

## GMR Infrastructure Limited

April 4, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	2,553.98	<b>CARE BB; Stable (Double B; Outlook: Stable)</b>	Reaffirmed
Short-term Bank Facilities	730.83	<b>CARE A4 (A Four)</b>	Reaffirmed
<b>Total</b>	<b>3,284.81</b> <b>(Rs. Three Thousand Two Hundred Eighty four crore and Eighty One Only)</b>		
Non-Convertible Debenture issue	680.00 <b>(Rupees Six Hundred and Eighty crore only)</b>	<b>CARE BB; Stable (Double B; Outlook: Stable)</b>	Reaffirmed

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The ratings of GMR Infrastructure Limited (GIL) continue to remain constrained by the below average financial risk profile of GIL characterised by high overall gearing and continued losses at net level. The ratings also continue to remain constrained by the continuing challenging operating environment for the group's energy assets and risks associated with projects under implementation.*

*The ratings, however, 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. The ratings also continue to factor in the sustained healthy performance by airport vertical during 9MFY18 (refers to the period April 1 to December). The ratings take cognizance of GIL initiatives to replace part of its loans through longer tenor loans and additional sanction of corporate loans to support liquidity position going forward.*

*Going forward, ability of the company to improve its income and profitability while deleveraging 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

#### Key Rating Weaknesses

**Below average financial risk profile:** GIL continues to have below average financial risk profile on consolidated basis characterised by high overall gearing and continued losses at net level over the past three years. During 9MFY18 also, the company continued to report a net loss of Rs.1,107 crore on operating income of Rs.7,058 crore which increased from net loss of Rs.485 crore on a total operating income of Rs.7,135 crore in similar period previous year. The increase in losses was largely due to increase in share of loss from associates and JV's to Rs.716 crore in 9MFY18 from Rs.161 crore during 9MFY17.

**Challenging environment for group's energy assets:** The group's energy assets continued to face challenging operating environment with low PLF levels resulting in lower than expected profitability and cash accruals. GMR group's coal based energy assets including two major assets viz GMR Kamalanga Energy Limited (GKEL, 3x 350 MW) and GMR Warora Energy Limited (GWEL) though stabilized during 9MFY18 reported lower PLF of 59% and 69% respectively as against 64.5% and 70.5% respectively during FY17. Also, the gas based energy assets continued to operate at low PLF levels due to uncertainty over gas supply. Continued subdued performance of group's energy assets has bearing the total cash generation leading to weak liquidity position.

#### Key Rating Strengths

**Experienced promoters with long track record:** 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.

**Demonstrated ability to raise funds:** Over the years GIL has demonstrated the ability to raise funds to support the projects under its subsidiaries as well as meet debt obligations. Over the past two years, the company raised funds through various transactions including right issue and FCCB from Kuwait Investment Authority in FY16. The company had further successfully raised funds in FY17 by divesting stake under its various highway projects, Maru and Aravali transmission projects and entering into strategic partnership with Tenaga Nasional Berhad for investment of \$300 million

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

(Rs.2,000 crore) in GEL for 30% equity stake in GEL in FY17. During FY18 also the company has refinance part of its existing debt as well as received the sanction of additional Rs.250 crore to support the liquidity position of the company.

**Healthy performance continues under Airports segment during 9MFY18:** The airport segment of GIL continued to report healthy operating performance during 9MFY18 also. Delhi and Hyderabad airport reported growth in passenger traffic by 14% and 18% respectively.

**Analytical Approach Followed** – Due to significant operational and financial linkages of GIL with its subsidiaries, CARE has considered 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 June 30, 2017, 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 Dedicated Freight Corridor Corporation (DFCC) worth Rs.5,080 crore.

Particulars	FY16 (A)	FY17 (A)
Total operating income	8,547	9,931
PBILDT	2,977	3,381
PAT	(2,749)	(364)
Overall gearing (times)	7.78	3.25

A: Audited

#### Status of non-cooperation with previous CRA:

Not Applicable

#### Any other information:

Not Applicable

**Rating History for 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### About CARE Ratings:

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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 - LT-Term Loan	December 2013	-	January 2024	500.00	CARE BB; Stable
Fund-based - LT-Term Loan	March 2014	-	January 2021	151.64	CARE BB; Stable
Fund-based - LT-Term Loan	March 2013	-	October 2024	1349.34	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	553.00	CARE BB; Stable
Non-fund-based - ST-BG/LC	-	-	-	300.00	CARE A4
Non-fund-based - ST-Stand by Line of Credit	-	-	-	430.83	CARE A4

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	238.00	CARE BB; Stable
INE776C07127	Apr 11, 2012	13.85%	March 25, 2021	350.00	238.00	CARE BB; Stable
INE776C07135	May 16, 2012	13.85%	March 25, 2021	200.00	136.00	CARE BB; Stable
INE776C07143	June 19, 2012	13.85%	March 25, 2021	100.00	68.00	CARE BB; Stable

**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	-	-	-	-	1)Withdrawn (28-Sep-15)	1)CARE BBB (10-Dec-14) 2)CARE BBB (15-Oct-14)
2.	Fund-based - LT-Term Loan	LT	1349.34	CARE BB; Stable	1)CARE BB; Stable (19-Sep-17)	1)CARE BBB-; Stable (14-Feb-17) 2)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	1)CARE BBB (10-Dec-14) 2)CARE BBB (15-Oct-14)
3.	Fund-based - LT-Cash Credit	LT	553.00	CARE BB; Stable	1)CARE BB; Stable (19-Sep-17)	1)CARE BBB-; Stable (14-Feb-17) 2)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	1)CARE BBB (10-Dec-14) 2)CARE BBB (15-Oct-14)
4.	Non-fund-based - ST-BG/LC	ST	300.00	CARE A4	1)CARE A4 (19-Sep-17)	1)CARE A3 (14-Feb-17)	1)CARE A3 (28-Sep-15)	1)CARE A3+ (10-Dec-14)

						2)CARE A3 (24-Jan-17)		2)CARE A3+ (15-Oct-14)
5.	Debentures-Non Convertible Debentures	LT	680.00	CARE BB; Stable	1)CARE BB; Stable (19-Sep-17)	1)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	1)CARE BBB (10-Dec-14) 2)CARE BBB (15-Oct-14)
6.	Non-fund-based - ST- Stand by Line of Credit	ST	430.83	CARE A4	1)CARE A4 (19-Sep-17)	1)CARE A3 (14-Feb-17) 2)CARE A3 (24-Jan-17)	1)CARE A3 (28-Sep-15)	1)CARE A3+ (10-Dec-14) 2)CARE A3+ (15-Oct-14)
7.	Fund-based - LT-Term Loan	LT	151.64	CARE BB; Stable	1)CARE BB; Stable (19-Sep-17)	1)CARE BBB-; Stable (14-Feb-17) 2)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	1)CARE BBB (10-Dec-14) 2)CARE BBB (15-Oct-14)
8.	Fund-based - LT-Term Loan	LT	500.00	CARE BB; Stable	1)CARE BB; Stable (19-Sep-17)	1)CARE BBB-; Stable (14-Feb-17) 2)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	-

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