous CRA: NA

Rating History (Last three years): Please refer Annexure-2

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Ms Smita Rajpurkar

Tel: 022 6754 3458

Email: smita.rajpurkar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	949.05	CARE D
Non-fund-based-LT/ST	-	-	-	9092.78	CARE D / CARE D
Debentures-Non Convertible Debentures	-	-	October 15, 2022	324.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	324.00	CARE D	-	1)CARE D (20-Apr-16)	-	1)CARE D (06-Oct-14) 2)CARE C (22-Apr-14)
2.	Fund-based-Long Term	LT	949.05	CARE D	-	1)CARE D (20-Apr-16)	-	1)CARE D (06-Oct-14) 2)CARE C (22-Apr-14)
3.	Non-fund-based-LT/ST	LT/ST	9092.78	CARE D / CARE D	-	1)CARE D / CARE D (20-Apr-16)	-	1)CARE C / CARE A4 (06-Oct-14) 2)CARE C / CARE A4 (22-Apr-14)

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691