

Gammon Infrastructure Projects Limited

October 05, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	25.00	CARE D	Assigned
Short term Bank Facilities	35.00	CARE D	Assigned
Total Facilities	60.00	[Rs. Sixty crore only]	

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Gammon Infrastructure Projects Limited (GIPL) takes into account ongoing delays in the servicing of debt obligations. The debt servicing capability of the company is stressed on account of delayed execution and stalled projects and huge debt burden leading to constrained liquidity position of the company. During FY20, the company lost control over two of its under-development projects which are into Toll-Road project (Rajahmundry Godavari Bridge Limited) and Annuity Project (Patna Highways Private Limited).

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in servicing of debt obligations:

As per the interaction with the lender, there are on-going delays and defaults in the servicing of debt obligations and overdrawals in fund based cash credit limits owing to strained liquidity position of the company. As per FY20 audit report (standalone and consolidated), there are defaults at standalone level as well as in various SPVs (Special Purpose Vehicles) where the accounts are classified as non performing accounts (NPA) and some of the SPVs are undergoing Insolvency Resolution Process (IRP). During FY20, the consolidated revenue of GIPL declined to Rs.395 crore as compared to Rs.526 crore in FY19 mainly on account of subdued performance of Vizag port, shortage of supply of bagasse during FY20 leading to lower power generation as well as poor toll collections in the MP road project and RGLB. Besides, the operations at the SPVs levels are stressed on account of delayed execution and stalled projects along with debt burden leading to constrained liquidity position of the company.

Analytical approach: Consolidated

Applicable Criteria

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

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

[CARE's Policy on Curing Period](#)

[Rating Methodology – Consolidation and factoring linkages in ratings](#)

[Rating Methodology – Infrastructure Sector Ratings \(ISR\)](#)

[Criteria for Short term Instruments](#)

About the Company

Gammon Infrastructure Projects Limited (GIPL) is an infrastructure project development company, promoted by Gammon India Limited (GIL) (CARE D/ INC), one of the largest construction companies in India. Incorporated in 2001, GIPL undertakes the development of infrastructure projects on a public-private partnership (PPP) basis under separate project-specific Special Purpose Vehicles (SPVs), having presence in project development, project advisory and sector-specific operations and maintenance. GIPL is publicly listed entity on both recognized stock exchanges i.e BSE and NSE and its presence is pan-India with two decade of experience and technical expertise in the multi-purpose infrastructure segments with diverse portfolio across Roads, Power and Port sectors. The company is presently engaged in the development of various infrastructure projects in sectors like transportation, energy and urban infrastructure through several special purpose vehicles (SPVs). It is also engaged in carrying out operation and maintenance (O&M) activities for the transportation sector projects. The current portfolio of the Company comprises of four operational assets into Power, Ports and Road and six projects under different stages of development with majorly into Road projects. The Company's projects are spread across seven states in India.

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

GIPL Consolidated financials

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	525.90	395.01
PBILDT	236.80	219.24
PAT	-209.94	14.65
Overall gearing (times)	5.59	1.83
Interest coverage (times)	0.66	0.57

A: Audited; Note: Financials are classified as per CARE Internal Standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure 3

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-Cash Credit	-	-	-	25.00	CARE D
Non-fund-based - ST-Bank Guarantees	-	-	-	35.00	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE D	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	35.00	CARE D	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. 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.

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