

**GMR Pochanpalli Expressways Limited (Revised)**

March 22, 2021

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE D (Single D)	Reaffirmed
<b>Total Bank Facilities</b>	<b>20.00</b> <b>(Rs. Twenty Crore Only)</b>		
Non-Convertible Debentures	284.93 (Reduced from 353.10)	CARE D (Single D)	Reaffirmed
<b>Total Long-Term Instruments</b>	<b>284.93</b> <b>(Rs. Two Hundred Eighty-Four Crore and Ninety-Three Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The reaffirmation of the ratings assigned to the long-term bank facilities of GMR Pochanpalli Expressways Limited (GPEL) take into account the instances of delays in the servicing of debt obligations.

Rating Sensitivities

*Positive Factors - Factors that could lead to positive rating action/upgrade:*

- Timely servicing of debt obligations for more than 3 months

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**
***Instances of delays in servicing of debt obligations***

There have been instances of delays in the servicing of due debt obligations by the company. The delay in the servicing of debt obligations is attributable to non-approval of moratorium requested by the company pursuant to the Reserve Bank of India's (RBI) circular and Insurance Regulatory and Development Authority's (IRDA) circular in the context of outbreak of COVID-19. Further, the debt obligations due in October 2020 were not paid in a timely manner due to stretched liquidity position. Although the company has cleared the overdues in January 11, 2021, however there is a lack of track record for timely servicing of debt obligations.

***Weakened strength of structure with continuing exposure to group companies***

GPEL has advanced funds to group companies which stood at Rs. 293.15 crore as on March 31, 2020 (PY: Rs. 259.64 crore). The total support to group companies stood at Rs. 347.22 crore including the interest accrued on loans and advances as on March 31, 2020 (PY: Rs. 303.11 crore). The transfer of funds is inconsistent with

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

the structure originally envisaged and has diluted the strong credit quality inbuilt in the structure. Though, the company has received ~Rs. 23 crore from group companies in 9MFY21, the company is yet to receive significant portion of advances from group companies.

### **Key Rating Strengths**

#### ***Annuity nature of project revenues***

The project revenues are linked with the annuity receivables from NHAI and not dependent on the traffic on the project stretch. However, the annuity receivables are subject to full availability and regular maintenance of the project stretch as per terms of concession agreement.

#### ***Established track record of annuity receipt and low counter party credit risk***

The project has low counter party credit risk marked by established delay free track record of annuity receipt coupled with comfortable financial risk profile of NHAI (rated CARE AAA; Stable). GPEL has received twenty-three annuities from NHAI till now. The annuity payments are due semi-annually in mid of September and March of every year and have been regular without any delay.

#### **Liquidity: Poor**

The company has poor liquidity position marked by instances of reduction in annuities received by the company. The excess funds have been given to group companies which have relatively weak financial profile. The company has free cash and liquid investments of around Rs. 1.13 crore as on March 16, 2021. Further, the company is dependent on timely receipt of annuities for debt servicing though the company has maintained DSRA of Rs. 20.00 crore in the form of bank guarantee.

**Analytical approach:** Standalone

### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of non-financial sector entities](#)

[Rating methodology-Annuity road projects](#)

### **About the Company**

GMR Pochanpalli Expressways Private Limited (GPEL) was incorporated as a Special Purpose Vehicle (SPV) by the GMR group on October 18, 2005 to develop and maintain the 102-km stretch on the National Highway (NH) -7 connecting Adloor Yellareddy and Gundla Pochanpalli in the state of Andhra Pradesh. As on March 31, 2017, GMR Highways Limited (GHL) along with GMR Infrastructure Limited (GIL) and GMR Energy Limited (GEL), held 100% stake of GPEL. The concession was awarded by NHAI on Build, Operate and Transfer (BOT)

Annuity Basis to the consortium based on its lowest annuity quote of Rs.108 crore (payable semi-annually). GPEL has entered into a Concession Agreement (CA) with NHAH on March 31, 2006 for the project. The project cost of Rs. 702.26 crore has been funded by way of equity Rs.138 crore, preference shares of Rs.12.26 crore from the promoters and the balance Rs.552 crore by way of debt. The project achieved Commercial Operations Date (COD) on March 26, 2009.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	83.33	89.03
PBILDT	66.74	69.27
PAT	5.59	11.81
Overall gearing (times)	2.35	2.02
Interest coverage (times)	1.12	1.18

A: Audited

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

**Rating History for last three years: Please refer Annexure-2**

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees	-	-	-	20.00	CARE D
Debentures-Non-Convertible Debentures (INE808H07010)	April 15, 2010	9.38%	October 15, 2026	284.93	CARE D

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non-Convertible Debentures	LT	284.93	CARE D	1)CARE D (07-Sep-20) 2)CARE BB (CWN) (28-Apr-20)	1)CARE BBB-; Negative (04-Oct-19)	1)CARE BBB (SO); Stable (28-Dec-18)	1)CARE A-(SO); Stable (19-Jan-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	20.00	CARE D	1)CARE D (07-Sep-20) 2)CARE BB (CWN) (28-Apr-20)	1)CARE BBB-; Negative (04-Oct-19)	1)CARE BBB (SO); Stable (28-Dec-18)	1)CARE A-(SO); Stable (19-Jan-18)

**Annexure-3: Detailed explanation of covenants of the rated facilities: NA**

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non-Convertible Debentures	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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