March 13, 2025

GMR Hyderabad International Airport Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Working capital facilities	225.00	225.00	[ICRA]AA+ (Stable); reaffirmed
Non-convertible debentures (NCDs)	1,150.00	1,150.00	[ICRA]AA+ (Stable); reaffirmed
NCDs	840.00	840.00	[ICRA]AA+ (Stable); reaffirmed
NCDs	540.00	540.00	[ICRA]AA+ (Stable); reaffirmed
Total	**2,755.00**	**2,755.00**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the rating of GMR Hyderabad International Airport Limited (GHIAL), ICRA has taken the consolidated financials of GHIAL and its subsidiaries, namely GMR Air Cargo and Aerospace Engineering Limited (GACAEL), GMR Hyderabad Aviation SEZ Limited (GHASL), GMR Hospitality and Retail Ltd (GHRL), and GMR Hyderabad Aerotropolis Limited (GHAL). ICRA has taken into consideration, given the strong linkages of GHIAL and its subsidiaries through common management, operational linkages, track record of timely and need-based financial support, and strategic importance of its subsidiaries to GHIAL's operations.

The rating of GHIAL factors in the healthy growth in passenger traffic and strong growth in both aeronautical and non-aeronautical revenues, which are expected to sustain in the medium term. The passenger traffic is projected to increase by 15-16% to reach around 29 million in FY2025 and further rise to around 33.5 million in FY2026. Its operating income is expected to increase by more than 15% to around Rs. 2,100 crore in FY2025 and more than Rs. 2,300 crore for FY2026. The growth is supported by an increase in aeronautical revenues amid higher aeronautical tariffs, and non-aeronautical revenues amid improved spend per passenger and healthy growth in passenger traffic. Further, ICRA expects a significant growth in non-aero revenues in FY2026 and FY2027, owing to the increase in leasable area amid opening up of new terminal, addition of brands, development of additional non-aero revenue-generating assets, increase in passenger traffic and higher spend per passenger. While the yield per passenger is likely to decline in Q4 FY2026 as per the tariff order, higher growth in passenger traffic and non-aero revenues is estimated to mitigate the effect of lower aeronautical yields and support the debt coverage metrics. The tariff order for the third control period (CP3 – April 01, 2021 to March 31, 2026) was implemented from October 01, 2021 and the user development fee (UDF) will decline by an average of 8.33% in FY2026.

GHIAL's rating continues to derive strength from the regulatory framework, which allows an efficient cost recovery from the user tariff. Additionally, GHIAL's monopolistic position in its region of operations significantly mitigates the revenue concerns. However, it remains exposed to asset concentration risk. The variations in passenger traffic resulting from economic cycles, which often leads to a temporary decline in traffic, are offset by truing up the shortfall, along with returns in the subsequent regulatory period, albeit with a lag. The financial support from the Government of Telangana (GoT) in the form of interest-free loans and the modest revenue-sharing terms with the Government of India (GoI) are other comforting factors. The rating factors in the cash flow ring-fencing, the joint ownership of GHIAL by GMR Airports Limited (GAL), the Airports Authority of India (AAI) and the GoT, and the presence of nominees from AAI, GoT and Groupe ADP[1] on the company's board lends comfort.

[1] *Groupe ADP holds 32.30% of shareholding in GMR Airports Limited, which is the holding company of GHIAL*

GHIAL received a confirmation letter from the Ministry of Civil Aviation (MoCA), extending the term of the concession agreement for operating Rajiv Gandhi International Airport (RGIA) in Hyderabad, for a further period of 30 years until March 22, 2068. The long residual concession life has improved the company's financial flexibility and its refinancing ability.

GHIAL has completed the planned capex for new terminal expansion, with a total outlay of around Rs. 6,650 crore (including cost overrun of around Rs. 120 – 150 crore) in Q4 FY2024 and has opened the entire terminal for commercial use. While majority of the capex has been approved by the regulator as per the CP3 tariff order, around Rs. 669.3 crore of aeronautical revenues have been deferred to the next control period, and another Rs. 775 crore of the expansion capex has been deferred to the next control period, given that the sector was recovering from the pandemic. Although, the risk of disallowance is low, given the maturity in the regulatory regime, nevertheless, true-up of the deferred revenues and capex with no material disallowances while determining the tariffs for CP4 will be a key rating monitorable. Further, GHIAL has received a favourable order from Telecom Disputes Settlement and Appellate Tribunal (TDSAT) on considering the deferred revenue and capex of CP3, as part of tariff computation of CP4. However, AERA has appealed against the TDSAT order in the Supreme court and is currently sub-judice.

The rating action factors in the sizeable capex plans by GHIAL in the medium term. GHIAL is expected to incur significant capex of around Rs. 15,000 crore in the fourth control period (CP4, April 01, 2026 – March 31, 2031) for undertaking the construction of northern runway, along with dual elevated taxiway, northern terminal with a passenger handling capacity of 20 million passengers per annum (mppa), construction of metro stations within the airport premises and other replacement capex. GHIAL is estimated to fund the capex in a mix of 70:30 debt to equity (internal accruals) for undertaking this capex. However, the capex will be undertaken only after securing necessary approvals from stakeholders and concerned authorities, mitigating the risk of disallowance. Timely completion of the expansion capex within the budgeted costs with no material disallowance by the regulator, Airports Economic Regulatory Authority (AERA) are the key monitorables going forward. While the large debt-funded capex is likely to moderate the leverage metrics, the debt coverage metrics are expected to remain healthy.

GHIAL has bullet repayments of USD 287 million for its senior secured notes due for repayment in February 2026 and another USD 350 million notes due for repayment in October 2027. Owing to this, the debt structure remains moderate and exposes GHIAL to refinancing risk. However, ICRA believes that GHIAL will be able to refinance these bonds in a timely manner, given its strong business risk profile, exceptional financial flexibility on account of long residual concession life and healthy projected cash flows. Further, GHIAL has repayments of around Rs. 740 crore (consolidated) during FY2024-2029 (excluding the bullet repayments). In addition, the company is expected to take additional debt for the capex in CP4. Hence, the consolidated debt levels are likely to remain elevated in the medium term.

The performance of subsidiaries has been healthy with revenue growth of more than 30% in FY2024, and the same is likely to improve by more than 25% in FY2025. The subsidiaries are estimated to incur a capex of around Rs. 600 crore over the next 2-3 years, majorly for the construction of a new hotel, interchange facility (retail mall) and the expansion of the cargo terminal. The same is expected to be funded by a mix of debt and internal accruals. Further, all the subsidiaries are self-sufficient and no major support from GHIAL is envisaged for the capex program. However, if any support is required, GHIAL would infuse the requisite funds in a timely manner.

GHIAL has paid out 75% of the share capital as dividend in FY2025, amounting to Rs. 283.50 crore and dividends of Rs. 756 crore is expected to be given in FY2026 and FY2027. Nevertheless, prior to the payment of dividends, GHIAL's cash flow would be assessed so that sufficient cash flows are available for debt service payments, capital expenditure, operating expenditure and maintenance of minimum cash balances of Rs. 500 crore at all times. The rating factors in the funding support provided by GHIAL to various group companies. In the past, the company extended a total of Rs. 200 crore in inter-corporate deposits (ICDs) to support the group entities. ICRA is given to understand that these ICDs are likely to be recovered by FY2027. Any significant incremental loans and advances or financial assistance to the group companies or higher-than-expected dividends adversely impacting its liquidity position will be a credit negative. Moreover, any material incremental exposure to weaker credits as treasury investments will be a credit negative.

The Stable outlook on the rating reflects ICRA's opinion that GHIAL's credit profile will be supported by an improved cash flow position, driven by healthy growth in passenger traffic, robust growth in operating income and improved operating margins.

Key rating drivers and their description

Credit strengths

Strong competitive position and monopoly position in its region of operations – Rajiv Gandhi International Airport, operated by GHIAL, is the only airport in the Hyderabad city and is the major international airport for Telangana and Andhra Pradesh, with a passenger handling capacity of 34 mppa. It has a monopoly position in its area of operations. The rating is supported by the competitive position of the airport amid the favourable demographics of the city/state, presence of large IT economy and strong business travel. Its strong position and regulatory framework allow efficient cost recovery from user tariff, mitigating the revenue concerns. The variation in passenger traffic resulting from economic cycles, which often lead to a temporary decline in traffic, is offset by truing up the shortfall, along with returns in the subsequent regulatory period, albeit with a lag.

Healthy increase in passenger traffic and revenues to result in improved cash flow position – The passenger traffic is projected to increase by 15-16% to reach around 29 million in FY2025 and further rise to around 33.5 million in FY2026. GHIAL's operating income is expected to increase by more than 15% to around Rs. 2,100 crore in FY2025 and more than Rs. 2,300 crore for FY2026. The growth is supported by upsurge in aeronautical revenues amid higher aeronautical tariffs, and non-aeronautical revenues amid improved spend per passenger and healthy growth in passenger traffic. Further, ICRA expects a significant increase in non-aero revenues in FY2026 and FY2027, owing to the increase in leasable area amid opening up of new terminals, addition of brands, development of additional non-aero revenue generating assets, growth in passenger traffic and higher spend per passenger. While the yield per passenger is likely to decline in Q4 FY2026 as per CP3 tariff order, the higher growth in passenger traffic and non-aero revenues is anticipated to mitigate the effect of lower aeronautical yields and support the debt coverage metrics.

Extension in terms of concession resulted in improved financial flexibility – GHIAL received a letter of confirmation from the Ministry of Civil Aviation (MoCA), extending the term of the concession agreement to operate Rajiv Gandhi International Airport (RGIA) in Hyderabad, for a further period of 30 years until March 22, 2068. The long residual concession life has improved the company's financial flexibility and its refinancing ability. Further, no new airport can commence operations within an aerial distance of 150 km of GHIAL before the twenty-fifth anniversary of the airport opening date, i.e., 2033 supports its credit profile.

Ring-fenced cash flows and modest revenue sharing – The cash flow ring-fencing, joint ownership of GHIAL by GMR Airports Limited, along with AAI and GoT, and nominees from AAI, GoT and Groupe ADP on GHIAL's board provide comfort to the rating. It has received financial support from GoT in the form of development grants and interest-free loans with deferred payment terms. The modest revenue share of 4% with the GoI also supports the cash flows and its credit profile.

Credit challenges

Exposure to risks associated with large debt-funded proposed capex; risks associated with disallowance of capex and tariff determination – GHIAL is expected to incur significant capex of around Rs. 15,000 crore in CP4 for undertaking the construction of northern runway, along with dual elevated taxiway, northern terminal with a passenger handling capacity of 20 mppa, construction of metro stations within the airport premises and other replacement capex. GHIAL is estimated to fund the capex in a mix of 70:30 debt to equity for undertaking this capex. However, the capex will be undertaken only after securing the necessary approvals from stakeholders and concerned authorities mitigating the risk of disallowance. Timely completion of expansion capex within the budgeted costs with no material disallowance by the AERA are key monitorables going forward. While the large debt-funded capex is likely to moderate the leverage metrics, the debt coverage metrics are expected to remain healthy.

GHIAL has completed the planned capex for new terminal expansion, with a total outlay of around Rs. 6,650 crore (including cost overrun of around Rs. 120 – 150 crore) in Q4 FY2024 and has opened the entire terminal for commercial use. While majority of the capex has been approved by the regulator as per the CP3 tariff order, around Rs. 669.3 crore of aeronautical revenues have been deferred to the next control period, and another Rs. 775 crore of the expansion capex has been deferred to the next control period, given that the sector was recovering from the pandemic. Although, the risk of disallowance is low, given the maturity in the regulatory regime, nevertheless, true-up of the deferred revenues and capex with no material disallowances while determining the tariffs for CP4 will be the key rating monitorable. Notwithstanding this, the projected cash flows and debt service metrics are expected to remain comfortable. Further, GHIAL has received a favourable order from Telecom Disputes Settlement and Appellate Tribunal (TDSAT) on considering the deferred revenue and capex of CP3, as part of tariff computation of CP4. However, AERA has appealed against the TDSAT order in the Supreme court and is currently sub-judice.

Moderate debt structure; exposed to refinancing risk; though financial risk is partly mitigated by strong business position and long concession period – GHIAL has bullet repayments of USD 287 million senior secured notes due for repayment in February 2026 and another USD 350 million notes due for repayment in October 2027. Owing to this, the debt structure remains moderate and exposes GHIAL to refinancing risk. However, ICRA believes that GHIAL will be able to refinance these bonds in a timely manner, given its strong business risk profile, exceptional financial flexibility on account of long residual concession life and healthy projected cash flows. Further, GHIAL has repayments of around Rs. 740 crore (consolidated) during FY2024-2029 (excluding the bullet repayments). In addition, the company is expected to take additional debt for the capex in CP4. Hence, the consolidated debt levels are likely to remain elevated in the medium term.

Funding support to Group companies – In FY2020 and FY2021, the company extended a total of Rs. 200 crore in inter-corporate deposits (ICDs) to support the group entities (outside of its consolidated profile). ICRA is given to understand that these ICDs are likely to be recovered by FY2027. Any significant incremental loans and advances or financial assistance to the group companies or higher-than-expected dividends will be a key rating sensitivity.

Liquidity position: Adequate

The company's liquidity position is adequate, with an assignable cash balance of Rs. 790.7 crore (excluding proceeds earmarked for capex of Rs. 371.1 crore as on February 28, 2025). Additionally, it has cushion of Rs. 150 crore of working capital limits as on February 28, 2025. GHIAL has low debt repayment obligations in FY2025, which can be serviced comfortably from its estimated cash flow from operations. It has foreign currency bond repayments of around Rs. 2,000 crore in FY2026 and the same is expected to be refinanced in a timely manner.

Rating sensitivities

Positive factors – Significant improvement in non-aero revenue share while sustaining robust debt coverage metrics supports rating upgrade. Further, improvement in debt structure while improving the liquidity position remains crucial for rating upgrade.

Negative factors – Pressure on GHIAL rating could arise if the traffic is significantly lower than ICRA base case assumptions or if there is significant decline in non-aero revenues, adversely impacting its debt coverage metrics on a sustained basis. Any incremental treasury investments in weaker credits, or incremental loans to group companies or non-adherence to debt structure, adversely impacting its liquidity position will be credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Airports
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of GHIAL. As on March 31, 2024, the company had four subsidiaries, which are enlisted in Annexure-II.

About the company

GHIAL operates the Rajiv Gandhi International Airport at Shamshabad, in Hyderabad. It commenced commercial operations on March 23, 2008. The company's sponsors include GMR Airports Limited (74% holding), Airports Authority of India (AAI) (13%), and the Government of Telangana (13%). GHIAL has a 30-year concession for the development, maintenance, and operation of the Shamshabad airport starting from March 2008. In May 2022, GHIAL has received an extension in concession period till March 22, 2068. The airport was constructed at a total cost of Rs. 2,920 crore, with an initial handling capacity of 12 million passengers per annum. The company recently increased its capacity to 34 million in 2024.

Key financial indicators (audited)

GHIAL (consolidated) - As per IndAS accounting	FY2023	FY2024
Operating income	1910.8	2718.3
PAT	101.8	378.1
OPBDIT/OI	39.9%	48.4%
PAT/OI	5.3%	13.9%
Total outside liabilities/Tangible net worth (times)	7.2	6.2
Total debt/OPBDIT (times)	11.7	7.2
Interest coverage (times)	1.9	2.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: The company faces prepayment risk, given the possibility of debt acceleration upon exercise of put option by the debenture holders in the event the revised spread on the NCDs is not acceptable upon revision of spread post five years of issuance. Nevertheless, GHIAL shall have 120 days to refinance the debt of the dissenting debenture holders, and the strong financial flexibility of the company provides comfort.

Rating history for past three years

	Instrument	Current rating (FY2025)		Chronology of rating history for the past 3 years							
		Type	Amount rated (Rs. crore)	FY2025	FY2024		FY2023				FY2022
				Mar 13, 2025	Mar 13, 2024	Jan 03, 2024	Mar 01, 2023	Dec 16, 2022	Dec 02, 2022	Jul 29, 2022	Dec 31, 2021
1	Long term - Working capital facilities	Long term	225.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Negative)
2	NCDs	Long term	1,150.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-
3	NCDs	Long term	840.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-
4	NCDs	Long term	540.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-	-
5	Proposed NCDs	Long term	-	-	-	[ICRA]AA+ (Stable); Withdrawn	-	-	-	-	-
6	Unallocated limits	Long term	-	-	-	-	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Negative)
7	Proposed NCDs	Long term	-	-	-	-	[ICRA]AA (Positive)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Working capital facilities	Simple
NCD	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term – Working capital facilities**	NA	NA	NA	225.00	[ICRA]AA+ (Stable)
INE802J07019	**NCDs**	Dec 13, 2022	9.1% (p.a.)	Dec 13, 2032	1,150.00	[ICRA]AA+ (Stable)
INE802J07027	**NCDs**	Mar 13, 2023	9.0% (p.a.)	Mar 11, 2033	840.00	[ICRA]AA+ (Stable)
INE802J07035	**NCDs**	Mar 28, 2024	8.9% (p.a.)	Mar 28, 2034	540.00	[ICRA]AA+ (Stable)

Source: Company;

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	GHIAL ownership	Consolidation approach
GMR Hyderabad Aerotropolis Limited	100%	Full Consolidation
GMR Hyderabad Aviation SEZ Limited	100%	Full Consolidation
GMR Air Cargo and Aerospace Engineering Limited	100%	Full Consolidation
GMR Hospitality and Retail Limited	100%	Full Consolidation

Source: GHIAL, ICRA Research

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