

GMR Infrastructure Limited

January 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities- Term Loan	1,804.60 (reduced from 1,945.22)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	1,045.0 (reduced from 1,410.0)	CARE A3 (A Three)	Reaffirmed
Total Facilities	2,849.60 (Rupees Two Thousand Eight Hundred Forty Nine crore and Sixty lakh only)		
Non-Convertible Debenture issue	792.5 (reduced from 867.5)	CARE BBB-; Stable (Triple B Minus; Outlook Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to GMR Infrastructure Limited (GIL) continue to derive strength from the experienced promoters of GIL, its established track record in project execution, diversified portfolio of assets and group's demonstrated ability to raise funds ensuring easing of any near term pressure on cash flows. The ratings also factors in the continued healthy performance by airport and highway subsidiaries during FY16 (refers to the period April 1 to March 31). The ratings also take cognizance of the strategic partnership with Malaysia's Tenaga Nasional Berhad for 30% equity interest in select portfolio of GMR Energy Limited (GEL) and expected improvement in operational performance of its energy assets.

The ratings, however, continue to remain constrained by the continuing challenging operating environment for the group's energy assets including uncertainty on gas supply resulting in idling of certain gas based operating assets. The ratings also continue to remain constrained by the below average financial risk profile of GIL characterised by high overall gearing and loss at net level and risks associated with hydro projects under implementation.

Going forward, ability of the company to improve the operational performance of its energy assets by resolving the fuel supply and power offtake related issues and improve its overall financial risk profile shall be the key rating sensitivities. Also, the company's ability to deleverage the balance sheet supported through timely materialization of divestment/asset monetization plans thereby improving its cash flows shall also be the key rating sensitivity.

Detailed description of the key rating drivers

GIL is the holding company for infrastructure business of GMR Group promoted by Mr G M Rao in 1978 having experience of more than three decades. The group has established track record in project execution with diversified portfolio of assets in energy, airports, roads and urban infrastructure business. Over the years GIL has demonstrated the ability to raise funds to support the projects under its subsidiaries as well as meet debt obligations. During FY16, the company raised funds through various transactions including right issue for 93.45 crore shares aggregating Rs.1,401.83 crore and \$300 million (Rs.2,000 crore) through 60 years FCCB from Kuwait Investment Authority. During H1FY17 also the company had further successfully raised funds by divesting stake under its various highway projects, Maru and Aravali Transmission and entering into strategic partnership with Tenaga Nasional Berhad, Malaysia for investment of \$300 million (about Rs.2,000 crore) in GEL for 30% equity stake in GEL thereby aiding its liquidity profile. Furthermore, under the airport segment GIL continued to report healthy operating performance during FY16 with revenues witnessing a growth of around 20% largely on account of increase in income from Delhi International Airport Limited (DIAL) owing to increase in traffic and land lease and recovery of User Development Fee (UDF) in GHIAL. However, GIL continues to have

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

below average financial risk profile on consolidated basis characterised by high overall gearing of 7.61x as on March 31, 2016. The company continued to report losses at net level over the past three years with loss of Rs.1,703 crore during FY16 on consolidated basis. The group's energy assets continued to face challenging operating environment with low PLF levels reported during FY16. The same was largely due to uncertainty on gas supply in view of lower supplies/availability of natural gas to gas based capacities. For its thermal assets despite stabilization of two of its plants including GMR Warora Energy Limited (GWEL) and GMR Kamalanga Energy Limited (GKEL) faced certain issues resulting in lower PLF levels. Also with four hydro projects with aggregate capacity of 1980 MW, GIL continues to remain exposed to risks associated with project implementation.

Analytical Approach Followed – On account of significant operational and financial linkages with its subsidiaries, CARE has considered a consolidated approach in the credit risk assessment.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology - Infrastructure Sector Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

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

About the Company

GIL is the holding company for the infrastructure business of the GMR group which is a leading business house having significant interest in Infrastructure Sector viz. Airport, Power, Road etc. 61.66% stake in GIL is held by the promoters and promoter group companies which in turn are closely held by Mr G M Rao & family. As on September 30, 2016, under the airports segment GMR had three operating airports with annual capacity of close to 80 million passengers per annum. Under the energy segment, the company has operational power generation capacity of close to 4,636 MW under various coal, gas and solar projects. Under the highways segment, the company has 6 operational projects with 4 projects aggregating 285 Kms on annuity basis while the remaining 2 projects aggregating 216 Kms are toll projects.

GIL also has an Engineering, Procurement and Construction (EPC) business which it commenced in FY10 as a separate operating division mainly to cater to the requirements for implementing the projects undertaken by the subsidiaries. Currently, GIL is also executing two packages of Eastern Dedicated Freight Corridor (DFCC) project worth Rs.5,080 crore.

On a consolidated basis, GIL achieved total income of Rs.13,134 crore and a net loss of Rs.1,703 crore in FY16 (refers to the period April 1 to March 31) as against a total income of Rs.11,253 crore and net loss of Rs.2972 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.

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****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

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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 - LT-Term Loan	-	-	January 2024	500.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	January 2021	195.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	April 2022	959.60	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	150.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	300.00	CARE A3
Non-fund-based - ST-Stand by Line of Credit	-	-	-	745.00	CARE A3

Name of the Instrument with ISIN No.(NCD)	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	O/s (Rs.crore)	Rating assigned along with Rating Outlook
INE776C07119	Feb 24, 2012	13.85%	March 25, 2021	350.00	277.375	CARE BBB-; Stable
INE776C07127	Apr 11, 2012	13.85%	March 25, 2021	350.00	277.375	CARE BBB-; Stable
INE776C07135	May 16, 2012	13.85%	March 25, 2021	200.00	158.500	CARE BBB-; Stable
INE776C07143	June 19, 2012	13.85%	March 25, 2021	100.00	79.250	CARE BBB-; Stable

Annexure 2

Rating History for last three years:-

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history for past three years			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	0.00	Withdrawn	-	1)Withdrawn (28-09-2015)	1)CARE BBB (10-12-2014) 2)CARE BBB (15-10-2014)	1)CARE BBB+ (13-09-2013)
2.	Fund-based - LT-Term Loan	LT	959.60	CARE BBB-; Stable	-	1)CARE BBB- (28-09-2015)	1)CARE BBB (10-12-2014) 2)CARE BBB (15-10-2014)	1)CARE BBB+ (26-02-2014) 2)CARE BBB+ (13-09-2013)
3.	Fund-based - LT-Cash Credit	LT	150.00	CARE BBB-; Stable	-	1)CARE BBB- (28-09-2015)	1)CARE BBB (10-12-2014) 2)CARE BBB (15-10-2014)	1)CARE BBB+ (13-09-2013)
4.	Non-fund-based - ST-BG/LC	ST	300.00	CARE A3	-	1)CARE A3 (28-09-2015)	1)CARE A3+ (10-12-2014) 2)CARE A3+	1)CARE A2 (13-09-2013)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history for past three years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
							(15-10-2014)	
5.	Debentures-Non Convertible Debentures	LT	792.50	CARE BBB-; Stable	-	1)CARE BBB- (28-09-2015)	1)CARE BBB (10-12-2014) 2)CARE BBB (15-10-2014)	1)CARE BBB+ (13-09-2013)
6.	Non-fund-based - ST- Stand by Line of Credit	ST	745.00	CARE A3	-	1)CARE A3 (28-09-2015)	1)CARE A3+ (10-12-2014) 2)CARE A3+ (15-10-2014)	1)CARE A2 (13-09-2013)
7.	Fund-based - LT-Term Loan	LT	195.00	CARE BBB-; Stable	-	1)CARE BBB- (28-09-2015)	1)CARE BBB (10-12-2014) 2)CARE BBB (15-10-2014)	
8.	Fund-based - LT-Term Loan	LT	500.00	CARE BBB-; Stable	-	1)CARE BBB- (28-09-2015)		

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