



Press Release

GMR Infrastructure Limited [GIL]

May 22, 2020

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	Long Term Fund based – Term Loan	2,547.37 (reduced from 2975.59)	IVR BBB-/ Stable; (IVR Triple B Minus with Stable Outlook)	Reaffirmed
2	Long Term Fund based – NCD	252.50 (reduced from 432.50)	IVR BBB-/ Stable; (IVR Triple B Minus with Stable Outlook)	Reaffirmed
3	Long Term Fund based – Working Capital limit	470.50 (reduced from 595.50)	IVR BBB-/ Stable; (IVR Triple B Minus with Stable Outlook)	Reaffirmed
4	Long Term Non-Fund based	555.95 (reduced from 623.40)	IVR BBB-/ Stable; (IVR Triple B Minus with Stable Outlook)	Reaffirmed
5	Short Term Non-Fund based	226.83 (reduced from 253.83)	IVR A3 (IVR A Three)	Reaffirmed
	Total	4,053.15		

Details of facilities are in Annexure 1

Rating Rationale

The rating continues to derive strength from experienced promoter and management, asset monetization plan, diversified business portfolio. The rating is however constrained by volatile revenue and operating profitability and stretched financial risk profile.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Substantial & sustained improvement in the revenue & EBITDA margin leading to improvement in the debt protection metrics

➤ **Downward Rating Factor:**

Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoter and management

The Group was promoted by Mr. G.M. Rao in 1978. It has grown from being a small firm to a conglomerate having presence in businesses such as airports, energy, transportation, urban infrastructure and EPC. The Group is managed by Mr. Rao and other members of the family – his sons and son in law. They are assisted by professionals having appropriate qualification and professional experience.

Asset monetization plan

The ratings factor expected improvement in financial risk profile, as the management has strong intent to deleverage by using proceeds from various fund-raising initiatives including value unlocking of airport business, divestment of non-core assets and monetization of land parcels (the Group owns around 10,000 acres of land in Krishnagiri and Kakinada region). GIL has announced a strategic partnership with Groupe ADP for its Airports Business. GIL has signed a Share Purchase Agreement pursuant to which Groupe ADP will hold 49% stake in GMR Airports Limited (GAL) for an equity consideration of INR10,780 Crore, valuing GAL at the Base Post Money Valuation of INR22,000 Crore plus earnouts of INR4,479 Crore. The first tranche concluded in February 2020. Groupe ADP bought a 24.99% stake in the GAL in for the total consideration of INR5,248 Crore in the first tranche. Groupe ADP will pay the balance amount INR5,532 Cr in the second tranche post regulatory approvals. Entire proceeds will help the Group to deleverage further and result in improved cash flows.

Diversified business portfolio

The Group is a conglomerate engaged in different businesses. This enables the Group to diversify its risk. The Group is engaged in the EPC, energy, highways and airports businesses. The Groups businesses are somewhat interlinked, providing advantage of backward and forward integration. This enables the Group to unlock significant value in terms of efficiency and cost rationalization.



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Key Rating Weaknesses

Volatile revenue and operating profitability

Revenue and profitability of the Group have been volatile in the past. The volatility in Airport vertical revenues are due to timing mismatch in tariff determination & implementation process for Airports. Over a period of last 3 years, the Group's total income from operations (Gross) declined due to i) implementation of revised tariff order for second control period for Delhi International Airport Limited (DIAL) with effect from July, 2017 and ii) decline in revenue of energy trading business due to Ind-AS adjustments. Revenue declined 9% from INR~9557 Crore in FY17 to INR~8721 Crore in FY18, and further 13% in FY19 to INR~7565 Crore. In 9MFY20 it has achieved a revenue of INR6,207 Crore. The EBITDA margin also declined from 34% in FY17 to 25% & 22% in FY18 & FY19 respectively. Going forward implementation of Base Airport Charges (BAC) for DIAL i.e. Minimum Guaranteed Aero Revenue applicable since Dec'18 is expected to stabilize the revenue. There was also a marginal reduction in the profitability of the highways segment. PBT margins also followed a similar trend on account of the above reasons combined with marginal increase in interest burden.

Stretched financial risk profile

The Group continues to have a stretched financial risk profile and debt coverage matrices due to declining profitability. The Group reported loss (after adjusting for share of loss in subsidiaries, impairment loss and profit/loss from discontinued operations) of INR347 Crore, INR1,114 Crore & INR3,356 Crore in FY17, FY18 & FY19 respectively. Losses increased in FY19 substantially due to loss on impairment of investments in associates/joint ventures (particularly impairments related to Energy business) (net) of INR2,212 Crore. Subsequently, the Group has divested its Energy assets i.e. GMR Chhattisgarh and implemented Resolution Plan for GMR Rajahmundry during FY20. Consequently, the Tangible Net Worth has reduced from INR5256 Crore as on FY18 to INR649 Crore as at FY19. In 9MFY20 it has reported a loss of INR 1075 Crore. The Group has negative GCA in FY18 & FY19 due to reduced EBITDA and share of loss in associates and JV companies. Debt-to-EBITDA ratio remained high at around 16.3 times as on March 31, 2019. However, the same is expected to improve due to deleveraging plans. Though, the financial risk profile of the Group is



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stretched, it has a proven track record of raising funds through divestments/monetization initiatives to meet its commitments.

Analytical Approach & Applicable Criteria:

- Consolidated Approach – For arriving at the ratings, INFOMERICS has considered consolidated financials of GIL. GMR Infrastructure Limited ('the Holding Company') and its subsidiaries are together referred to as 'the Group.' The Holding Company conducts its operations along with its subsidiaries.

The list of Subsidiaries & Associate considered for consolidation are given in the Annexure 2.

- Rating Methodology for Infrastructure Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The Group has negative GCA in FY18& FY19 due to reduced EBITDA and share of loss in associates and JV companies. However, it expects to generate positive cash accruals with an increase in scale of operations, stake sale & asset monetization. The Group has demonstrated this through the divestment of 24.99% stake in GMR Airports to Groupe ADP in the first tranche.

The Group maintains adequate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained at 78% during the 12 months ended March 31, 2020.

About the Group

GMR Infrastructure Limited (GIL), a part of the diversified GMR Group, is promoted by Mr. G.M. Rao and family. GIL is the flagship company of the group for the infrastructure business and is the holding company of the group for investments in the infra sector and is listed on Indian Stock Exchanges. The Group is presently focused on businesses such as Airports, Energy, Highways, Urban Infrastructure and EPC, through its subsidiary, joint venture and associate companies.



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Financials (Consolidated)

INR in Crore

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	8,721	7,565
EBITDA	2,186	1,695
PAT	-1,115	-3,356
Total Debt	23,067	27,580
Tangible Net Worth	5,256	649
EBIDTA Margin (%)	25.06	22.40
PAT Margin (%)	(12.02)	(40.51)
Overall Gearing ratio (x)	4.39	42.51

Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (March 18, 2019)	Date(s) & Rating(s) assigned in 2018-19 (September 28, 2018)
Term Loan	Long Term	2,547.37	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable
NCD	Long Term	252.50	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable
Working Capital limit	Long Term	470.50	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable
Non-Fund based	Long Term	555.95	IVR BBB-/ Stable	-	IVR BBB-/ Stable	IVR BBB-/ Stable
Non-Fund based	Short Term	226.83	IVR A3	-	IVR A3	IVR A3
	Total	4,053.15				



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (INR Crore) (Santioned/ outstanding as on March 31 st , 2020)	Rating Assigned/ Outlook
Long Term Fund based – Term Loan	--	--	Upto March 2026	2,547.37	IVR BBB-/ Stable
Long Term Fund based – NCD	--	--	March 2021	252.50	IVR BBB-/ Stable
Long Term Fund based – Working Capital limit	--	--	--	470.50	IVR BBB-/ Stable
Long Term Non-Fund based	--	--	--	555.95	IVR BBB-/ Stable
Short Term Non-Fund based	--	--	--	226.83	IVR A3

Annexure 2: List of Subsidiaries & Associate considered for consolidation

No.	Name of the entity	Relation
1	GMR Energy Trading Limited (GETL)	Subsidiary
2	GMR Generation Assets Limited (GGAL)	Subsidiary
3	GMR Highways Limited (GMRHL)	Subsidiary
4	GMR Tambaram Tindivanam Expressways Limited (GTTEPL)	Subsidiary
5	GMR Tuni Anakapalli Expressways Limited (GTAEPL)	Subsidiary
6	GMR Ambala Chandigarh Expressways Private Limited (GACEPL)	Subsidiary
7	GMR Pochanpalli Expressways Limited (GPEL)	Subsidiary
8	GMR Chennai Outer Ring Road Private Limited (GCORRPL)	Subsidiary
9	GMR Hyderabad International Airport Limited (GHIAL)	Subsidiary
10	Gateways for India Airports Private Limited (GFIAL)	Subsidiary
11	GMR Hyderabad Air cargo and Logistic Private Limited (Hyderabad Menzies Air Cargo Private Limited (HMACPL)) (merged with GMR Air Cargo and Aerospace Engineering Limited as per the order dated 26 July 2019 with effect from 1 April 2018)	Subsidiary
12	Hyderabad Airport Security Services Limited (HASSL) (liquidated with effect from 13 September 2019)	Subsidiary
13	GMR Aerostructure Services Limited (GASL)	Subsidiary
14	GMR Hyderabad Aerotropolis Limited (GHAL)	Subsidiary



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15	GMR Hyderabad Aviation SEZ Limited (GHASL)	Subsidiary
16	GMR Air Cargo and Aerospace Engineering Limited (GACAEL) (formerly GMR Aerospace Engineering Limited (GAEL))	Subsidiary
17	GMR Aero Technic Limited (GATL)	Subsidiary
18	GMR Airport Developers Limited (GADL)	Subsidiary
19	GMR Hospitality and Retail Limited (GHRL)	Subsidiary
20	GMR Hyderabad Airport Power Distribution Limited (GHAPDL)	Subsidiary
21	Delhi International Airport Limited (DIAL)	Subsidiary
22	Delhi Aerotropolis Private Limited (DAPL)	Subsidiary
23	Delhi Airport Parking Services Private Limited (DAPSL)	Subsidiary
24	GMR Airports Limited (GAL)	Subsidiary
25	GMR Aviation Private Limited (GAPL)	Subsidiary
26	GMR Krishnagiri SIR Limited (GKSIR)	Subsidiary
27	Advika Properties Private Limited (APPL)	Subsidiary
28	Aklima Properties Private Limited (AKPPL)	Subsidiary
29	Amartya Properties Private Limited (AMPPL)	Subsidiary
30	Baruni Properties Private Limited (BPPL)	Subsidiary
31	Bougainvillea Properties Private Limited (BOPPL)	Subsidiary
32	Camelia Properties Private Limited (CPPL)	Subsidiary
33	Deepesh Properties Private Limited (DPPL)	Subsidiary
34	Eila Properties Private Limited (EPPL)	Subsidiary
35	Gerbera Properties Private Limited (GPL)	Subsidiary
36	Lakshmi Priya Properties Private Limited (LPPPL)	Subsidiary
37	Honeysuckle Properties Private Limited (HPPL)	Subsidiary
38	Idika Properties Private Limited (IPPL)	Subsidiary
39	Krishnapriya Properties Private Limited (KPPL)	Subsidiary
40	Larkspur Properties Private Limited (LAPPL)	Subsidiary
41	Nadira Properties Private Limited (NPPL)	Subsidiary
42	Padmapriya Properties Private Limited (PAPPL)	Subsidiary
43	Prakalpa Properties Private Limited (PPPL)	Subsidiary
44	Purnachandra Properties Private Limited (PUPPL)	Subsidiary
45	Shreyadita Properties Private Limited (SPPL)	Subsidiary
46	Pranesh Properties Private Limited (PRPPL)	Subsidiary
47	Sreepa Properties Private Limited (SRPPL)	Subsidiary
48	Radhapriya Properties Private Limited (RPPL)	Subsidiary
49	Asteria Real Estates Private Limited (AREPL)	Subsidiary
50	Lantana Properties Private Limited (LPPL)	Subsidiary
51	Namitha Real Estates Private Limited (NREPL)	Subsidiary
52	Honey Flower Estates Private Limited (HFEPL)	Subsidiary
53	GMR SEZ and Port Holdings Limited (GSPHL)	Subsidiary
54	Suzone Properties Private Limited (SUPPL)	Subsidiary



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55	Lilliam Properties Private Limited (LPPL)	Subsidiary
56	Dhruvi Securities Private Limited (DSPL)	Subsidiary
57	Kakinada SEZ Limited (KSL)	Subsidiary
58	GMR Business Process and Services Private Limited (GBPSPL)	Subsidiary
59	Raxa Security Services Limited (RSSL)	Subsidiary
60	Kakinada Gateway Port Limited (KGPL)	Subsidiary
61	GMR Goa International Airport Limited (GIAL)	Subsidiary
62	GMR Infra Developers Limited (GIDL)	Subsidiary
63	Megawide GISPL Construction Joint Venture (MGCJV)	Joint Operation
64	GMR Energy Limited (GEL)	Joint venture
65	Delhi Duty Free Services Private Limited (DDFS)	Joint venture
66	Laqshya Hyderabad Airport Media Private Limited (Laqshya)	Joint venture
67	Delhi Aviation Services Private Limited (DASPL)	Joint venture
68	Delhi Aviation Fuel Facility Private Limited (DAFF)	Joint venture
69	GMR Megawide Cebu Airport Corporation (GMCAC)	Joint venture
70	SSP Mactan Cebu Corporation (SMCC)	Joint venture
71	Mactan Travel Retail Group Corp. (MTRGC)	Joint venture
72	Limak GMR Construction JV (CJV)	Joint venture
73	Megawide GMR Construction Joint Venture Inc. (MGCJV Inc.)	Joint venture
74	GIL SIL JV	Joint venture
75	GMR Mining & Energy Private Limited (GMEL)	Associate
76	Celebi Delhi Cargo Terminal Management India Private Limited (CDCTM)	Associate
77	Travel Food Services (Delhi Terminal 3) Private Limited (TFS)	Associate
78	TIM Delhi Airport Advertising Private Limited (TIM)	Associate
79	Digi Yatra Private Limited (DYPL)	Associate