



Press Release

GMR Infrastructure Limited [GIL]

August 05, 2021

Rating

| Sr. No. | Instrument/ Facility | Amount (INR Crore) | Rating | Rating Action |
|---------|--|-------------------------------------|--|---|
| 1 | <u>Long Term Fund based facilities</u> Term Loan | 1,479.98 (Reduced from 2,547.37) | IVR BBB-/ Credit Watch with Developing Implication [IVR Triple B Minus with Credit Watch with Developing Implication] | Rating placed on Credit Watch with Developing Implication |
| 2 | <u>Long Term Fund based facilities</u> Cash Credit | 446.00 (Reduced from 470.50) | IVR BBB-/ Credit Watch with Developing Implication [IVR Triple B Minus with Credit Watch with Developing Implication] | Rating placed on Credit Watch with Developing Implication |
| 3 | <u>Short Term Fund based facilities</u> Overdraft | 9.69 | IVR A3/ Credit Watch with Developing Implication [IVR A Three with Credit Watch with Developing Implication] | Rating placed on Credit Watch with Developing Implication |
| 4 | <u>Short Term Non-Fund based facilities</u> Bank Guarantee & Letter of Credit | 746.18 (Reduced from 782.78) | IVR A3/ Credit Watch with Developing Implication [IVR A Three with Credit Watch with Developing Implication] | Rating placed on Credit Watch with Developing Implication |
| 5 | <u>Long Term Fund based facilities</u> NCD | Nil (Reduced from 252.50) | -- | Rating withdrawn |
| | Total | 2,681.85 | | |

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of GMR Infrastructure Limited (GIL) continues to derive strength from experienced promoters & management, unlocking value through proposed demerger, asset monetization, significant majority of consolidated debt in entities that are self-sustaining with better credit profile and diversified business portfolio. The rating



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is however constrained by volatile revenue and operating profitability of the Group on account of Covid-19 pandemic and stretched financial risk profile.

Rating on credit watch with developing implication is on account of proposed demerger plan of the Group and subdued FY21 financial performance impacted by COVID-19 pandemic and the resultant lockdown across the world. Infomerics shall closely monitor the Group quarterly financial performance, asset divestments, impact of proposed demerger and planned raising of funds which remain to be a key sensitivity.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in the revenue & EBITDA margin of the Group while improving the debt protection metrics.
- Reduction in debt.

Downward Factors:

- Any further decline in revenue and/or EBITDA margin of the Group leading to decline in debt protection metrics.
- Further increase in debt.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters & 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.

Unlocking value through proposed demerger

The Group has initiated demerger to segregate Airport and Non-Airport business and to have sharp management focus on the Airport and Non-Airport Businesses. Post demerger,



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GIL will emerge as India's Only Pure Play Listed Airports Company, thus value unlocking of Airport business. This will in turn enable Airport and Non-Airport Businesses to chart out their respective growth plans independently. Also, it will help in value creation through strategic partnerships and attract dedicated pools of investor capital both from private & public market. The scheme is expected to result in an increased interest from investors with a lower cost of capital and longer investment horizon, thus appreciating the equity value.

Asset Monetization

The ratings factor expected improvement in financial risk profile, as the management has undertaken divestment of non-core assets and monetization of land parcels viz. airport value unlocking by sale of 49% stake to ADP which is already completed and monetization of Kakinada & Krishnagiri land.

Significant majority of consolidated debt in entities that are self-sustaining with better credit profile

The majority of the consolidated debt are in entities that are self-funded by their individual Projects. The proceeds from asset monetization have been majorly utilized towards reduction in corporate debt obligations.

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 EPC business experience can be leveraged in asset construction for the energy, highways and airports businesses.

Key Rating Weaknesses

Volatile revenue and operating profitability

Over a period of last 4 years, the Group's total income from operations (Gross) kept on declining gradually, from INR ~9,557 Crore in FY17 to INR ~8,721 Crore in FY18, fall by 9% to INR ~7,576 Crore in FY19, fall by 13%. However, it rose to INR 8,555 Crore in FY20, recording a rise by 13% and then again reduced to INR 6,229 Crore in FY21, fall by 27%.



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However, this fall in FY21 can be attributed to lower revenue from airports owing to the pandemic situation.

The EBITDA margin has been deteriorating from 34% in FY17 to 25% & 22% in FY18 & FY19 respectively. This was driven primarily as a result of reduction in profitability of the airports segment – due to revision of DIAL tariff. 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. But thereafter it improved to 31% in FY20, and then again deteriorated to 17% in FY21 on account of the pandemic.

Stretched financial risk profile

The Group continues to have a stretched financial risk profile reflected by low profitability and debt coverage matrices. The PAT (after adjusting for share of loss of Investment, impairment loss and profit/loss from discontinued operations) has been negative, i.e. the Group has been generating Losses of INR 347 Crore, 1114 Crore, INR 3,356 Crore & INR 2202 Crore in FY17, FY18 FY19 & FY20 respectively. Losses increased in FY19 substantially due to loss on impairment of investments in associates/joint ventures (net) of INR 2,212 Crore. The losses further increased in FY21 and stood at loss of INR 3,428 Crore. This was due to higher operating expenses & impairment losses and lower revenue generation & non-operating income in FY21. The Tangible Net Worth is negative, however improved slightly from (INR 4,092 Crore) as at FY20 to (INR 3455 Crore) as at FY21. (Tangible Net Worth is excluding the Non-Controlling interest). The Group had negative GCA in FY18, FY19 & FY20 due to reduced EBITDA. However, the GCA has deteriorated further from (INR 405 Crore) as at FY20 to (INR 1,459 Crore) as at FY21. The Overall Gearing Ratio is negative due to negative Net Worth. Interest Coverage stood at 1.64x, 1.04x, 0.60x, 0.74x as at FY17, FY18, FY19, FY20 respectively. It has further deteriorated to 0.34x as at FY21.

Stretched debt position combined with volatility in margins, could be a key weakness for the Group. Though, the financial risk profile of the Group is stretched, it has a proven track record of raising funds to meet its commitments.



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Analytical Approach: Consolidated (For arriving at the rating, 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. The extent of consolidation is Full.

Applicable Criteria:

- Rating methodology for infrastructure companies
- Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Stretched

The Group at consolidated level has negative GCA in FY18, FY19, FY20 & FY21 due to reduced EBITDA and share of loss in associates and JV companies & loss on impairment of investments in associates/joint ventures. 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 part divestment of GMR Airports to Groupe ADP. The Group maintains adequate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits for GIL at standalone level remained at 88% during the 12 months ended March 31, 2021.

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 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 [GIL – Consolidated]

INR in Crore

| For the year ended/ As on* | 31-03-2020 (Audited) | 31-03-2021 (Audited) |
|----------------------------|-------------------------|-------------------------|
| Total Operating Income | 8,555.54 | 6,229.38 |
| EBITDA | 2,628.56 | 1,078.71 |
| PAT | (2,202.19) | (3,427.77) |
| Total Debt | 32,102.01 | 34,592.90 |
| Tangible Net Worth | (4,092.07) | (3,455.39) |
| EBITDA margin (%) | 30.72 | 17.32 |
| PAT margin (%) | (23.88) | (49.94) |
| Overall Gearing Ratio (x) | (7.84) | (9.98) |

* Classification as per Infomerics' standards

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

Any other information: N.A.

Rating History for last three years:

| Name of Instrument/ Facility | Current Rating (Year: 2021-22) | | | Rating History for the past 3 years | | |
|--|--------------------------------|---|---|---|----------------------------------|--|
| | Type | Amount (INR Crore) | Rating | Rating assigned in 2020-21 (22-May-20) | Rating assigned in 2019-20 | Rating assigned in 2018-19 (18-Mar-19) (28-Sep-18) |
| Term Loan | Long Term | 1,479.98 (Reduced from 2,547.37) | IVR BBB-/ Credit Watch with Developing Implication | IVR BBB-/ Stable | -- | IVR BBB-/ Stable |
| Cash Credit | Long Term | 446.00 (Reduced from 470.50) | IVR BBB-/ Credit Watch with Developing Implication | IVR BBB-/ Stable | -- | IVR BBB-/ Stable |
| Overdraft | Short Term | 9.69 | IVR A3/ Credit Watch with Developing Implication | IVR A3 | -- | IVR A3 |
| Bank Guarantee/ Letter of Credit | Short Term | 746.18 (Reduced from 782.78) | IVR A3/ Credit Watch with Developing Implication | IVR A3 | -- | IVR A3 |



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|----------------------------|-----------|---------------------------|----|------------------|----|------------------|
| Non-Convertible Debentures | Long Term | Nil (Reduced from 252.50) | -- | IVR BBB-/ Stable | -- | IVR BBB-/ Stable |
|----------------------------|-----------|---------------------------|----|------------------|----|------------------|

Name and Contact Details of the Analysts:

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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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> Term Loan | -- | -- | Upto Mar-2026 | 1,479.98 (Reduced from 2547.37) | IVR BBB-/ Credit Watch with Developing Implication |
| 2 | <u>Long Term Fund based facilities</u> Cash Credit | -- | -- | -- | 446.00 (Reduced from 470.50) | IVR BBB-/ Credit Watch with Developing Implication |
| 3 | <u>Short Term Fund based facilities</u> Overdraft | -- | -- | -- | 9.69 | IVR A3/ Credit Watch with Developing Implication |
| 4 | <u>Short Term Non-Fund based facilities</u> Bank Guarantee & Letter of Credit | -- | -- | -- | 746.18 (Reduced from 782.78) | IVR A3/ Credit Watch with Developing Implication |
| 5 | <u>Long Term Fund based facilities</u> NCD | -- | -- | -- | Nil (Reduced from 252.50) | -- |
| | Total | | | | 2,681.85 | |

Annexure 2: List of companies considered for consolidated analysis:

| Name of the entity | Relation |
|--|------------|
| GMR Energy Trading Limited (GETL) | Subsidiary |
| GMR Generation Assets Limited (GGAL) | Subsidiary |
| GMR Highways Limited (GMRHL) | Subsidiary |
| GMR Tambaram Tindivanam Expressways Limited (GTTEPL) | Subsidiary |
| GMR Tuni Anakapalli Expressways Limited (GTAEPL) | Subsidiary |
| GMR Ambala Chandigarh Expressways Private Limited (GACEPL) | Subsidiary |
| GMR Pochanpalli Expressways Limited (GPEL) | Subsidiary |
| GMR Chennai Outer Ring Road Private Limited (GCORRPL) | Subsidiary |



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| GMR Hyderabad International Airport Limited (GHIAL) | Subsidiary |
| Gateways for India Airports Private Limited (GFIAL) | Subsidiary |
| 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 |
| Hyderabad Airport Security Services Limited (HASSL) (liquidated with effect from 13 September 2019) | Subsidiary |
| GMR Aerostructure Services Limited (GASL) | Subsidiary |
| GMR Hyderabad Aerotropolis Limited (GHAL) | Subsidiary |
| GMR Hyderabad Aviation SEZ Limited (GHASL) | Subsidiary |
| GMR Air Cargo and Aerospace Engineering Limited (GACAEL) (formerly GMR Aerospace Engineering Limited (GAEL)) | Subsidiary |
| GMR Aero Technic Limited (GATL) | Subsidiary |
| GMR Airport Developers Limited (GADL) | Subsidiary |
| GMR Hospitality and Retail Limited (GHRL) | Subsidiary |
| GMR Hyderabad Airport Power Distribution Limited (GHAPDL) | Subsidiary |
| Delhi International Airport Limited (DIAL) | Subsidiary |
| Delhi Aerotropolis Private Limited (DAPL) | Subsidiary |
| Delhi Airport Parking Services Private Limited (DAPSL) | Subsidiary |
| Name of the entity | Relation |
| GMR Airports Limited (GAL) | Subsidiary |
| GMR Aviation Private Limited (GAPL) | Subsidiary |
| GMR Krishnagiri SIR Limited (GKSIR) | Subsidiary |
| Advika Properties Private Limited (APPL) | Subsidiary |
| Aklima Properties Private Limited (AKPPL) | Subsidiary |
| Amartya Properties Private Limited (AMPPL) | Subsidiary |
| Baruni Properties Private Limited (BPPL) | Subsidiary |
| Bougainvillea Properties Private Limited (BOPPL) | Subsidiary |
| Camelia Properties Private Limited (CPPL) | Subsidiary |
| Deepesh Properties Private Limited (DPPL) | Subsidiary |
| Eila Properties Private Limited (EPPL) | Subsidiary |
| Gerbera Properties Private Limited (GPL) | Subsidiary |
| Lakshmi Priya Properties Private Limited (LPPPL) | Subsidiary |
| Honeysuckle Properties Private Limited (HPPL) | Subsidiary |
| Idika Properties Private Limited (IPPL) | Subsidiary |
| Krishnapriya Properties Private Limited (KPPL) | Subsidiary |
| Larkspur Properties Private Limited (LAPPL) | Subsidiary |
| Nadira Properties Private Limited (NPPL) | Subsidiary |
| Padmapriya Properties Private Limited (PAPPL) | Subsidiary |



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|--|-----------------|
| Prakalpa Properties Private Limited (PPPL) | Subsidiary |
| Purnachandra Properties Private Limited (PUPPL) | Subsidiary |
| Shreyadita Properties Private Limited (SPPL) | Subsidiary |
| Pranesh Properties Private Limited (PRPPL) | Subsidiary |
| Sreepa Properties Private Limited (SRPPL) | Subsidiary |
| Radhapriya Properties Private Limited (RPPL) | Subsidiary |
| Asteria Real Estates Private Limited (AREPL) | Subsidiary |
| Lantana Properties Private Limited (LPPL) | Subsidiary |
| Namitha Real Estates Private Limited (NREPL) | Subsidiary |
| Honey Flower Estates Private Limited (HFEPL) | Subsidiary |
| GMR SEZ and Port Holdings Limited (GSPHL) | Subsidiary |
| Suzone Properties Private Limited (SUPPL) | Subsidiary |
| Lilliam Properties Private Limited (LPPL) | Subsidiary |
| Dhruvi Securities Private Limited (DSPL) | Subsidiary |
| Kakinada SEZ Limited (KSL) | Subsidiary |
| GMR Business Process and Services Private Limited (GBPSPL) | Subsidiary |
| Raxa Security Services Limited (RSSL) | Subsidiary |
| Kakinada Gateway Port Limited (KGPL) | Subsidiary |
| GMR Goa International Airport Limited (GIAL) | Subsidiary |
| GMR Infra Developers Limited (GIDL) | Subsidiary |
| Name of the entity | Relation |
| Megawide GISPL Construction Joint Venture (MGCJV) | Joint Operation |
| GMR Energy Limited (GEL) | Joint venture |
| Name of the entity | Relation |
| Delhi Duty Free Services Private Limited (DDFS) | Joint venture |
| Laqshya Hyderabad Airport Media Private Limited (Laqshya) | Joint venture |
| Delhi Aviation Services Private Limited (DASPL) | Joint venture |
| Delhi Aviation Fuel Facility Private Limited (DAFF) | Joint venture |
| GMR Megawide Cebu Airport Corporation (GMCAC) | Joint venture |
| SSP Mactan Cebu Corporation (SMCC) | Joint venture |
| Mactan Travel Retail Group Corp. (MTRGC) | Joint venture |
| Limak GMR Construction JV (CJV) | Joint venture |
| Megawide GMR Construction Joint Venture Inc. (MGCJV Inc.) | Joint venture |
| GIL SIL JV | Joint venture |
| GMR Mining & Energy Private Limited (GMEL) | Associate |
| Celebi Delhi Cargo Terminal Management India Private Limited (CDCTM) | Associate |
| Travel Food Services (Delhi Terminal 3) Private Limited (TFS) | Associate |



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|---|-----------------|
| TIM Delhi Airport Advertising Private Limited (TIM) | Associate |
| Name of the entity | Relation |
| Digi Yatra Private Limited (DYPL) | Associate |

Annexure 3: ” <https://www.infomerics.com/admin/prfiles/lender-GIL-5-aug-21.pdf>”

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Annexure 5: Complexity level of the rated Instruments/Facilities

| Sr. No. | Instrument | Complexity Indicator |
|---------|------------------|----------------------|
| 1 | Term Loan | Simple |
| 2 | Cash Credit | Simple |
| 3 | Overdraft | Simple |
| 4 | Bank Guarantee | Simple |
| 5 | Letter of Credit | Simple |

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.