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ICRA re-affirms GMR Jadcherla Expressways long-term rating at LBBB and short-term rating at A2; assigns stable outlook

ICRA has re-affirmed the long-term rating outstanding on the Rs. 329 crore¹ Long-term debts and Rs. 8.02 crore Non-Fund based bank facilities of GMR Jadcherla Expressways Private Limited (GJEPL) at LBBB (pronounced L triple B)†. ICRA has also reaffirmed the short-term rating of A2 (pronounced A 2) outstanding on the Rs. 8.02 crore Non-Fund based bank facilities of the company. The outlook on the long-term rating is 'stable'. The Non Fund Based Limits under long term and short term tenure are interchangeable and as such the combined utilization should not exceed Rs 8.02 crore.

The ratings reflect the successful, on time commencement of the commercial operations of the project, the importance of the stretch which connects important business centers, willingness of the users to pay toll and the strength of the GMR group in infrastructure projects. The ratings are also supported by comfortable projected financials for the project. The ratings are however constrained by lower than initially estimated traffic numbers on the stretch in the last two years, inherent risks in the BOT projects such as political acceptability of rate hikes linked to WPI, likelihood of toll leakages and potential competition from alternate route. . The ratings are also constrained by the company's exposure to interest rate risk given that the interest on the loans would be reset every year. The trend of growth in traffic numbers going forward will be the key rating sensitivity factor.

Company Profile

GJEPL is a wholly owned subsidiary of the GMR group. Currently, GMR Infrastructure Limited has a 41.4% stake in the company while GMR Energy Limited has a 4.6% stake and GMR Highways Limited has the balance 54% stake. GJEPL is an SPV set up for the purpose of collecting toll, based on a twenty year concession agreement (ending August 2026) with National Highway Authority of India. The project scope entailed construction (2 lane to 4 lane) and strengthening of existing two lane totaling to 46 kms road from Farukhnagar to Jadcherla on the Bangalore-Hyderabad (NH7) highway in the State of Andhra Pradesh. It also included the improvement, operation and management of the already four laned stretch totaling to about 12 kms in adjacent section from Thondapalli to Farukhnagar. The project commenced operations on February 12, 2009, as per the scheduled Commercial Operation Date (COD). The total project cost was Rs. 520.55 crore (including a cost overrun of Rs. 49.25 crore), which was funded by the promoter's contribution of Rs. 167.07crore (Rs. 117.83 crore as equity and Rs. 49.24 crore as preference shares) and term loan of Rs. 353.48 crore.

The operation and maintenance (O&M) work has been contracted to another group company namely GMR Highways Pvt Ltd. GJEPL reported a net loss of Rs. 21.43 crore on an income of Rs. 42.61 crore as per the audited financials for FY2009-10.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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