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ICRA upgrades GMR Tuni Anakapalli Expressways long-term rating to LA+; and assigns stable outlook

ICRA has upgraded the long-term rating outstanding on the Rs. 286 crore¹, long-term debt programme of GMR Tuni Anakapalli Expressways Private Limited (GTAEPL)[†] to LA+ (pronounced L A plus) from LA (pronounced L A). The outlook on the long-term rating is 'stable'.

The rating upgrade favourably takes into account the satisfactory maintenance track record of the special purpose vehicle (SPV), GTAEP, which has ensured 100% lane availability of the project stretch, thus enabling it to receive fixed annuity payments from NHAI on time. The rating also positively incorporates the fact that the O&M of the project is being undertaken by the UEM group, which has significant experience in the field of O&M of road projects. The rating has factored in the availability of surplus cash (of Rs. 63.78 crore as on March 31, 2010) with the company, which lends support to the lenders in the event of any shortfall. The rating is, however, constrained by the deterioration of the financial profile of GTAEP on account of securitisation of annuity receivables and exposure to risks arising from reduction in annuity receivables and increase in O&M expenditure beyond the budgeted amount.

Company Profile

GMR Tuni Anakapalli Expressways Private Ltd (GTAEP) is an SPV promoted by the GMR Group (with a 74% stake) and United Engineers (Malaysia) Berhad (UEM) (with a 26% stake). NHAI awarded the concession to GTAEP in October 2001 to strengthen the existing two lanes and widen to four lanes dual carriageway of the aggregate 59 kilometers road between Tuni and Anakapalli on National Highway (NH) 5 (Chennai to Kolkata) in Andhra Pradesh on a Build-Operate-Transfer (BOT) basis. The project is part of the Vijayawada -Vishakhapatnam section of NH 5 in Andhra Pradesh. The concession is for a period of 17.5 years until 2019 and the annuity from NHAI is fixed but subject to availability and maintenance of lane as per the terms of its concession agreement (CA). GTAEP sub-contracted the EPC of the project to UEM on a fixed time, fixed price basis. The project was completed on December 24, 2004 (as compared to the scheduled commencement date (CoD) of November 8, 2004). The originally envisaged project cost was Rs. 315 crore but the company managed to complete the project at a total cost of Rs. 297 crore, translating into a per kilometre cost of Rs. 5 crore.

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For further details please contact:

Analyst Contacts:

Mr. Vikas Aggarwal (Tel. No. +91 124 4545300)

vikas@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 98 450 22459)

jayantac@icraindia.com

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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