



September 21, 2010

ICRA upgrades GMR Tambaram Tindivanam Expressways long-term rating to LAA-; assigns stable outlook

ICRA has upgraded the long-term rating outstanding on the Rs. 369 crore¹, long-term debt programme of GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL) to LAA- (pronounced L double A minus) from LA (pronounced L A)[†]. The outlook on the long-term rating is 'stable'.

The rating upgrade has favourably taken into account the satisfactory maintenance track record of the special purpose vehicle (SPV), GTTEPL, 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 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. 111.11 crore as on March 31, 2010) in the company, which lends support to lenders in the event of any shortfall. The rating is, however, constrained by the deterioration of the financial profile of GTTEPL 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, although some comfort can be drawn from the fact that the SPV has recently completed the first scheduled periodic maintenance of the project within the budgeted cost.

Company Profile

GMR Tambaram Tindivanam Expressways Private Limited (GTTEPL) is an SPV promoted by the GMR Group (with a 74% stake) and United Engineers (Malaysia) Berhad (UEM) (with the balance 26% stake). UEM has significant experience in the field of EPC and O&M of the projects and has concession agreements (CAs) for construction, operation and maintenance of large sections of roads in Malaysia.

NHAI awarded the concession to GTTEPL in October 2001 to strengthen the existing 4 lanes from KM 28/0 to KM 67/0 and widen the existing 2 lanes from KM 67/0 to KM 121/0 to 4 lane dual carriageway, aggregating to a 93 KM road between Tambaram and Tindivanam on NH 45 (Chennai-Dindigul) in Tamil Nadu on a Build-Operate-Transfer (BOT) basis. 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 the concession agreement (CA). GTTEPL sub-contracted the EPC of the project to UEM on a fixed time, fixed price basis. The project was completed on October 11, 2004 (as compared to the scheduled commencement date (CoD) of November 8, 2004). The originally envisaged project cost was Rs. 428 crore but the company managed to complete the project at a total cost of Rs. 377 crore, translating into a per kilometre cost of Rs. 4.1 crore.

September 2010

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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

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