



## Press Release

### GMR Enterprises Private Limited [GEPL]

March 25, 2021

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	<u>Long Term Fund based facilities</u> Proposed Non-Convertible Debentures*	125.00	Provisional IVR BB+ (CE)/ Stable Outlook** [Provisional IVR Double B Plus (Credit Enhancement) with Stable Outlook]	Assigned

\*The proposed NCDs of GEPL are on a Private Placement basis to be raised in one or more tranches (minimum INR 5 Crore each).

\*\* CE Rating based on the security provided by way of first ranking exclusive pledge over listed equity shares of GMR Infrastructure Limited (GIL) held by the Pledgor. The stipulated asset cover for this instrument is 2 times of the outstanding investment amount through listed shares of the Security Company (Accrued Interest Security creation to be done through listed shares of the Security Company on quarterly basis for the purpose of meeting Security cover) and atleast 0.25 time of the outstanding amount as first ranking exclusive mortgage over Property.

#### Details of facilities are in Annexure 1

#### Rating Rationale

The rating assigned to the Non-Convertible Debentures of GMR Enterprises Private Limited (GEPL) derives comfort based on the security to be provided by way of first ranking exclusive pledge over listed equity shares of GMR Infrastructure Limited (GIL) held by the Pledgor. The stipulated asset cover for this instrument is 2 times of the outstanding investment amount through listed shares of the Security Company (Accrued Interest Security creation to be done through listed shares of the Security Company on quarterly basis for the purpose of meeting Security cover) and atleast 0.25 time of the outstanding amount as first ranking exclusive mortgage over Property.

This security to be provided by way of pledge of fully paid-up listed shares of GIL (subsidiary company) will result in credit enhancement in the rating of the said Non-Convertible Debentures to **Provisional IVR BB+ (CE)/ Stable Outlook [Provisional IVR Double B Plus (Credit Enhancement) with Stable Outlook]** against the unsupported rating of **IVR B+ / Credit watch with Negative implication [IVR Single B Plus with Credit watch with Negative implication]**.



## Press Release

Further, the rating derives strength from support from GMR group, experienced management, credit enhancement and asset monetization. The rating is however constrained by continued losses, share price volatility risk, elevated level of the shares pledged of the promoters of GMR Infrastructure Ltd., stretched liquidity and stressed financial risk profile of the group holding company.

### **Key Rating Sensitivities:**

➤ **Upward Rating Factor:**

Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

➤ **Downward Rating Factor:**

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

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### ***Support from GMR group***

GMR Enterprises Private Limited (GEPL) is a Group Holding Company and is registered as CIC with Reserve Bank of India and its subsidiaries operate in infrastructure sector. Its major subsidiary is GMR Infrastructure Limited (GIL). By virtue of being part of GMR group (having a diverse business profile including airports, energy, roads and urban infrastructure business), the company has the advantage of operational synergies. In FY20, the promoters of GEPL infused equity to the extent of INR 424.93 Crore in the Company. Also, loans from Group entities indicate support from the GMR group.

##### ***Experienced Management***

The Directors are well qualified and have a vast pool of experience which enables them to run the Company efficiently. The day-to-day affairs are looked after by Mr. Vishal Kumar Sinha, who is a Cost Work Accountant and is CFO of the Company. He is well assisted by a team of experienced management professionals.



## Press Release

### ***Credit Enhancement***

Credit Enhancement is based on the security provided by way of first ranking exclusive pledge over listed equity shares of GMR Infrastructure Limited (GIL) held by the Pledgor. The stipulated asset cover for this instrument is 2 times of the outstanding investment amount through listed shares of the Security Company (Accrued Interest Security creation to be done through listed shares of the Security Company on quarterly basis for the purpose of meeting Security cover) and atleast 0.25 time of the outstanding amount as first ranking exclusive mortgage over Property.

### ***Asset Monetization***

The GIL 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 13,000 acres of land in Krishnagiri and Kakinada region).

GMR Infrastructure Ltd. has successfully completed the previously announced strategic partnership with Groupe ADP. This is a significant development given the unprecedented times of COVID-19 pandemic. GIL has successfully divested 49% stake in Airport business by entering into Strategic Partnership with France's Groupe ADP and has generated cash of ~INR 98.2 bn in two tranches. GIL has further announced the sale of its entire equity stake of 51% in Kakinada SEZ Ltd. owned by its wholly owned subsidiary GMR SEZ and Port Holding Ltd (GSHPL) for a consideration of ~ INR 2610 Crore, out of which ~ INR 1600 Crore cash is expected to be realized upon closure, which is expected shortly and balance ~ INR 1010 Crore is expected to be realized in next 2 or 3 years which is contingent upon achievement of certain agreed milestones.



## Press Release

### **Key Rating Weaknesses**

#### ***Continued losses***

The Company (GEPL) continues to incur losses due to high finance cost. The loss however reduced from loss of INR 453 Crore in FY19 to loss of INR 313 Crore in FY20.

GEPL, being a Group Holding Company, derives its income majorly from returns generated from its investment in Group companies. There is no other alternate source of revenue of its own to generate independent returns which forms a weakness for the Company.

#### ***Share Price Volatility Risk***

The debt to be raised is proposed to be backed by the pledge of the shares of listed entity - GMR Infrastructure Ltd. as security cover. The debt backed by share pledge is always exposed to the risk in equity markets which are volatile wherein the value of pledged securities declines as a result of the falling share price bringing down the value of the collateral affecting the required minimum security cover requirements.

#### ***Elevated Level of the Shares Pledged of the Promoters of GMR Infrastructure Ltd.***

As at FY19, 83.39% of the promoter's shares were encumbered, which subsequently, came down to 75.02% as at FY20, presently 67.19% as at Feb-21, still stands at an elevated level.

#### ***Stretched Liquidity***

The Company is a Group Holding Company and is registered as CIC with Reserve Bank of India and its subsidiaries operate in infrastructure sector. During the current period and in the past years the Company has incurred losses on account of finance charges and resultantly having negative Gross Cash Accruals. The borrowings were invested in group companies which are long term in nature; these strategic investments in Group Companies have potential for capital appreciation. The Management expects to generate positive cash flows. In the coming few years substantial portion of the existing borrowings are maturing for repayment and the company initiated steps to improve the liquidity position. The Company's key subsidiaries have been taking strategic initiatives such as monetizing the assets whereby the borrowings will reduce and taking steps to unlock value which will provide opportunity for the Company to deleverage by partially divesting its strategic investments. Apart from the same the company will continue its efforts to recover loans extended to group



## Press Release

companies and with all these efforts the liquidity position of the company will improve significantly.

The Company is initiating steps to disinvest a part of its strategic investment in the shares of its subsidiaries in the next 2 years to improve the liquidity. GEPL is having its majority of the investment in a Listed entity, which can be liquidated at any time.

### ***Stressed financial risk profile of the group holding company***

GIL (on a consolidated basis) continues to have a stressed financial risk profile reflected by low profitability and weak debt coverage matrices. The company has been reporting losses in the last three financial years, primarily driven by high interest cost (on account of high debt burden) and share of loss on impairment of investments in associates resulting in low debt service coverage indicators. However, after the consummation of ADP stake purchase in GMR Airport, the liquidity position of the Company is expected to improve. GMR group has received INR 98.2 bn in 2 tranches and can also receive additional INR 10.60 bn by FY24 as part of earn outs which is expected to improve the liquidity of the group.

### **Analytical Approach & Applicable Criteria:**

- Credit Enhancement (CE Rating): CE Rating based on the security to be provided by way of first ranking exclusive pledge over listed equity shares of GMR Infrastructure Limited (GIL) held by the Pledgor. The stipulated asset cover for this instrument is 2 times of the outstanding investment amount through listed shares of the Security Company (Accrued Interest Security creation to be done through listed shares of the Security Company on quarterly basis for the purpose of meeting Security cover) and atleast 0.25 time of the outstanding amount as first ranking exclusive mortgage over Property.

Consolidated financials of GMR Infrastructure Limited (GIL).

Unsupported Rating: Standalone financials of GMR Enterprises Private Limited (GEPL)

- Rating methodology for Financial Institutions/NBFCs
- Financial ratios and Interpretation (Financial Sector)



## Press Release

### **Liquidity: Stretched**

The Company is a Group Holding Company and is registered as CIC with Reserve Bank of India and its subsidiaries operate in infrastructure sector. During the current period and in the past years the Company has incurred losses on account of finance charges and resultantly having negative Gross Cash Accruals. The borrowings were invested in group companies which are long term in nature; these strategic investments in Group Companies have potential for capital appreciation. The Management expects to generate positive cash flows. In the coming few years substantial portion of the existing borrowings are maturing for repayment and the company initiated steps to improve the liquidity position. The Company's key subsidiaries have been taking strategic initiatives such as monetizing the assets whereby the borrowings will reduce and taking steps to unlock value which will provide opportunity for the Company to deleverage by partially divesting its strategic investments. Apart from the same the company will continue its efforts to recover loans extended to group companies and with all these efforts the liquidity position of the company will improve significantly.

The Company is initiating steps to disinvest a part of its strategic investment in the shares of its subsidiaries in the next 2 years to improve the liquidity. GEPL is having its majority of the investment in a Listed entity, which can be liquidated at any time.

### **About the company**

GMR Enterprises Private Limited (the Company) is the ultimate holding company of GMR Group and holds investments in listed and unlisted companies within the Group.

The Company is registered with RBI as Non-Banking Financial Company - Core Investment Company (CIC) & is categorised as Non-Deposit taking & Systematically Important CIC (CIC-ND-SI).



## Press Release

### Financials [GEPL – Standalone]

For the year ended/ As on*	INR in Crore	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	257.11	257.01
Interest expense	644.87	617.02
PAT	(453.26)	(312.78)
Total Debt	4,289.72	3,926.62
Tangible Net Worth	2,170.51	2,282.67
Total Loan Assets	542.67	798.76
<b>Ratios (%)</b>		
Overall Gearing Ratio (x)	1.93	1.55
GNPA (%)	33.55%	18.20%
NNPA (%)	25.17%	13.39%
CAR (%)		27.59%

\* Classification as per Infomerics' standards

### Financials [GIL – Consolidated]

For the year ended/ As on*	INR in Crore	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	7,575.96	8,555.54
PAT	-3,356.29	-2,202.19
Total Debt	27,579.23	34,326.21
Tangible Net Worth*	1,241.89	215.89

\* Including Non-controlling interest

Details of Non Co-operation with any other CRA: Nil

Any other information: N.A.



## Press Release

### Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
<b>Current</b> Long Term Fund based facility	Proposed NCDs*	125.00	Provisional IVR BB+ (CE)/ Stable Outlook**	--	--	--
<b>Previous</b> Long Term Fund based facility	Proposed NCDs <sup>§</sup>	300.00	<b>09-Mar-2021</b> Provisional IVR BB+ (CE)/ Stable Outlook <sup>§§</sup>	--	--	--

\* The proposed NCDs of GEPL are on a Private Placement basis to be raised in one or more tranches (minimum INR 5 Crore each).

\*\* CE Rating based on the security provided by way of first ranking exclusive pledge over listed equity shares of GMR Infrastructure Limited (GIL) held by the Pledgor. The stipulated asset cover for this instrument is 2 times of the outstanding investment amount through listed shares of the Security Company (Accrued Interest Security creation to be done through listed shares of the Security Company on quarterly basis for the purpose of meeting Security cover) and atleast 0.25 time of the outstanding amount as first ranking exclusive mortgage over Property.

§The proposed NCDs of GEPL will be on a Private Placement basis in 2 series – Series 1 - INR 20 Crore & Series 2 - upto INR 280 Crore.

§§ CE Rating based on the security to be provided by way of pledge of fully paid-up listed dematerialized equity shares, carrying voting rights of GMR Infrastructure Limited (GIL) held by Promoter Group. The stipulated asset cover for this instrument is 2.25x of the outstanding investment amount (comprising of the Investment Amount and any amounts that have accrued, when calculated at the investor return, whether or not they are due).

**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](http://www.infomerics.com).

### Name and Contact Details of the Analysts:

Name: Ms. Neha Mehta

Tel: (022) 62396023

Email: [nmehta@infomerics.com](mailto:nmehta@infomerics.com)

Name: Mr. Prakash Kabra

Tel: (022) 62396023

Email: [prakash.kabra@infomerics.com](mailto:prakash.kabra@infomerics.com)





## Press Release

### **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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## Press Release

### Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook**
1	<u>Long Term Fund based facilities</u> Proposed Non-Convertible Debentures*	--	--	37 months from first tranche of disbursement (The redemption of NCDs shall be done at the end of the tenor subject to credit conditions on Mandatory Prepayment).	125.00	Provisional IVR BB+ (CE)/ Stable Outlook

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