



## Press Release

**GMR Chennai Outer Ring Road Private Limited**

**June 18, 2024**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	480.88	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
<b>Total</b>	<b>480.88</b> <b>(Rupees Four hundred and eighty crores and eighty-eight lakhs only)</b>				

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of GMR Chennai Outer Ring Road Private Limited derive strengths from experienced promoters & management team, well defined escrow mechanism, moderate counter party risk of annuity provider and receipt of full annuities and settlement of pending litigations. However, the rating is constrained due to operations & maintenance risk associated with the project and inherent interest rate risk.

### Key Rating Sensitivities:

#### Upward Factors

- Receipt of entire annuities from GOTN without delays.

#### Downward Factors

- Significant increase in O&M and major maintenance costs
- Significant delays in receipt of annuity payments.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced promoters & management team**

GMR Chennai Outer Ring Road is a special purpose vehicle promoted by GMR group. The group has extensive experience in operating infrastructure assets across Airport, Highways, Energy, EPC, Urban Infrastructure etc. The company is managed by board of directors. The Board is assisted by a team of experienced professionals having relevant industry experience.

##### **Moderate counter party risk of annuity provider**

The company has been receiving annuity payments from GoTN through Tamil Nadu Road Development Corporation Ltd (TNRDC). TNRDC is engaged in the development and maintenance of roads in Tamil Nadu on behalf of the GoTN. The state of Tamil Nadu has a strong economic structure with favourable gross state domestic product (GSDP) composition and solid socio-economic indicators. Healthy liquidity management also supports the credit risk profile of the state. These strengths are partially offset by the state government's average fiscal position owing to widening revenue deficit (RD), which continues to constrain capital outlays in the state thereby indicating a modest counterparty risk. Nevertheless, the company has received annuity payments with lesser delays.

##### **Receipt of full annuities and settlement of pending litigations**

Government of Tamil Nadu (GOTN) was previously deducted Rs. 3 crores from each annuity which was further to be remitted upon completion of final pending activities (i.e. Final COD). Further, GOTN released withheld annuity Rs. 38.79 Crore (Net of De-scoped works) on June 13, 2022. Also, GoTN started making full semi-annual annuity payment of Rs. 62.06 crore from Dec 15, 2021, onwards. GCORR also received claim amount of Rs. 512 crores including interest on delayed payment of annuities in Mar-2023 and final settlement amount of Rs. 55 Crore in Feb-2024. As on date, there are no pending litigations and disputes.



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### **Key Rating Weaknesses**

#### **Operations & Maintenance risk associated with the project**

The company is exposed to the risk of sharp increase in the O&M cost due to more than envisaged cost in the maintenance of the road. While the inflation-indexed O&M annuity partly mitigates O&M risk, the disparate movement in inflation index and the O&M cost poses a risk.

#### **Inherent interest rate risk**

GOCRR is exposed to interest rate risk since the project debt is sanctioned with a floating rate of interest which is reset periodically. The company continues to remain exposed to interest rate risk on account of the time lag between reduction in the bank rate & lending rate and non-linear transmission of change in bank rates to lending rates.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

#### **Liquidity – Adequate**

The cashflow cover is projected to remain comfortable in the projected period at around ~2x. GCORR has adequate liquidity with cash and bank balances of Rs 16.8 crore at the end of FY24. In order to avoid any delays in debt servicing on account of delayed receipt of annuities, the company has structured repayments with a 3-month lag between receipt and repayment date, providing a suitable cushion.



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### **About the Company:**

GMR Chennai Outer Ring Road Private Limited ("GCORR") was incorporated on 21<sup>st</sup> July 2009 for the purpose of Design, Construction, Development, Improvement, Operation and Maintenance including strengthening and widening of Outer Ring Road, Chennai (Six-lanes plus two service lanes, total length approx. 29.65 KM) in the State of Tamil Nadu on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

The Company has entered in Concession Agreement with Government of Tamil Nadu (GOTN) on 5<sup>th</sup> December 2009 for the Concession of 20 Years period (including construction period). As of 31<sup>st</sup> March 2023, GMR Group holds 90% of the Equity Share Capital and Preference Share Capital in the Company and the balance 10% is held by NAPC Limited.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	76.12	71.97
EBITDA	52.02	44.77
PAT	41.39	28.64
Total Debt <sup>^</sup>	711.19	668.60
Tangible Net Worth	-59.05	-30.60
EBITDA Margin (%)	66.39	59.84
PAT Margin (%)	43.07	35.54
Overall Gearing Ratio (x)	NM	NM
Interest Coverage (x)	0.69	0.62

\* As per Infomerics Standard

NM: Not meaningful

<sup>^</sup> Total debt includes Preference shares which is presented in the equity portion and liabilities portion as per IND AS in Audited annual report.

**Status of non-cooperation with previous CRA:** None

**Any other information:** None



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**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Term loans	Long-term	480.88	IVR BBB-/Stable	--	--	--

**Name and Contact Details of the Rating Analyst:**

Name: Sejal Patil Tel: (022) 62396023 Email: <a href="mailto:sejal.patil@infomerics.com">sejal.patil@infomerics.com</a>	Name: Jyotsna Gadgil Tel: (022) 62396023 Email: <a href="mailto:jyotsna.gadgil@infomerics.com">jyotsna.gadgil@infomerics.com</a>
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**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan 1	--	--	Sept 30, 2030	256.13	IVR BBB-/ Stable
Term loan 2	--	--	Sept 30, 2030	21.66	IVR BBB-/ Stable
Term loan 1	--	--	Sept 30, 2030	124.75	IVR BBB-/ Stable
Term loan 2	--	--	Sept 30, 2030	9.36	IVR BBB-/ Stable
Term loan 1	--	--	Sept 30, 2030	63.27	IVR BBB-/ Stable
Term loan 2	--	--	Sept 30, 2030	5.71	IVR BBB-/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-GMR-Chennai-jun24.pdf>

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

**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)