

Press Release

Brickwork Ratings assigns BWR AA-(SO) rating to GVK Airport Developers Pvt. Ltd.'s secured Bond Issue of INR 690 crore or INR 6.9 billion

Bond Issue Rating	BWR AA-(SO)
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Brickwork Ratings has assigned BWR AA-(SO) (Pronounced BWR Double A minus (Structured Obligation)) for GVK Airport Developers Private Limited's ("GVKADPL") Secured Bond Issue of INR 690 crore, having a tenor of 366 days. 'BWR AA-(SO)' 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 nature and value of the securities/collateral for the Bond Issue, additional security in the form of guarantee by the Holding Company- GVK Power and infrastructure Ltd. and the management quality of the issuers.

BWR has essentially relied upon the information/ clarification provided by the issuer, valuation of collateral being provided by the issuer and audited financial results of the holding company of the promoter group.

Background

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% equity stake in Mumbai International Airport Pvt. Ltd. (MIAL) and is the largest stake holder. GVKAHPL has since acquired 12% stake in Bangalore International Airport Ltd. (BIAL) from Unique (Flughafen Zürich AG) Zurich Airport. GVKAHPL would further acquire 17% of L&T's stake in BIAL. Thus GVKAHPL stake in BIAL will go upto 29%.

GVKPIL is one of the major players in the Infrastructure industry. The group's consolidated income has slightly increased from INR 531.90 in FY08 crore to INR 533.96 crore in FY09. Its income from operation has increased from INR 469.98 crore in FY08 to INR 531.77 crore

in FY09. However other income has decreased from INR 61.92 crore in FY08 to INR 20.18 crore in FY09. PAT has decreased by 20% from INR 135.46 crore to INR 107.56 crore during the same period mainly due to increase in cost of fuel. Total borrowed funds of the Company have gone up from INR 1291 crore in FY 08 to INR 2980 crore in FY 09. Net-worth also grew from INR 2186 crore in FY08 to INR 2322.88 crore in FY09. There are negligible contingent liabilities for GVKPIL.

Details of the issue

GVKADPL, has raised about INR 690 crore through issue of secured Bonds, with a tenor of 366 days. Interest on the Bonds will be calculated on a monthly basis, and becomes payable along with the principal on maturity. The Bonds are secured by pledge of group's holdings in both the Airports. The bonds are additionally secured by the corporate guarantee of GVKPIL, the flagship company of the promoter group.

The funds will be used to refinance the existing credit facilities availed by the Company in connection with the acquisition of stake in BIAL and for general corporate purposes.

Risk Factors

Keeping in view the tenor of the instrument, the cash flow from the operations of the issuer, and the nature of collateral offered to secure the Bonds, redemption of the bonds would essentially depend on the ability of GVKADPL or the promoter group's ability to raise fresh debt or fresh equity. Enforcing the underlying securities could be time consuming and involve elaborate procedures- the pledged shares of MIAL and BIAL though valuable, cannot be liquidated immediately as they are not listed shares.

The promoters of GVK Airport Holdings Pvt. Ltd. have made a strategic move in deciding to acquire/enhance stake in BIAL as the airport already occupies a very crucial place in the Air map of the country and offers further excellent growth prospects in passenger as well as cargo traffic. While the acquisition gives the Company more say in the development and management of BIAL, it would also add greatly to the valuation of the promoter group, their reputation as a leading player in the Infrastructure Industry in the country, and future growth. These are of critical importance for the GVK group and BWR expects that the issuing company backed by its promoter group would ensure prompt redemption of the Bonds.

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Analysts

Mukesh Mahor, Lead Analyst
mukesh.m@brickworkratings.com
Phone: 1-860-425-2742

Milind Diwakar, Co-Analyst
milind.d@brickworkratings.com
Phone: 1-860-425-2742

Media

Anitha G
media@brickworkratings.com
Phone: 1-860-425-2742

Relationship contact

Ramaswamy Annam
Director - Business Development
ramaswamy@brickworkratings.com
Phone: 1-860-425-2742