

September 29, 21010

**CARE ASSIGNS ‘CARE BBB’ AND ‘CARE BBB+(SO)’ RATINGS TO THE BANK FACILITIES OF GMR CHENNAI OUTER RING ROAD PVT LTD.**

**Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Fund-based Bank Facilities	716.78	CARE BBB- (Triple B Minus)	Assigned
Long-term Non-fund Based Bank Facilities @	69.14	CARE BBB+(SO) (Triple B plus(Structured Obligation))	Assigned
<b>Total Facilities</b>	<b>785.92</b>		

@backed by unconditional and irrevocable Corporate Guarantee of GMR Infrastructure Ltd (GIL)

The rating of **Non-fund Based Facilities** of GMR Chennai Outer Ring Road Private Limited (GCOPL) factors in credit enhancement in the form of unconditional and irrevocable Corporate Guarantee provided by GMR Infrastructure Ltd (GIL, rated CARE A(SO) for NCD) to the lenders of GCOPL.

The credit risk profile of GIL is supported by GMR group’s established track record in terms of identification of strong operating assets, efficient project partners and project execution skills. The credit profile is also strengthened by strong market capitalization and high-value investments of GIL. The credit profile of GIL is weakened by substantial size of overseas acquisitions coupled with significant level of corporate guarantees extended towards loans raised by its subsidiaries and group companies, its limited experience in Hydro projects, elevated gearing, moderate debt service indicators and large debt-funded expansion plans mainly in the energy sector.

Being a vehicle for GMR group’s initiative in the infrastructure sector, GIL continues to be vulnerable to risks associated with various infrastructure projects including project implementation risks and significant equity investment commitments thereon. Any delay in the financial closure of projects would bring additional financial risks on GIL. Besides, the ability of GIL to access relatively low-cost funds towards its equity contribution for the projects remains the key determinant to its credit profile, going forward.

The rating of **Fund-based Facilities** draws strength from past experience of the promoters in construction of road projects, GCOPL’s project being annuity-based with no major Right of Way (RoW) pending, presence of Major Maintenance and Debt Service Reserve Accounts as well as undertaking from sponsors for providing technical expertise and meeting cost overrun. However, the rating is constrained by the risk associated with any upward revision in interest rates after the project CoD (interest rate is fixed till project CoD), nascent stage of project construction and consequent implementation risk, pending receipt of grant from the Government of Tamil Nadu (GoTN) and pending execution of the Operation & Management (O&M) agreement.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

Ability of GCOPL to complete the project within the envisaged cost and time and ability of sponsors to infuse funds in case of non receipt/shortfall of grant and in case of any cost overrun will be the key rating sensitivities. In addition to these, timely receipt of scheduled annuity instalments from GoTN will also be crucial.

### **Company Profile**

Incorporated in July 21, 2009, GCOPL is a Special Purpose Vehicle (SPV) promoted by GMR Infrastructure Limited (GIL, 31%), GMR Highways Limited (GHL, 49%), GMR Energy Limited (GEL, 10%) and NAPC Limited (NAPC, 10%). GCOPL is formed for the purpose of 6-laning of Vandalur to Nemilichery section (Rs.29.65km) of Outer Ring Road in Chennai City on Design, Build, Finance, Operate and Transfer (DBFOT) - Annuity basis, awarded through competitive bidding by GoTN.

The Concession Agreement (CA) was executed on December 5, 2009 for a concession period of 20 years from the Appointed Date inclusive of a Construction period of 2.5 years. As per the terms of the CA, GCOPL would be compensated by GoTN through a fixed annuity payment of Rs.124.26 crore, i.e. Rs.62.13 crore payable semi-annually.

The total project cost is envisaged at Rs.1,166.78 cr which is proposed to be funded by way of equity of Rs.150.00 cr, grant from GoTN of Rs.300.00 cr and term debt of Rs.716.78 cr with a debt-equity ratio of 1.59x. As on July 28, 2010, 99% of RoW had been provided by GoTN. GCOPL had achieved a physical progress of 1.40% as against the targeted 1.08% and as such, the project is in a very nascent stage. Besides, the financial progress (including mobilization advance provided to the EPC contractor) achieved was 15.84% against the scheduled 10.28%.

### **About Guarantor (GIL)**

GIL, incorporated in 1996, is the holding company of the GMR group for its initiatives in the Power, Airport, Transportation and Urban Infrastructure sectors. GIL's presence in various sectors of infrastructure is through its direct or indirect subsidiaries. The main source of revenue for GIL is the dividends declared by its subsidiaries. GIL posted a total operating income of Rs.179 crore and earned a PAT of Rs.13 cr on standalone basis and total net income of Rs.4,567 crore and PAT of Rs.225 crore on consolidated basis in FY10.

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