

Press Release

Brickwork Ratings assigns ‘BWR AA- (SO)’ for GVK Airport Developers Pvt. Ltd.’s secured Non-Convertible Debentures Issue of ₹ 750 Crore with a tenor up to 366 days

NCD Issue Rating: BWR AA- (SO)

Outlook : Stable

Brickwork Ratings has assigned **BWR AA-(SO) [Pronounced BWR Double A minus (Structured Obligation)]** for GVK Airport Developers Private Limited’s (“GVKADPL”) proposed Secured Bond issue of ₹ 750 crore, having a tenor of 366 days. ‘**BWR AA**’ stands for an instrument that is considered to offer **HIGH** credit quality in terms of timely servicing of principal and interest obligations.

The rating has factored inter alia, the underlying security, the structured payment mechanism including the triggers for the Debenture Trustee to initiate appropriate action to protect the investor’s interest, additional security in the form of guarantee by the Holding Company - GVK Power and infrastructure Ltd., strong cash flows from the two airport companies under its operations and the management quality of the issuers.

BWR has essentially relied upon the information/ clarification provided by the issuer, Term sheet outlining the structure of the deal, valuation of collateral being provided by the issuer and audited financial results of the holding company of the promoter group, BIAL and MIAL.

GVK Airport Developers Pvt. Ltd. (GVKADPL) is a group company of Secunderabad (AP) based leading infrastructure player GVK Power and Infrastructure Ltd. (GVKPIL) and is in the business of developing and managing airports. It is currently developing and managing Mumbai’s Chatrapathi Shivaji International Airport. Another group company GVK Airport Holdings Pvt. Ltd. (GVKAHPL) is engaged in the business of investments as promoters and developers of International and domestic airport projects. Currently it holds 36.63% and 29% equity stake in Mumbai International Airport Pvt. Ltd. (MIAL) and Bangalore International Airport Limited (BIAL) respectively and is the largest stake holder in MIAL.

The Bonds will be secured by pledge of equity stake in MIAL held by the group as also pledge of the stake in BIAL acquired by GVKAHPL. The bonds would be additionally secured by the corporate guarantee of GVKPIL, the flagship company of the promoter group.

In FY10, MIAL generated total revenue of ₹ 989.72 crores with a net profit of ₹ 132.80 crores as compared to ₹ 943.79 crores and ₹ 85.28 crores respectively in FY09. The revenue consists of 40.69% aeronautical income and the balance 59.30% from non-aeronautical, cargo operations, and interest and dividend.

During September ending H1 FY11, MIAL increased its total income to ₹ 548.43 crore with a net profit of ₹ 83.97 crore as compared to ₹ 484.66 crore and ₹ 66.80 crore during the same period of the previous year.

In FY10, BIAL generated total revenue of ₹ 464.71 crores with a net profit of ₹ 77.74 crores as compared to ₹ 309.49 crores and loss of ₹ 97.03 crores respectively in FY09. However, net-worth decreased to ₹ 378.26 crores in FY10 from ₹ 384.20 crores in FY09.

During September ending H1 FY11, BIAL increased its total income to ₹ 258.71 crore with a net profit of ₹ 48.92 crore as compared to ₹ 231.56 crore and ₹ 40.97 crore during the same period of the previous year.

GVKPIL is a holding entity with three verticals-Energy, Transportation and Urban infrastructure. The company has consolidated its infrastructure assets under one roof, making it an integrated infrastructure player and has interests in various Power Generation assets (viz., Gas, Hydel and Thermal), Roads, Airports, SEZ, Coal Mines, Oil and Gas, etc. Main contributors to Company's revenue are power, roads and airport operations. Power contributed 69.07% to revenues in FY10 while roads contributed 23.35%. The rest came from other businesses. Its revenue comprises of O&M fee, incentives and dividends from its Subsidiary / Associate Companies and interest income from surplus funds.

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