



## Rating Rationale

GMR Enterprises Pvt Ltd

31 Mar 2018

Brickwork Ratings assigns the following rating for the proposed Non-Convertible Debenture issue of ₹ 100 Crores of GMR Enterprises Pvt Ltd (“GEPL” or “Company”)

### Particulars

Instrument	Amount (Rs. Crs)	Coupon	Tenure	Rating*
Non-Convertible Debenture	100.00	15%	48 Months	BWR BB(SO) (Outlook: Stable)

### BWR also reaffirms the following bank loan ratings:

Facility	Amount (Rs. Crs)		Tenure	Revised Rating*	
	Previous	Present		Previous (June 2017)	Present
Non-Fund Based Bank Guarantee	300.00	300.00	Long Term	BWR BBB (Outlook: Stable)	BWR BBB (Outlook: Stable) (Reaffirmed)

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

\*\* @Conversion rate: INR/1USD - Rs. 64.5459 (1 Jun 2017)

### Other Outstanding Ratings of GMR Enterprises Pvt Ltd, are revised as under:

Instrument	Amount (Rs. Crs)		Revised Rating*	
	Previous	Present	Previous (June 2017)	Present
Non Fund Based - SBLC	180.73 (USD 28 Million)	129.09 (USD 20 Million)	BWR BBB-(SO) (Outlook: Stable)	BWR BB+ (SO) (Outlook: Stable)
NCD	220.00	220.00	BWR BBB-(SO) (Outlook: Stable)	BWR BB+ (SO) (Outlook: Stable)
NCD (PP-MLD)	900.00	900.00	BWR PP-MLD BBB- (Outlook: Stable)	BWR PP-MLD BB+ (Outlook: Stable)



### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial results of GEPL up to FY17, unaudited financials of GEPL for 9MFY18, audited financial results of GMR Infrastructure Ltd (GIL) upto FY17, projected financials of GEPL for FY18 & FY19, publicly available information and information/clarification provided by the Company's management.

The rating factors, inter alia, GEPL's promoters' experience in the infrastructure industry, successful track record of large project execution by subsidiaries/SPVs, the underlying security coverage in the form of Pledge of GMR Infrastructure Limited's listed shares for the proposed NCD and outstanding NCD/PP MLD issues and Non-disposal Undertaking (NDU) and Power of Attorney of GEPL's shares in GIL for the bank loan facilities.

The rating however is constrained by limited revenue sources in the form of dividend/investment income as GEPL is a holding company of the group and not an operating company, Net losses incurred by GMR Infrastructure Limited (company whose shares are pledged) for the last 3 years due to prevailing economic conditions and dependence on refinancing and/or raising additional debt for servicing.

### **Analytical Approach**

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

### **Rating Outlook: Stable**

BWR believes the **GMR Enterprises Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

GMR Enterprises Pvt. Ltd. (GEPL) was originally incorporated on 5th June, 2007. In July 2016, GMR Holding Pvt. Ltd along with one more group entity GMR Projects Pvt. Ltd. Got merged with GMR Enterprises Pvt. Ltd. in order to consolidate the group holding companies. Post completion of the merger, GEPL became the key holding company for the entire GMR group which is a leading business house having significant interest in Infrastructure Sector viz. Airport, Power, Road etc. GEPL currently holds 47.69% stake directly and 13.35% stake indirectly



through its subsidiaries in GMR Infrastructure Ltd (GIL). GIL is a listed company of the GMR group, which is controlling various operating entities which are involved in the infrastructure business.

Mr. G. M. Rao is the Chairman of the GMR Group. Mr. G. M. Rao is a well-known industrialist and founder Chairman of GMR Group of companies and GMR Varalakshmi Foundation, the corporate social responsibility (CSR) arm of the Group.

**Structure of proposed NCD:**

- The proposed NCD issue of Rs 100 crs will be for a term of 48 months
- Issue will carry a coupon of 15% and will be redeemed at maturity
- The issue will have security in the form pledge of listed shares of “GMR Infrastructure Ltd” with min coverage of 1.75x.
- The issue also has Call/Put option at the end of 36 months with a prior notice of 15 days.

**Company Financial Performance**

**GEPL:** As per audited financials of FY17, GEPL’s net revenue stood at ₹ 93.66 Crores. The Company has been incurring losses, mainly due to high interest and finance costs. GEPL’s total debt stood at ₹ 2426.35 Crores in FY17. GEPL, being a holding company, has non-current investment of ₹ 5866.82 Crs in GIL and other group companies.

**GIL:** For FY17, on a consolidated basis, GIL reported Net Revenue of ₹ 9523 Crores as against ₹ 7964 Crores in FY17. The consolidated net loss for FY17 was ₹ 364.30 Crores when compared to net loss of ₹ 2749.28crs.

GIL’s stock is currently trading in the range of ₹ 17-19 for the past one month, with low of ₹ 14.20 and high of ₹ 25 during the past one year.

### Rating History for the last three years

Instrument/ Facility	Current Rating (Mar 2018)		Rating History		
	Amount (Rs Crs)	Rating	2017	2016	2015
NCD	100.00	BWR BB (SO)	-	-	-
SBLC/ Financial Bank Guarantee	120.09	BWR BB+ (SO) (Stable)	BWR BBB- (SO) (Stable)	-	-
Non-Fund Based Bank Guarantee	300.00	BWR BBB (Stable)	BWR BBB (Stable)	BWR BBB (Stable)	BWR BBB (Stable)
NCD	220.00 (reduced from 270)	BWR BB+ (SO) (Stable)	BWR BBB-(SO) (Stable)	BWR BBB- (SO) (Stable)	-
NCD (PP-MLD)	900.00	BWR PP-MLD BB+ (Stable)	BWR PP-MLD BBB- (Stable)	BWR PP-MLD BBB- (Stable)	BWR PP-MLD BBB- (Stable)
NCD	200.00	-	BWR BBB (SO) (Stable) [Withdrawn]	BWR BBB (SO) (Stable)	BWR BBB (SO) (Stable)
NCD (PP-MLD)	120.00	-	-	-	BWR PP-MLD BBB- (Stable) [Withdrawn]
NCD	150.00	-	-	-	BWR A- (SO) (Stable) [Withdrawn]

### Any other information: Details of NCDs/PPMLD rated

Instrument	Amount (Rs. Crs)	ISIN Particulars	Issue Date	Maturity Date
NCD	220.00	INE908I07016	28-07-2016	27-04-2020
		INE908I07024	28-07-2016	12-06-2020
		INE905F07109	14-04-2015	01-01-2020
		INE905F07117	14-04-2015	01-01-2020
		INE905F07125	14-04-2015	01-01-2020



NCD (PP-MLD)	900.00	INE905F07133	14-04-2015	01-01-2020
		INE905F07141	14-04-2015	01-01-2020
		INE905F07158	14-04-2015	01-01-2020

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>AP Kamath</i> <i>GM-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

#### 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.

#### Note on complexity levels of the rated instrument:

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](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.