



Infomerics Valuation And Rating Pvt. Ltd

Press Release

GMR Infrastructure Limited

March 18, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits	595.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2.	Long Term Non-Fund Based Limits	382.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
3.	Short Term Non-Fund Based Limits	253.83	IVR A3 (IVR A Three)
4.	Long Term Debt – Term Loan	3216.99 (enhanced from Rs.672.70 crore*)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
5.	Long Term Debt - NCD	432.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
	Total	4880.82	

**The present outstanding of Rs.672.70 crore (rated in September 2018) is Rs.649.51 crore as on January 31, 2019*

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings derive comfort from its experienced and resourceful promoters and management, group's asset monetization plan and diversified business portfolio. The ratings are however constrained by volatile revenue and operating profitability and stretched financial risk profile.

Profitability, deleveraging of balance sheet and ability to monetize assets are the key rating sensitivities.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Experienced promoters and management

The company 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 company is managed by Mr. Rao and his sons along with other members of the family. They are assisted by professionals having appropriate



Infomerics Valuation And Rating Pvt. Ltd

qualification and professional experience. The company has a proven track record of successful and on time execution and completion of projects across the airports and energy verticals.

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 company owns 10,000 acres of land in Krishnagiri and Kakinada region).

Diverse business profile

The company (on a consolidated basis) is a conglomerate engaged in different businesses. This enables the company to diversify its risk. The company is engaged in the EPC, energy, highways and airports businesses. This can be a source of synergy for the company, unlocking significant value in terms of efficiency and cost rationalization.

Key Weaknesses

Volatile revenue and operating profitability

Revenue and profitability of the company (on a consolidated basis) have been volatile in the past. The company experienced de growth in revenues in FY18 (negative 8.74%). Dip in performance was driven primarily on account of lower revenues from the airports business primarily due to decline in Delhi airport revenue on account of implementation of new tariff rates by AERA (negative growth of ~24% YoY). EBITDA margins also reduced to 25.06 per cent in FY18 vis a vis 33.81 per cent in FY17. EBITDA margins were adversely affected primarily on account of reduced tariff in Delhi International Airport Limited from July 2017. The operational parameters of the airports business however, have shown a positive trend. Margins were also impacted adversely on account of lower margins from the highways businesses.

Stretched financial risk profile

The company continues to have a stretched financial risk profile reflected by low profitability and debt coverage metrics. The company has reported losses (PAT) in the last 3 financial years, primarily driven by high interest cost and share of loss in associates. Debt service and coverage indicators are also low. Interest coverage ratio stood at 1.04 times (FY18). Though, the financial risk profile of the company is stretched, it has a proven track record of raising funds to meet its commitments.



Infomerics Valuation And Rating Pvt. Ltd

Analytical Approach and Applicable Criteria:

Consolidated financials – Infomerics has analyzed the financials of key subsidiaries of GIL, mainly pertaining to its airport and infrastructure businesses. The list of entities that were considered for analysis in FY18 are provided in Annexure II.

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company expects to generate positive cash accruals through stake sale and short term structured borrowings in the short run and asset monetization in medium term to meet their repayment obligations.

About the Company

GMR Infrastructure Limited (GIL) is 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. The company is presently focused on businesses such as Airports, Energy, Highways, Urban Infrastructure and EPC, through its subsidiary, joint venture and associate companies. GMR Group currently owns and operates Delhi International Airport and Hyderabad International Airports. The Group is developing Goa's greenfield airport at Mopa and is operating and developing Mactan - Cebu International Airport in Philippines. Recently, GMR Group is selected to develop, operate and manage the new international airport of Heraklion at Crete in partnership with Greek infrastructure major TERNA S.A. The Group's Energy business has a diversified portfolio of around 6,800 MWs, of which 4,500 MWs of Coal, Gas and Renewable power plants are operational and around 2,330 MWs of power projects are under various stages of construction and development. The group also has coal mines in Indonesia, where it has partnered with a large local player. Transportation and Urban Infrastructure division of the Group has six operating highways project spanning over 2,000 lane kms. The group has a large EPC order book of railway track construction including Government of India's marquee Dedicated Freight Corridor project. It is also developing multi product Special Investment Regions spread across ~2,500 acres at Krishnagiri in Tamil Nadu and 10,400 acres at Kakinada in Andhra Pradesh.



Infomerics Valuation And Rating Pvt. Ltd

Financials – Consolidated

(Rs. Crores)

For the year ended / As on@	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	9,557	8,721
EBITDA	3,231	2,186
PAT*	-178	-651
PAT	-347	-1,115
Total Debt	21,484	23,067
Tangible Net Worth	6,784	5,256
Ratios		
a. EBITDA Margin	33.81	25.06
b. PAT Margin*	-1.77	-7.02
c. Overall Gearing ratio	3.17	4.39

*Excluding share of profit/loss in associates and joint ventures, impairment loss and profit/ loss from discontinued operations

PAT margin has been calculated as a percentage of revenue and other non-operating income

@Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Disclosure

Rating History for last three years

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Term Loan	Long Term	672.70	IVR BBB-/Stable Outlook (September 28, 2018)	--	--	--
2.	Bank facilities	Long Term	977.50	IVR BBB-/Stable Outlook	--	--	--
3.	Bank facilities	Short Term	253.83	IVR A3	--	--	--
4.	Term Loan	Long Term	2567.48	IVR BBB-/Stable Outlook	--	--	--
5.	NCD	Long Term	432.50	IVR BBB-/Stable Outlook	--	--	--

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.



Infomerics Valuation And Rating Pvt. Ltd

Name and Contact Details of the Rating Analyst:

Name: Mr. Abhilash Dash

Tel: (022) 62396023

Email: abdash@infomerics.com

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.

Annexure I: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Long Term Fund Based Limits	--	--	--	595.50	IVR BBB-/Stable Outlook
Long Term Non-Fund Based Limits	--	--	--	382.00	IVR BBB-/Stable Outlook
Short Term Non-Fund Based Limits	--	--	--	253.83	IVR A3 (IVR A Three)
Long Term Debt – Term Loan	--	--	March 2026	3216.99 (enhanced from Rs.672.70 crore)	IVR BBB-/Stable Outlook
Long Term Debt - NCD	--	--	March 2021	432.50	IVR BBB-/Stable Outlook

Infomerics Valuation And Rating Pvt. Ltd

Annexure II: List of entities considered for consolidated analysis

Name of the Entity	Ownership (%)
GMR Coastal Energy Private Limited (GCEPL)	100.00
GMR Kakinada Energy Private Limited (GKEPL)	100.00
GMR Tambaram Tindivanam Expressways Limited	86.77
GMR Tuni Anakapalli Expressways Limited Anakapalli	86.77
GMR Pochanpalli Expressways Limited (GPEL)	100.00
GMR Chennai Outer Ring Road Private Limited	90.00
GMR Hyderabad International Airport Limited (GHIAL)	63.00
Gateways for India Airports Private Limited (GFIAL)	86.49
Hyderabad Menzies Air Cargo Private Limited	32.13
Hyderabad Airport Security Services Limited (HASSL)	63.00
Asia Pacific Flight Training Academy Limited (APFT)	63.00
GMR Aerostructure Services Limited (GASL)	100.00
GMR Hyderabad Aerotropolis Limited (HAPL)	63.00
GMR Hyderabad Aviation SEZ Limited (GHASL)	63.00
GMR Aerospace Engineering Limited (GAEL)	63.00
GMR Aero Technic Limited (GATL)	63.00
GMR Airport Developers Limited (GADL)	100.00
GMR Hospitality and Retail Limited (GHRL)	63.00
GMR Hyderabad Airport Power Distribution Limited	63.00
Delhi International Airport Limited	64.00
Delhi Aerotropolis Private Limited (DAPL)	64.00
Delhi Airport Parking Services Private Limited (DAPSL)	72.04
GMR Airports Limited (GAL)	100.00
GMR Aviation Private Limited (GAPL)	100.00
GMR Business Process and Services Private Limited	100.00
Raxa Security Service Limited (RSSL)	100.00
Kakinada Gateway Port Limited (KGPL)	50.97
GMR Goa International Airport Limited (GIAL)	99.99
GMR Infra Developers Limited (GIDL)	100.00