

July 09, 2019

IDBI Trusteeship Services Limited  
Asian Building, Ground floor, 17 R.,  
Kamani Marg Ballard Estate,  
Mumbai, Maharashtra-400 001

Dear Sir,

**Sub: Submission of Revised Certificate of Credit Rating pursuant to Regulation 56 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to the provisions of Regulation 56 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed revised Certificate of Credit Rating for GMR Enterprises Private Limited (the "Company") for your kind reference and record.

Thanking you

Yours faithfully  
For **GMR Enterprises Private Limited**

  
**Company Secretary**



Encl: as above

**Cc:**

1. Piramal Enterprises Limited  
Piramal Tower,  
Ganpatrao Kadam Marg, Lower Parel (W)  
Mumbai 400013
2. Baboon Investment Holdings B.V.  
Oude Lindestraat 70, 6411 EJ Heerlen,  
The Netherlands

## Rating Rationale

GMR Enterprises Pvt Ltd

5<sup>th</sup> July 2019

Brickwork Ratings revises the rating of the NCD issue of Rs.675 Crs (reduced from Rs.900 Crs rated initially) with an increase in tenor upto three years and reaffirms other various debt issues aggregating to Rs.620 Crs of GMR Enterprises Pvt. Ltd. (“GEPL” or “the Company”).

### Particulars:

Instrument/ Facility Rated	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating* (Mar 2019)	Present Rating*
NCD (PP-MLD)	900.00	675.00**	Long Term	<b>BWR PP-MLD BB+</b> (BWR PP-MLD Double B Plus) <b>(Outlook: Stable)</b>	<b>BWR PP-MLD BB</b> (BWR PP-MLD Double B) <b>(Outlook: Stable)</b> <b>Downgraded</b>
Secured NCD	100.00	100.00	Long Term	<b>BWR BB (SO)</b> (BWR Double B (Structured Obligation)) <b>(Outlook: Stable)</b>	<b>BWR BB (SO)</b> (BWR Double B (Structured Obligation)) <b>(Outlook: Stable)</b> <b>Reaffirmed</b>
Secured NCD	220.00	220.00	Long Term	<b>BWR BB+(SO)</b> (BWR Double B Plus (Structured Obligation)) <b>(Outlook: Stable)</b>	<b>BWR BB+(SO)</b> (BWR Double B Plus (Structured Obligation)) <b>(Outlook: Stable)</b> <b>Reaffirmed</b>
Non-Fund Based – Bank Guarantee	300.00	300.00	Long Term	<b>BWR BBB</b> (BWR Triple B) <b>(Outlook: Stable)</b>	<b>BWR BBB</b> (BWR Triple B) <b>(Outlook: Stable)</b> <b>Reaffirmed</b>
<b>Total</b>	<b>1520.00</b>	<b>1295.00</b>	<b>INR One Thousand Two Hundred and Ninety-Five Crores Only</b>		

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

\*\* Principal Outstanding: Rs.675 Crs out of Rs.900 Crs rated initially.

**Ratings: Downgraded for NCD issue of Rs.675 Crs and Reaffirmed other Issues.**



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

BWR has essentially relied upon the audited financial results of GEPL up to FY19, audited financials of GMR Infrastructure Ltd (GIL) upto FY19, amended executed copy of the term sheet of the issue of Rs.675 Crs (Reduced from Rs.900 Crs rated initially), and the publicly available information and information/clarification provided by the Company's management.

The revision in rating factors, inter alia, amended terms of issue, especially change in tenor of the NCD (PP-MLD) with an extension of three year and its bullet repayment at the end of three years which exposes the company to tail risk towards debt servicing including accrued interest and the put option at the end of 13<sup>th</sup> month from the date of execution of the documents, which may constrain liquidity for the company in near to medium term. However, the rating continues to draw comfort from 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 outstanding NCD/PP MLD issues.

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, increase in net losses (on a consolidated basis) for FY19 GMR Infrastructure Limited (reference entity of which shares are being pledged) mainly due to impairment losses due to low realization from its energy business, and for the last 3 years due to prevailing economic conditions and dependence on refinancing and/or raising additional funds towards debt servicing.

### **Description of Key Rating Drivers**

- **Credit Strengths:**

**Experienced management:** The company has more than two decades of experience in Infrastructure sector including airport operations. GEPL acts as holding company of the group, with majority of its investment in "GMR Infrastructure Ltd." and its other group companies.

**Financial Support from promoters:** Being a promoter holding company, it holds majority of its investment of Rs.5710 Crs in listed securities of GIL. Its Net-Worth stood at Rs.1330.92 Crs as of FY19. Promoters have infused funds from time to time as required.

**Credit Enhancement:** The issuer has provided minimum 1.6x security cover in the form of pledge of shares of the reference entity, i.e. "GMR Infrastructure Ltd." has for the NCDs (PP-MLD). Further, there is a provision for return linked with the stock price upside over and above of minimum guaranteed return.



- **Credit Risks:**

**Tail Risk:** The said NCDs (PP-MLD) now have a bullet repayment at the end of three years due to extension of tenor by another three years, which exposes the company to tail risk of adequate liquidity for the large outflow requirement at the end of tenor to meet its debt obligations.

**Low Cash accrual generation:** The company has incurred cash loss in FY19 as against long term debt of Rs.1002.10 Crs in FY19, acting as an investment company, which exposes the company to high dependence on the asset monetization towards meeting its debt obligations. Also, the operating company (GIL) of the group, has also incurred a loss during FY19, which limits the ability to support GEPL.

**Inherent risks associated with Infrastructure Industry:** Being an investment company, GEPL is exposed to risks like low cash flow generation from its investment companies, lower return on investments, liquidity constrained and fund flexibility in the current downturn scenario.

**Liquidity:** The Company's liquidity remained stressed. The company (GEPL) has generated negative cash accruals in FY19 as against total debt obligation of Rs.1454.05 Crs in FY19. However, GIL remained positive at EBITDA level of Rs.1850.32 Crs in FY19 as against Rs.1822.24 Crs in FY18. This was primarily due to cost reduction. Cash and cash equivalents were at Rs.918.66 Crs as on FY19 reduced from Rs.1647.16 Crs as on FY18.

### **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 and overall debt reduction at GIL level post minority stake sale in GMR Airports Ltd. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures or share price of reference entity fall below the prescribed level.

### **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 48.99% stake directly and 14.12% 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 Outstanding NCD/PP-MLD issues:**

- PP-MLD issue of Rs 900 Crs had tenor of 5 years and was secured by pledge of listed shares of “GMR Infrastructure Limited” to the extent of 1.60x. Now, As per amended terms, the maturity of instrument has been extended by another three years and to be paid as bullet repayment at the end of three years. At present the outstanding amount stood at Rs.675 Crs. As per the amended terms, NCDs are secured by way pledge of fixed number of share up to 1.60x security cover of listed GIL shares. Further, cash coupon will be payable at the end of one year. Also, the investors have a put option at the end of 13 months from the date of execution of the transaction documents.
- NCD issue of Rs 100 Crs has a tenor of 4 years @ 15%p.a. coupon and is secured by pledge of listed shares of “GMR Infrastructure Limited” to the extent of 1.75x.
- NCD issue of Rs 220 Crs has a tenor of 3 years and 6 months @ 13.50% p.a. coupon and is secured by pledge of listed shares of “GMR Infrastructure Limited” to the extent of 2.5x.

#### **Company Financial Performance**

**GEPL:** As per audited financials of FY19, GEPL has reported total revenues of Rs.271.76 Crs and a Net Loss of Rs.485.60 Crs as against total Revenues of Rs.73.37 Crs and a Net Loss of Rs.503.70 Crs in FY18. The Company has been incurring losses, mainly due to high interest and finance costs. As on 31st Mar 2019, GEPL’s total debt stood at Rs.1454 Crs as compared to Rs.2892 Crs as on FY18 (excluding current portion of long term debt) as against Tangible Net-worth of Rs.1330.92 Crs (PY Rs.1816.52 Crs), resulting in a gearing of 1.09x. GEPL, being a holding company, has non-current investment of Rs.5710 Crs in GIL and other group companies.

**GIL:** For FY19, on a consolidated basis, GIL reported Operating Revenue of Rs.7564.88 Crs compared to Rs.8354.77 Crs in FY18. The consolidated net loss for FY19 was Rs.3356.29 Crs compared to Rs.1114.59 Crs for FY18.

GIL's stock is currently trading in the range of ₹ 14-16 for the past one month, with 52 Week low of Rs.12.95 and 52 Week high of Rs.21.50 during the past one year.

### Rating History for the last three years

Instrument/ Facility	Current Rating		Rating History		
	Amount (Rs in Crs)	Rating	2019	2018	2017
NCD	100.00	<b>BWR BB (SO)</b> (BWR Double B (Structured Obligation)) <b>(Outlook: Stable)</b>  <b>Reaffirmed</b>	<b>BWR BB (SO)</b> (BWR Double B (Structured Obligation)) <b>(Outlook: Stable)</b>	BWR BB (SO) (Assigned)	-
SBLC/ Financial Bank Guarantee	-	-	BWR BB+ (SO) (Stable) (Withdrawn)	BWR BB+ (SO) (Stable) (Downgraded)	BWR BBB- (SO) (Stable)
Non-Fund Based Bank Guarantee	300.00	<b>BWR BBB (BWR Triple B)</b> <b>(Outlook: Stable)</b> <b>Reaffirmed</b>	<b>BWR BBB (BWR Triple B)</b> <b>(Outlook: Stable)</b>	BWR BBB (Stable) (Reaffirmed)	BWR BBB (Stable)
NCD	220.00 (reduced from Rs.270 Crs)	<b>BWR BB+(SO)</b> (BWR Double B Plus (Structured Obligation)) <b>(Outlook: Stable)</b>  <b>Reaffirmed</b>	<b>BWR BB+(SO)</b> (BWR Double B Plus (Structured Obligation)) <b>(Outlook: Stable)</b>	BWR BB+ (SO) (Stable) (Downgraded)	BWR BBB-(SO) (Stable)
NCD (PP-MLD)	675.00* (reduced from Rs.900.00 Crs)	<b>BWR PP-MLD BB (BWR PP-MLD Double B)</b> <b>(Outlook: Stable)</b> <b>Downgraded</b>	<b>BWR PP-MLD BB+ (BWR PP-MLD Double B Plus)</b> <b>(Outlook: Stable)</b>	BWR PP-MLD BB+ (Stable) (Downgraded)	BWR PP-MLD BBB- (Stable)
NCD	200.00	-	-	-	BWR BBB (SO) (Stable) [Withdrawn]

\* Principal Outstanding: Rs.675 Crs out of Rs.900 Crs rated initially.

### ISIN Details of NCDs/PP MLD

Instrument	Amount (Rs. Crs)	ISIN Particulars	Issue Date	Maturity Date
NCD	100	INE908I07065	17-04-2018	16-04-2022
NCD	220	INE908I07016	28-07-2016	27-04-2020
		INE908I07024	28-07-2016	12-06-2020
NCD (PP-MLD)	675	INE905F07109	14-04-2015	15-07-2022*
		INE905F07117	14-04-2015	15-07-2022*
		INE905F07125	14-04-2015	15-07-2022*
		INE905F07133	14-04-2015	15-07-2022*
		INE905F07141	14-04-2015	15-07-2022*
		INE905F07158	14-04-2015	15-07-2022*

\* Tentative/ Three years from the date of execution of final documents.

### 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	Investor Contacts
<p><b>Vipula Sharma</b> Director - Ratings B : +91 80 4040 9940 <a href="mailto:vipula.s@brickworkratings.com">vipula.s@brickworkratings.com</a></p> <p><b>Mukesh Mahor</b> Senior Manager - Ratings B : +91 80 4040 9940 Ext :333 <a href="mailto:Mukesh.m@brickworkratings.com">Mukesh.m@brickworkratings.com</a></p>	<p><b>Satish Nair</b> Director - Global Market Development &amp; Investor Relations M : +91 7738875550 B : +91 22 6745 6666 <a href="mailto:satish.n@brickworkratings.com">satish.n@brickworkratings.com</a></p>
1-860-425-2742	



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### **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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

### **DISCLAIMER**

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