

Rating Rationale

3 Oct 2022

GMR Enterprises Private Limited

Brickwork Ratings downgrades the ratings for the various bonds/Non-Convertible Debentures of Rs. 576.00 Crs, withdraws the rating of NCD issue of Rs. 100.00 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 (25 Feb 2022)	Present
NCD (PP-MLD)	675.00	323.50	Long Term	BWR PP-MLD BB (CE) / Stable Reaffirmation	BWR PP-MLD D Downgraded[^]
NCD- Senior Bonds	112.50	112.50	Long Term	BWR BB (CE) / Stable Reaffirmation	BWR C Downgraded[^]
NCD	65.00	65.00	Long Term	BWR B+/ Stable Reaffirmation	BWR C Downgraded
NCD- Subordinate Bonds	75.00	75.00			
NCD	100.00	--	Long Term	BWR BB (CE) / Stable Reaffirmation	Withdrawn
Non-Fund Based – Bank Guarantee	300.00	300.00	Long Term	BWR BBB/Stable Reaffirmation	BWR BBB/Stable Reaffirmation
Total	1327.50	876.00	Rupees Eight Hundred and Seventy Six Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

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

[^]Revision in analytical approach from CE to standalone for the PPMLD issue of Rs. 323.50 Crs, Senior bonds issue of Rs. 112.50 Crs. (Refer analytical approach section below)

Unsupported Rating withdrawn in view of change in the analytical approach.

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.
- Credit Enhancement (CE) assigned during Feb 2022, was in the form of pledge of the listed shares of GMR Infrastructure Ltd. (GIL) to the extent of 1.75x for the NCD issue of Rs.100.00 Crs, 2.50x for the NCD Senior bonds issue of Rs.112.50Crs and 1.60x for the PP-MLD issue of Rs.675 Crs. Unsupported (Standalone) rating was assessed during Feb 2022 BWR without considering the Credit Enhancement is BWR B+ (Stable)



RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) revises the ratings of GMR Enterprises Private Limited (GEPL or the company) with respect to the outstanding PP-MLD issue of Rs. 323.50 Crs to BWR PP-MLD D in view of the delay in the principal repayment of the debt which was scheduled on September 29, 2022. BWR notes that there was partial redemption of the said PP-MLD bonds of Rs. 351.50 Crs on September 24, 2022. BWR also notes that there was a put option exercised by the bond holders for the said issue of Rs. 675.00 Crs in August 2022 and the revised payment was September 29, 2022 instead of the original date of September 30, 2022. In addition, BWR has also taken note that the bonds holders have extended the due date of the repayment upto October 31, 2022 and the same was intimated by the company and the DT on October 3, 2022 and September 30, 2022 respectively. Furthermore, to date, there is no disclosure in the BSE regarding the due date extension of the PP-MLD issue of Rs. 675.00 Crs. In addition, BWR has also revised the analytical approach from CE to standalone as there was delay in meeting the debt obligations on the scheduled date of 29 September 2022 as per the put option exercised and a CE rating cannot be assessed. Accordingly, unsupported rating stands withdrawn.

BWR withdraws the ratings of BWR BB (CE)/Stable for the bonds issue of Rs. 100.00 Crs on account of full redemption before the due date of April 16, 2022. The withdrawal is in accordance with the BWR Withdrawal Policy and extant guidelines.

BWR revises the ratings for the senior bonds of Rs. 112.50 Crs to BWR C from BWR BB (CE)/Stable on the basis of cross default recognition and also revises the analytical approach from CE to standalone as the company has delayed the payment of the debt obligations and a CE cannot be assessed and accordingly, the unsupported rating stands withdrawn.

BWR revises the ratings for the bonds issue of Rs. 65.00 Crs and a subordinate bonds issue of Rs. 75.00 Crs to BWR C on the basis of the cross default recognition.

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 had 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. 112.50 Crs senior bonds have a maturity of 3 years from the date of allotment of the bonds with a bullet repayment structure. The cash coupon shall be 5% p.a., which shall be payable on a six-monthly basis on the nominal value of Senior Bonds. The redemption premium shall be 6% p.a., which is compounded on a six-monthly basis and shall be paid on or before the maturity date as the case may be. It is secured by the pledge of the listed shares of GIL to the extent of 2.5x the security cover.
- 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 comprising 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

To arrive at the ratings, BWR has considered the standalone financials of GEPL. In addition, BWR has revised the analytical approach from CE to standalone for the PPMLD issue of Rs. 323.50 Crs and Senior bonds issue of Rs. 11250 Crs as the company has delayed the payment of the debt obligations and a CE cannot be assessed and accordingly, BWR has withdrawn the unsupported rating.

To arrive at the ratings of the bank guarantee, BWR has taken additional comfort that the performance guarantee was arranged by GEPL on behalf of Fraport in favor of AAI as a part of Delhi International Airport Operator. Since performance guarantee is specific to the operation and maintenance of the Delhi International Airport, the view and rating is different from the other O/s ratings.

BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

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.

KEY FINANCIAL INDICATORS - GEPL

Key Parameters	Units	FY21-22	FY20-21
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	609.05	302.05
EBITDA	Rs.Crs	230.32	225.10
Net profit /losses	Rs. Crs	(149.05)	(292.22)
Tangible Net worth	Rs. Crs	2141.41	2290.45
Debt Equity	In X	1.66	1.42
Current Ratio	In X	1.93	0.78

NON COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

Rating History for the previous three years (Including withdrawal and suspended)

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-PP-MLD	Long Term	323.50	BWR PP-MLD D Downgraded^	BWR PP-MLD BB (CE) / Stable / Reaffirmation (25-Feb-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)	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	112.50	BWR C Downgraded^	BWR BB (CE) / Stable Reaffirmation (25-Feb-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/ Downgrade	BWR B+/ Stable Reaffirmation (25-Feb-2022)	BWR B+/ Stable Reaffirmation (29-Jan-2021)	BWR B+/ Stable Assigned (28-Oct-2020)	--
5	NCD	Long Term	65.00	BWR C/ Downgrade	BWR B+/ Stable Reaffirmation (25-Feb-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 (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)
Total			876.00	Rupees Eight Hundred and Seventy Six Crores Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors' queries can be sent to info@brickworkratings.com.

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Default Recognition and Default Curing Period](#)

For any other criteria obtain [hyperlinks](#) from website

Analytical Contacts	
Sowmya Yatham Senior Manager- Ratings Board: 080 - 40409940 Ext: 309 sowmya.y@brickworkratings.com	Chintan D Lakhani Director – Ratings Board: 080 - 40409940 Ext: 330 chintan.l@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

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
Total Rupees Three Hundred Crores Only					

Annexure-II

Instrument Details

Instrument	Issue Date	O/s Amount (Rs. Crs)	Coupon Rate	Maturity Date	ISIN Particulars
NCD	17 Apr 2018	--	15%	16 Apr 2022	INE908I07065**
NCD PP-MLD	17 Apr 2015	323.50	18%	31 Oct 2022	INE908I07396
NCD PP-MLD	28 Apr 2015		18%	31 Oct 2022	INE908I07404
NCD PP-MLD	29 Jun 2015		18%	31 Oct 2022	INE908I07412
NCD PP-MLD	06 Jul 2015		18%	31 Oct 2022	INE908I07420
NCD PP-MLD	27 Jul 2015		18%	31 Oct 2022	INE908I07438
NCD PP-MLD	04 Aug 2015		18%	31 Oct 2022	INE908I07446
NCD	22 Dec 2020		65.00	12.25%	22 Dec 2023
NCD - Senior Bonds	19 Mar 2021	112.50	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

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.



BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.