

January 31, 2024

AI Assets Holding Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture (NCD) Programme	14,985.0	14,985.0	[ICRA]AAA(CE) (Stable); reaffirmed
Total	14,985.0	14,985.0	

Rating Without Explicit Credit Enhancement

[ICRA]BB

*Instrument details are provided in Annexure-I

Note 1: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The reaffirmation of rating for the non-convertible debenture (NCD) programmes of AI Assets Holding Limited (AIAHL) continues to factor in the irrevocable and unconditional guarantee from the Government of India (GoI) through the Ministry of Civil Aviation that would cover all obligations that may arise on the rated NCDs. The rating also factors in the payment mechanism designed to ensure payment on the rated NCDs as per the terms of the transaction. ICRA notes the demonstrated track record of funding support from the GoI so far, with respect to servicing the coupon payments and redemption of NCDs. Further, the repayment of principal and interest payment for these borrowings shall be made by the GoI, by making suitable provisions in the budget of the Ministry of Civil Aviation. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, GoI.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach whereby the rating of the guarantor has been translated into the rating of the said instrument. The guarantee is legally enforceable, irrevocable and unconditional, and covers the entire amount and tenor of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by the GoI is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AAA (CE) against the Unsupported Rating of [ICRA]BB.

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » The guarantee is unconditional, absolute, irrevocable, continuing one and shall remain in full force and effect until the full and final discharge of the obligations of the company.
- » GoI, as a principal debtor, undertakes to pay principal and interest accrued and payable on the NCDs on respective due dates.
- » Defined payment mechanism (including guarantee invocation mechanism) is part of the terms, to ensure that dues of the NCDs are payable in a timely manner.
- » GoI undertakes to continue to hold 100% shareholding of Air India Assets Holding Limited (AIAHL), during the tenor of the NCDs.

Key rating drivers and their description

Credit strengths

Guarantee from the GoI - The rating for the Rs. 14,985-crore NCDs is based on the strength of the unconditional and irrevocable guarantee from GoI and that the repayment of principal and interest payment for these borrowings shall be made by the GoI, by making suitable provisions in the budget of the Ministry of Civil Aviation.

The GoI had made provisions for Rs. 1144.49 crore in the FY2024 budget (Budget Estimates) for AIAHL, towards coupon payments and administrative expenses.

Payment mechanism is in/to be in place to ensure timely payments - A trustee-monitored payment mechanism is in place to ensure the timely payment of the interest and principal obligations on the Rs. 14,985-crore NCD programme. The company has opened a no lien designated account, to be exclusively used for servicing the liability towards the rated NCDs.

Payment mechanism for the Rs. 14,985-crore NCD programme

Trigger Date	Action Points
T-45	The Trustee shall within 45 days before each Due Date inform the Company in writing regarding the Due Date and adequate funds which shall mean such amounts in the Designated Account, as may be required for the full repayment of principal and interest due on the relevant due date in terms of the repayment schedule in the Information Memorandum (IM) and such adequate funds shall include any amounts derived from the Air India Monetisation Escrow account and/or the GoI through the Ministry of Finance (MoF) in terms of the letter of assurance dated June 18, 2019. The Company shall ensure that Adequate Funds are available in the Designated Account latest by 30 calendar days before the Due Date
T-30	If the Designated Account does not have Adequate Funds on or before 30 days prior to the Due Date, it shall constitute an Event of Default
T-29	Trustee shall intimate the GoI about the Event of Default. However, any failure on the part of the Trustee to send intimation to GoI shall not prejudice the right of the Trustee to invoke the Guarantee
T-8 working days	If default continues up to eight working days before the Due Date, the Trustee shall invoke the Guarantee by sending a Notice to GoI. Upon receipt of Notice from the Trustee, GoI shall transfer into the Designated Account by the Guarantor's Payment Date (that is a date not later than seven working days from the Date of Notice or at least one working day prior to Due Date, whichever is earlier), Adequate Funds as notified by the Trustee in the Notice
T-1 working day	GoI has to fund the Designated Account for payment of interest and/or Principal
T	Due Date for Payment of Interest/Principal

Credit challenges

Not Applicable

Liquidity position:

GoI (the Guarantor): Superior

The ratings for the Rs. 14,985-crore NCDs are based on the unconditional, irrevocable and continuing guarantee from the GoI that would cover all the repayment obligations to the NCD holders. ICRA expects servicing of debt through budgetary provision and the trustee-controlled payment mechanism such that adequate funds are made available by the GoI to service debt obligations in a timely manner.

AI Assets Holding Limited: Adequate

The company receives/is expected to receive timely grants/infusion for servicing of interest and principal obligations from the GoI, apart from its rental income from properties identified to be transferred to AIAHL. As the grants/infusion are matched with the debt obligations falling due, the liquidity profile remains adequate for the entity.

Rating sensitivities

Positive factors – Not applicable

Negative factors – For the [ICRA]AAA(CE) (Stable) rating on the Rs. 14,985-crore NCD Programme: Pressure on AIAHL's rating could arise in case of failure of relevant stakeholders to adhere to the NCD structure.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third party explicit support
Parent/Group support	The rating for the Rs. 14,985-crore NCDs is based on the unconditional, irrevocable and continuing guarantee from the GoI that would cover all the repayment obligations to the NCD holders.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

AI Assets Holding Limited (AIAHL) was incorporated with 100% shareholding held by the Government. The entity is a special purpose vehicle (SPV) formed for acquiring the following from Air India Limited:

- Its shares held in AI Airport Services Limited (AIASL), Alliance Air Aviation Limited (AAAL), AI Engineering Services Limited (AIESL) and Hotel Corporation of India Limited (HCI). HCI, AIASL, AAAL and AIESL were transferred to AIAHL in FY2022 and are now wholly-owned subsidiaries of the company.
- Paintings, artefacts and other non-operational assets as may be decided by AIL and the GoI
- Non-core assets as may be decided by AIL and the GoI
- Immoveable properties whether leasehold or freehold
- Accumulated working capital loans not backed by any asset, and
- Other assets/liabilities or of its subsidiaries, as may be decided by AIL/ GoI

Based on the meeting held on May 30, 2019, by the Ministry of Finance, it was decided that the SPV would raise finances in the following manner to refinance the identified debt of AIL amounting to Rs. 29,464.0 crore:

- NCD of Rs. 7,400.0 crore to be novated to AIAHL against GoI guarantee
- Issue of GoI fully-serviced bonds for Rs. 7,000.0 crore against LoA
- Issue of bonds worth Rs. 15,064.0 crore with full Government Guarantee for the payment of interest and principal thereof

Accordingly, AIAHL had raised funds through bonds of Rs. 21,985.0 crore to repay the working capital and aircraft loans of AIL. The above NCD amounting to Rs.7,400.0 crore was redeemed at a premium in FY2022. Further, the GoI fully-serviced bonds for Rs. 7,000.0 crore were redeemed at par on maturity in FY2023.

ICRA has assessed the credit profile of the company without the credit enhancement based on the audited financials of FY2022 and provisional numbers for FY2023, as the audited accounts for FY2023 are still not ready.

Key financial indicators (audited)

AIAHL Standalone	FY2022	FY2023*
Operating income [^]	1707.0	582.9
PAT	(1057.5)	(551.2)
OPBDIT/OI	98.9%	45.1%
PAT/OI	(61.9%)	(94.5%)
Total outside liabilities/Tangible net worth (times)	(3.62)	(225.09)
Total debt/OPBDIT (times)	13.01	57.00
Interest coverage (times)	0.56	0.18

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore

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

[^] Operating income includes Government Grants and Rental income as the company is a SPV having no commercial activities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
				Jan 31, 2024	Jan 31, 2023	Jan 31, 2022	Jul 20, 2021	Feb 02, 2021
1 NCD Programme	Long-term	14,985.0	14,985.0	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)
2 GoI Fully Serviced Bonds	Long-term	-	-	-	[ICRA] AAA (Stable); Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3 Proposed NCD Programme	Long-term	-	-	-	-	-	Provisional [ICRA]AAA(CE) (Stable); Withdrawn	Provisional [ICRA]AAA(CE) (Stable);

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Convertible Debenture	Very 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](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0AED08029	NCDs	14-Oct-2019	7.39%	12-Oct-2029	7,000.0	[ICRA]AAA(CE) (Stable)
INE0AED08037	NCDs	22-Oct-2019	7.39%	22-Oct-2029	7,985.0	[ICRA]AAA(CE) (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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