

GMR Infrastructure Limited

September 19, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	2,553.98 (reduced from 2,799.60)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB- (Triple B Minus)
Short-term Bank Facilities	730.83 (reduced from 1,045.00)	CARE A4 (A Four)	Revised from CARE A3 (A Three)
Total	3,284.81 (Rs. Three Thousand Two Hundred Eighty four crore and Eighty One Only)		
Non-Convertible Debenture issue	680.00 (reduced from 792.50)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BBB- (Triple B Minus)

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in the ratings of GMR Infrastructure Limited (GIL) factors in the weakened liquidity position of the company due to subdued financial performance during FY17 (refers to period April 1 to March 31) and Q1FY18 (refers to period April 1 to June 30) largely attributable to continuing challenging operating environment for the group's energy assets. The ratings continue to remain constrained by the below average financial risk profile of GIL characterised by high overall gearing, though improved over last year and loss at net level 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 take cognizance of the reduction in debt during FY17 post strategic partnership with Malaysia's Tenaga Nasional Berhad for 30% equity interest in select portfolio of GMR Energy Limited (GEL) divestment of stakes in some projects and strategic debt restructuring adopted for Chattisgarh & Rajahmundry projects.

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
Key Rating Weaknesses

Weakened liquidity position: 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 FY17 reported lower PLF of 64.5% and 70.5% respectively as against 67.5% and 75.9% respectively during FY16. 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 weakened liquidity position.

Below average financial risk profile: GIL continues to have below average financial risk profile on consolidated basis characterised by high overall gearing of 3.25x as on March 31, 2017 and continued losses at net level over the past three years. Although, the losses reduced from Rs.2,717 crore in FY16 to Rs. 342 crore in FY17 and overall gearing improved from 7.78x as on March 31, 2016 to 3.25x as on March 31, 2017, but the same continued to remain on higher side. The improvement in overall gearing was largely due to reduction in debt to Rs.21,484 crore as on March 31, 2017 (Figures reinstated as per IND AS) largely attributable to adoption of Strategic Debt Restructuring (SDR) for Chhattisgarh & Rajahmundry power projects, divestment of stake in Maru & Aravali transmission projects and repayment for Male airport resulted in reduced debt levels.

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.

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

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 (Rs.2,000 crore) in GEL for 30% equity stake in GEL in FY17.

Healthy performance continues under Airports segment: The airport segment of GIL continued to report healthy operating performance during FY17. The revenues of airport segment witnessed a growth of around 16% given the healthy growth in passenger traffic. Revenue grew by around 9% and 79% in FY17 for Delhi and Hyderabad airport respectively corresponding to the growth in passenger traffic by 19% and 22% respectively. Also, for the first time the Delhi and Hyderabad airport proposed a dividend of 6.5% and 25% 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	8,261	9,769
PBILDT	2,758	3,220
PAT	(2,717)	(342)
Overall gearing (times)	7.78	3.25
Interest coverage (times)	1.26	1.51

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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 - 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 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 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 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)
5.	Debentures-Non Convertible Debentures	LT	680	CARE BB;	-	1)CARE BBB-; Stable	1)CARE BBB- (28-Sep-15)	1)CARE BBB (10-Dec-14)

				Stable		(24-Jan-17)		2)CARE BBB (15-Oct-14)
6.	Non-fund-based - ST- Stand by Line of Credit	ST	430.83	CARE A4	-	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 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 BBB-; Stable (14-Feb-17) 2)CARE BBB-; Stable (24-Jan-17)	1)CARE BBB- (28-Sep-15)	-

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