



## Rating Rationale

14 Dec 2022

### GMR Enterprises Private Limited

**Brickwork Ratings Reaffirms the ratings for the various bonds/Non-Convertible Debentures of Rs. 335.30 Crs, withdraws the rating of NCD issue of Rs. 112.50 Crs and reaffirms the ratings for the bank loan facilities of Rs. 300.00 Crs of GMR Enterprises Private Limited.**

#### Particulars

Facilities/ Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (03-Oct-2022)	Present
NCD (PP-MLD)	323.50	<b>195.30</b>	Long Term	BWR PP-MLD D Downgraded <sup>^</sup>	<b>BWR PP-MLD D / (Reaffirmation)</b>
NCD- Senior Bonds	112.50	–		BWR C Downgraded <sup>^</sup>	<b>Withdrawal</b>
NCD	65.00	<b>65.00</b>		BWR C Downgraded	<b>BWR C (Reaffirmation)</b>
NCD- Subordinate Downgraded Bonds	75.00	<b>75.00</b>		BWR BBB/Stable Reaffirmation	<b>BWR BBB/Stable (Reaffirmation)</b>
Non-Fund Based – Bank Guarantee	300.00	<b>300.00</b>			
<b>Total</b>	876.00	<b>635.30</b>	<b>Rupees Six Hundred and thirty five crores and thirty lakhs only</b>		

\*Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the rating assigned

\*\* Details of bank loan facilities and NCDs/Bonds are provided in Annexure-I and Annexure II

<sup>^</sup>Revision in analytical approach from CE to standalone.

**Note:** Bank Guarantee of Rs.300 Crs is arranged by GEPL on behalf of Fraport in favor of AAI as a part of Delhi International Airport Operator. Fraport had subcontracted its obligations to GMR Enterprises Pvt. Ltd. (erstwhile GMR Holdings Pvt. Ltd.) in May '06 with approval from AAI.

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) reaffirms the ratings of GMR Enterprises Private Limited (GEPL or the company) with respect to the outstanding PP-MLD issue of Rs. 195.30 Crs at BWR PP-MLD D in view of the delay in the principal repayment of the debt which was scheduled on November



30, 2022. BWR notes that there was partial redemption of the said PP-MLD bonds of Rs. 128.20 Crs on November 30, 2022. The bonds holders have extended the due date of the repayment of balance PP-MLD bonds of Rs. 195.30 Crs to December 15, 2022 and the same was intimated by the company and the DT on November 30, 2022.

BWR withdraws the ratings of BWR C for the senior bonds issue of Rs. 112.50 Crs on account of full redemption before the due date of March 19, 2024. The withdrawal is in accordance with BWR's Withdrawal Policy and extant guidelines.

BWR reaffirms the ratings for the bonds issue of Rs. 65.00 Crs and a subordinate bonds issue of Rs. 75.00 Crs at BWR C.

BWR reaffirms the ratings at BWR BBB/Stable for the non fund based bank facilities of Rs. 300.00 Crs considering the nature of the arrangement of issuance of the bank guarantee by GEPL. BWR takes note that the bank guarantee of Rs.300 Crs is arranged by GEPL on behalf of Fraport in favor of the Airport Authority of India (AAI) as a part of Delhi International Airport Operator. Fraport had subcontracted its obligations to GMR Enterprises Pvt. Ltd. (Successor of GMR Holdings Pvt. Ltd.) in May '06 with approval from AAI. BWR notes that the issuance of the bank guarantee is not related to the direct operations of the GEPL, hence the cross default recognition was not assessed.

#### **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:**

- PP-MLD issue of Rs. 900 Crs has a tenor of 5 years and was secured by the pledge of listed shares of GIL to the extent of 1.60x. As per amended terms in July 2019, the maturity of the instrument has been extended by another three years and is to be paid as a bullet repayment at the end of three years. As per the amended terms, NCDs are secured by way of the pledge of a fixed number of shares up to 1.60x the security cover of listed shares of GIL. Furthermore, cash coupons will be payable in April 2020 and thereafter once in six months.
- NCD issue of Rs. 75.00 Crs subordinate bonds have a maturity of 3 years with a bullet repayment structure. The subordinate bonds shall only accrue the redemption premium/PIK @ 15.00% per annum, and no cash coupon shall be payable.
- Bank Guarantee of Rs. 300 Crs is arranged by GEPL on behalf of Fraport in favor of AAI as a part of Delhi International Airport Operator Agreement. Fraport had subcontracted its obligations to GEPL in May 2006 with approval from AAI.

#### **KEY RATING DRIVERS**

##### **Credit Strengths:-**

- **Experienced management:** GEPL acts as the group's holding company, with majority of its investment in GIL and its other group companies. It does not have any operations and acts as an intermediary to raise funds and lend to its group companies. GIL is the flagship



company for the infrastructure business, having more than two decades of experience. The group has a diversified portfolio of assets.

- **Investments in the group companies:** Being a promoter holding company, it held investments of Rs. 5098.73 Crs as of 31 March 2022 in the listed securities of GIL and other group companies.

#### **Credit Risks:-**

- **Stretched financial profile:** At the GEPL level, the company continued to report a stretched financial profile. During FY22, GEPL reported an operating income of Rs. 609.05 as compared to the corresponding period of Rs. 302.50 Crs. During FY22, the company earned Profit of Rs. 438.64 Crs from partial sale of its investments in GIL as compared to profit of sale of investments of Rs. 160.74 Crs during the previous year. The increase in profit on sale of investments has been partially off-set by increase in expenses mainly consisting of increase in Professional & Consultancy fees. GEPL's operating profit was reported at Rs. 382.68 Crs and it incurred a net loss of Rs. 149.05 Crs during FY22. The company continued to report weak debt service coverage indicators during FY21 and FY22. As of 31 March 2022, the company's tangible net worth was reported at Rs. 2141.41 Crs, and the total debt stood at Rs. 3557.12 Crs.
- **Tail risk and refinancing risk:** The PP-MLD issues in GEPL have bullet repayments at the end of the tenure, which exposes the company to tail risk of maintaining adequate liquidity for the large outflow requirement at the end of the tenor to meet its debt obligations. In addition, BWR has noted that there was an extension received from the bond holders for the PP-MLD bonds issue and the revised maturity was extended to September 30, 2022 from 01 July 2022 although as per the put option exercised in August 2022 the revised date was 29 September 2022. The company is highly dependent on refinancing by way of equity/debt to repay existing debt, which exposes the company to refinancing risk.
- **Share price volatility risk:** The debt raised is backed by the pledge of the shares of GIL with varying security cover. Debt backed by a share pledge is always exposed to the downside risk in volatile equity markets, 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. However, the increase in the share price of GIL in the last year resulted in no additional top up requirement of shares to be pledged. BWR expects the share price movement of GIL to be a key rating monitorable.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA - Standalone.**

#### **RATING SENSITIVITIES**

Going forward, the company's ability to timely meet the debt obligations, unlock the value of investments and successfully monetize the assets to reduce the overall debt level, refinance its debt and strengthen its overall credit profile would be the key rating sensitivities.



- Upward: The rating may be moved upward if there is an overall improvement in the financial performance of GEPL levels, timely repayment of the debt obligations and the curing period is met as per Default Recognition and Default Curing Period criteria.

**LIQUIDITY: Poor**

The liquidity position of GEPL is poor. GEPL is not generating adequate cash accruals to meet the debt obligations. The company has relied on the cash flows from the divestments and sale of a portion of shares in the market at the end of every quarter to manage its liquidity. BWR takes note that the company has delayed the principal payment of the PP-MLD issue of Rs. 675.00 Crs which was due on September 29, 2022.

**ABOUT THE COMPANY**

GEPL was originally incorporated on 5 June 2007. In July 2016, GMR Holdings Pvt. Ltd., along with one more group entity GMR Projects Pvt. Ltd, got merged with GEPL to consolidate the group holding companies. Post the completion of the merger, GEPL became the key holding company for the entire GMR group. GEPL does not have its own operations, but acts as an intermediary to raise funds and lend to its group companies. GEPL directly holds a 51.38% stake in GIL.

GIL is a listed entity of the GMR group, which is the flagship company. The Hon’ble NCLT, Mumbai Bench has, by its order pronounced on 22 December 2021 approved the composite scheme of arrangement among GMR Power Infra Limited (GPIL), GIL and GMR Power And Urban Infra Limited (GPUIL) and their respective shareholders with the appointed date of 01 April 2021. As per the scheme, the EPC business and urban infrastructure business of GIL have been demerged and stand transferred and vested in GPUIL

**FINANCIAL INDICATORS – ISSUER**

Key Parameters	Units	H1 FY 22-23	FY 21-22	FY 20-21
Result Type		Audited	Audited	Audited
Operating Income	Rs. Crs	116.83	609.05	302.05
EBITDA	Rs. Crs	49.84	230.32	225.10
PAT	Rs. Crs	(427.45)	(149.05)	(292.22)
Tangible Net-worth	Rs. Crs	1713.97	2141.41	2290.45
Total Debt/TNW (Times)	Times	2.11	1.66	1.42
Current Ratio	Times	0.58	1.93	0.78

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS**

S. No.	Instrument /Facility	Current Rating (2022)			Chronology of Rating History for the past 3 years (Rating assigned and press release date) along with outlook/watch, if applicable			
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	Date(s) & Rating(s) assigned in 2022	Date(s) & Rating(s) assigned in 2021	Date(s) & Rating(s) assigned in 2020	Date(s) & Rating(s) assigned in 2019
1.	NCD-PPML D	Long Term	195.30	BWR PP-MLD D/ Reaffirmation	BWR PP-MLD BB (CE) / Stable / Reaffirmation (25-Feb-2022) BWR PP-MLD D Downgraded^ (03-Oct-2022)	BWR PP-MLD BB (CE) / Stable / Reaffirmation (29-Jan-2021)	BWR PP-MLD BB (CE) / Stable / Reaffirmation (28-Oct-2020) BWR PP-MLD BB (CE) / Stable / Reaffirmation (25-Sep-2020) BWR PP-MLD BB (CE) / Stable / Reaffirmation (22-Jun-2020) BWR PP-MLD BB (CE) / Stable / Reaffirmation (10-Jan-2020)	BWR PP-MLD BB / Stable / Downgrade (05-Jul-2019) BWR PP-MLD BB+ / Stable / Reaffirmation (23-Mar-2019)
2.	NCD	Long Term	-**	Withdrawn	BWR BB (CE) / Stable Reaffirmation (25-Feb-2022) Withdrawn (03-Oct-2022)	BWR BB (CE) / Stable Reaffirmation (29-Jan-2021)	BWR BB (CE) / Stable Reaffirmation (28-Oct-2020) BWR BB (CE) / Stable Reaffirmation (25-Sep-2020) BWR BB (CE) / Stable Reaffirmation (22-Jun-2020) BWR BB (CE) / Stable Reaffirmation (10-Jan-2020)	BWR BB (SO) / Stable Reaffirmation (05-Jul-2019) BWR BB (SO) / Stable Reaffirmation (23-Mar-2019)
3.	NCD Senior Bonds	Long Term	-***	Withdrawn	BWR BB (CE) / Stable Reaffirmation (25-Feb-2022) BWR C Downgraded^ (03-Oct-2022)	BWR BB (CE) / Stable Reaffirmation (29-Jan-2021)	BWR BB (CE) / Stable Assigned (28-Oct-2020)	-

4.	NCD-Subordinate Bonds	Long Term	75.00	BWR C/ Reaffirmed	BWR B+/ Stable Reaffirmation (25-Feb-2022)  BWR C/ Downgrade (03-Oct-2022)	BWR B+/ Stable Reaffirmation (29-Jan-2021)	BWR B+/ Stable Assigned (28-Oct-2020)	-
5.	NCD	Long Term	65.00	BWR C/ Reaffirmed	BWR B+/ Stable Reaffirmation (25-Feb-2022)  BWR C/ Downgraded (03-Oct-2022)	BWR B+/ Stable (Assigned) (29-Jan-2021)	-	-
6.	BLR - Bank Guarantee	Long Term	300.00	BWR BBB/Stable Reaffirmation	BWR BBB/Stable Reaffirmation (25-Feb-2022)  BWR BBB/Stable Reaffirmation (03-Oct-2022)	BWR BBB/Stable Reaffirmation (29-Jan-2021)	BWR BBB/Stable Reaffirmation (28-Oct-2020)  BWR BBB/Stable Reaffirmation (25-Sep-2020)  BWR BBB/Stable Reaffirmation (22-Jun-2020)  BWR BBB/Stable Reaffirmation (10-Jan-2020)	BWR BBB/Stable Reaffirmation (05-Jul-2019)  BWR BBB/Stable Reaffirmation (23-Mar-2019)
7.	NCD	Long Term	-	-	-	-	Withdrawn (28-Oct-2020)  BWR BB+ (CE) /Stable Reaffirmation (25-Sep-2020)  BWR BB+ (CE) /Stable Reaffirmation (22-Jun-2020)  BWR BB+ (CE) /Stable Reaffirmation (10-Jan-2020)	BWR BB+ (SO) /Stable Reaffirmation (05-Jul-2019)  BWR BB+ (SO) /Stable Reaffirmation (23-Mar-2019)
8.	BLR	SBLC	-	-	-	-	-	Withdrawn (23-Mar-2019)
	<b>Total</b>		<b>635.30</b>	<b>Rupees Six Hundred and thirty five crores and thirty lakhs only</b>				

\* Issuer did not cooperate, based on the best available information.



## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [What Constitutes to Issuer Non Cooperation](#)

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### Annexure-I Details of Bank Loan Facilities rated by BWR

S. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs)	Short Term (Rs. Crs)	Total (Rs. Crs)
1.	Punjab National Bank	Bank Guarantee	300.00	–	300.00
Total			300.00	–	300.00
<b>Total Rupees Three Hundred Crores Only</b>					

**Annexure-II  
Instrument Details**

<b>Instrument</b>	<b>Issue Date</b>	<b>O/s Amount (Rs. Crs)</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>ISIN Particulars</b>
NCD	17 Apr 2018	–	15%	16 Apr 2022	INE908I07065**
NCD PP-MLD	17 Apr 2015	195.30	18%	31 Oct 2022	INE908I07495
NCD PP-MLD	28 Apr 2015		18%	31 Oct 2022	INE908I07479
NCD PP-MLD	29 Jun 2015		18%	31 Oct 2022	INE908I07487
NCD PP-MLD	06 Jul 2015		18%	31 Oct 2022	INE908I07503
NCD PP-MLD	27 Jul 2015		18%	31 Oct 2022	INE908I07511
NCD PP-MLD	04 Aug 2015		18%	31 Oct 2022	INE908I07529
NCD	22 Dec 2020		65.00	12.25%	22 Dec 2023
NCD - Senior Bonds	19 Mar 2021	–	5%	19 Mar 2024	INE908I07214***
NCD - Subordinate Bonds	19 Mar 2021	75.00	–	19 Mar 2024	INE908I07222

\*\*100.00 Crs completely redeemed on April 12, 2022.

\*\*\*112.50 Crs completely redeemed on September 23, 2022.





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