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

ICRA has re-affirmed its long-term rating of LBBB (pronounced L triple B) outstanding on the Rs. 282 crore¹, long-term debt programme and the Rs. 8.94 crore, non-fund based bank facilities of GMR Ambala Chandigarh Expressways Private Limited (GACEPL)[†]. ICRA has also reaffirmed the short-term rating of A2 (pronounced A 2) outstanding on the Rs. 8.94 crore, non-fund based bank facilities of the company. The outlook on the long-term rating is 'stable'. The non-fund based limits under the long-term and short-term tenures are interchangeable; and as such, the combined utilisation should not exceed Rs. 8.94 crore.

The reaffirmation of the ratings assigned to GACEPL factors in the support from the infusion of funds by its promoters in order to meet the contractual obligations of the project; the operational and financial strengths derived from being a part of the GMR group; and the importance of the stretch, considering that it connects important business centers. ICRA, however, observes that the stretch has seen substantial diversion of traffic to alternate routes in the last year, as a result of which the actual traffic is much lower than anticipated, which is likely to result in pressures on debt servicing and projected financial indicators. ICRA has also taken note of the other risks inherent in the BOT project such as political acceptability of rate hikes linked to WPI and likelihood of toll leakages. 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 and the substantial negative grant of Rs. 118.83 crore payable by GACEPL to the National Highway Authority of India (NHAI). The retention of ratings is based primarily on the committed support from the promoters; and the extent of such support, pending an anticipated pick-up in traffic, will remain the key rating sensitivity going forward.

Company Profile

GACEPL is a wholly-owned subsidiary of the GMR group. Currently, GMR Infrastructure Limited has a 24.99% stake in the company while GMR Energy Limited has a 26.01% stake and GMR Highways Limited has the balance 49% stake. GACEPL is an SPV set up for the purpose of collecting toll, based on a twenty-year concession agreement (ending May 2026) with the National Highway Authority of India. The project scope entails improvement, operation and maintenance including strengthening, widening of existing 2 lane road to 4 lane dual carriage way of the 35 kms stretch of the Ambala – Chandigarh (NH21/NH22) highway. The project commenced operations on December 10, 2008, about a month later than scheduled Commercial Operation Date (COD). The total project cost was Rs. 499.11 crore (including a cost overrun of Rs. 99.01 crore), which was funded by the promoter's contribution of Rs. 216.68 crore (Rs. 93.13 crore as equity and Rs. 123.55 crore as preference shares) and term loan of Rs. 281.64 crore.

The operation and maintenance (O&M) work has been sub-contracted to another GMR group company, namely, GMR Highways Pvt Ltd. GACEPL reported a net loss of Rs. 41.06 crore on an income of Rs. 18.73 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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