

GMR Hyderabad Aerotropolis Limited

Instrument	Amount	Rating
	In Rs. crore	Action
Proposed fund based limits	45.00	[ICRA]BBB (Stable); Assigned

ICRA has assigned an [ICRA]BBB (pronounced ICRA triple B) rating to Rs. 45.00 crore* proposed fund based facilities of GMR Hyderabad Aerotropolis Limited (GHAL)[†]. The outlook on the long-term rating is Stable.

The assigned rating favorably factors in the strong parentage of GHAL, being a wholly-owned subsidiary of GMR Hyderabad International Airport Limited (GHIAL, rated [ICRA]A-(Stable)/A2+) and the long term lease of 20 years with a lock-in period of 5 years coupled with significant investments expected from Amazon Sellers Services Private Limited[†] (ASSPL), which mitigates the vacancy risk to an extent. The rating also takes comfort from the proposed structural features in the form of escrow mechanism and creation of DSRA which could take care of three months of interest obligation providing additional cushion. The rating also favorably factors in the shortfall undertaking provided by GHIAL to support GHAL in case of cash flow mismatches or any cash shortfall.

The rating is, however, constrained by weak coverage indicators with low cash cover net of expenses necessitating continuous dependence on sponsor for debt servicing during first few years of operations; therefore timely support from GHIAL remains critical. Given the initial stage of project development, GHAL remains exposed to project implementation risks and thus timely execution of the project remains critical given the onerous penalty clauses and loss of revenue in the event of delay which would further weaken the coverage ratios. The rating is also constrained by the client concentration risk as the facility is to be leased out to a single tenant viz. ASSPL, whose business plans in India will remain contingent on regulatory norms and overall traction in e-commerce business. ICRA notes that the financial closure for the project is yet to be achieved; ability to achieve debt sanction in a timely manner will be critical for the smooth project execution.

Company Profile

GMR Hyderabad Aerotropolis Limited is a wholly-owned subsidiary of GHIAL. Of the total land available with GHIAL, 1,500 acres is demarcated for development of 'Airport City'. Of this, 492 acres has been leased out to GHAL for commercial development including Exhibition cum Convention Center (ECC) and Theme Park. Both ECC and Theme park are currently in nascent stage. GHAL is developing a fulfilment center for ASSPL in Airport city over 19 acres totaling 400,000 sft with an estimated cost of Rs. 64.25 crore which is proposed to be funded through Rs. 19.25 crore of equity and term loan of Rs. 45 crore. The financial closure for the project is yet to be achieved.

February 2016

For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel. No. +91-124-4545847)
rohit.inamdar@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

* 100 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.

[†] Amazon Inc., the ultimate holding company of ASSPL is rated Baa1(Negative) by Moody's



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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: 9821086490

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500