

GMR Tuni Anakapalli Expressways Limited

Instrument	Amount	Rating Action
	In Rs. Crore	As on June 2016
Term Loans	130.70 (earlier Rs. 159.21 crore)	[ICRA]BBB-; Reaffirmed; outlook:stable
Non-fund Based	45.0	[ICRA]BBB-; Reaffirmed; outlook:stable

ICRA has reaffirmed the long-term rating outstanding on the Rs. 130.70 crore (earlier Rs. 159.21 crore)¹ long-term loans of GMR Tuni Anakapalli Expressways Limited (GTAEL) at [ICRA]BBB- (pronounced ICRA triple B minus)². ICRA has also reaffirmed the rating of [ICRA]BBB- (pronounced ICRA triple B minus) for the Rs. 45.0 crore non-fund based limits of GTAEL. The outlook on the long-term rating is 'stable'.

The reaffirmation of GTAEL's rating takes into account the satisfactory track record of the special purpose vehicle (SPV) which has ensured lane availability on the project stretch since operations have commenced, thus enabling it to receive fixed annuity payments from NHAI on time. The project being an Annuity road project has no exposure to traffic risk and also has low counterparty credit risk with NHAI being the annuity provider. The rating is, however, constrained by the company's weakened liquidity position post withdrawal of funds from some of the sub-accounts³ of Trust & Retention Account (replaced it with a bank guarantee of Rs. 45 crore) and advanced to group companies. As a result of this transaction, GTAEL is dependent on recovery of these advances for meeting its contractual obligations going forward. The ability of the company to timely recover these advances as and when required assumes importance, particularly when GMR group's own funding requirements are large and liquidity position is constrained. The rating continues to be constrained by GTAEL's high gearing and exposure to risks arising from reduction in annuity receivables and further increase in O&M and major maintenance expenditure.

Going forward, the company's ability to maintain full lane availability on the project stretch, restrict its expenditure within the budgeted levels, and liquidate the investments made in group companies in a timely manner in case of any contingency will be the key rating sensitivity factors. Furthermore, in the absence of funded DSRA, the timely receipt of the annuity payments from NHAI will remain crucial.

Company Profile

GMR Tuni Anakapalli Expressways Ltd (GTAEL) is an SPV promoted by the GMR Group. Earlier, United Engineers (Malaysia) Berhad (UEM) held 26% stake in the SPV which was purchased by GMR Group. NHAI awarded the concession to GTAEL 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).

GTAEL 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. 295 crore, translating into a per kilometer cost of ~Rs. 5 crore.

GTAEL reported a Profit after Tax (PAT) of Rs. 10.09 crore on an income of Rs. 59.00 crore as per the financials for FY2015-16 as compared to a PAT of Rs. 5.92 crore on an income of Rs. 58.97 crore in the previous year. It has an outstanding debt of Rs. 130.70 crore at the end of March 2016 which will be entirely paid off by FY2020.

June 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

³ Cash is withdrawn from the Debt Servicing Reserve Account (DSRA), Major Maintenance Reserve Account (MMRA), and Project Revenue Account (PRA)



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