

May 30, 2025

GMR Hospitality and Retail Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|--------------------------------------|-------------------------------------|------------------------------------|
| Non-convertible debentures (NCD) | 133.00 | 133.00 | [ICRA]AA+(CE) (Stable); reaffirmed |
| Long-term – Fund-based – Working capital facility (Cash credit) | 5.00 | 5.00 | [ICRA]AA (Stable); reaffirmed |
| Total | 138.00 | 138.00 | |

Rating Without Explicit Credit Enhancement

[ICRA]AA

*Instrument details are provided in Annexure-I

Note: 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

For the [ICRA]AA+ (CE) (Stable) rating

The rating reaffirmation for the Rs. 133-crore non-convertible debentures (NCDs) is based on the strength of the corporate guarantee extended by GMR Hyderabad International Airport Limited (GHIAL, rated [ICRA] AA+ (Stable)), the parent of GHRL. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor (GHIAL).

For arriving at the rating of GHIAL, ICRA has consolidated the financials of GHIAL and its subsidiaries, namely GMR Air Cargo and Aerospace Engineering Limited, GMR Hyderabad Aviation SEZ Limited, GHRL, and GMR Hyderabad Aerotropolis Limited. ICRA has taken into consideration 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 GHRL to GHIAL's operations. ICRA has taken a note of the presence of cross-default clauses in the loan agreements of GHIAL as well as GHRL, which further strengthens the linkages.

Adequacy of credit enhancement

The rating for the Rs. 133-crore NCDs is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said instrument. The corporate guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a pre-default invocation and a well-defined payment mechanism. Given these attributes, the credit substitution approach has been applied for assigning the final ratings for the NCDs and the guarantee provided by GHIAL is adequately strong enough to result in an enhancement in the rating of the said instrument to [ICRA]AA+ (CE) against the rating of [ICRA]AA without explicit credit enhancement. If the rating of the guarantor were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well.

Salient covenants of the NCD facility

- » Net debt /EBITDA to not exceed 4.0 times;
- » Debt service coverage ratio (DSCR) to be greater than 1.15 times during the tenure of the rated facility;

- » During the tenor of the NCDs, the guarantor shall directly or indirectly hold 100% of the shareholding and ensure management control at all times;
- » Restricted payments clause for payment of dividends, extension of investments/loans/advances, etc, in the event the financial covenants are not fully complied with, and stipulated reserves are not maintained, among others.

For [ICRA]AA (Stable) rating

The rating reaffirmation for GHRL factors in the strong credit profile of the parent, GHIAL, along with the healthy improvement in GHRL's earnings profile. The rating favourably notes GHRL's close operational and financial linkages with GHIAL, given the common management and track record of timely financial support from GHIAL. The rating considers the healthy operating profile of the 292-key hotel at the Hyderabad International Airport, wherein the hotel division revenues increased to Rs. 112.3 crore in FY2025 from Rs. 102.4 crore in FY2024, driven by improvement in occupancy and rentals, which is expected to sustain in the near term. Further, the operating margins remained stable at around 39% in FY2024 and FY2025. Going forward, the operating revenues and margins of the hotel division are likely to improve with improvement in occupancy and rentals. GHRL has started the operations of the transit hotel in Q1 FY2025 and ramp-up in occupancy levels of the transit hotel remain a key rating monitorable. GHRL also has concession rights for duty-free operations at the Hyderabad International Airport and the concession is expected to end by July 2025. Post this, GMR Airports Limited (GAL) is likely to take over the duty-free operations at GHIAL. GHRL will transfer the fixed assets and inventory of duty-free division to GAL and in lieu of that, GHRL is expected to receive more than Rs. 90 crore. GHRL's leverage (total debt to OPBDITA) and interest coverage ratio are projected to marginally moderate to around 2.8 times and 4.2 times in FY2026 from 2.2 times and 4.8 times in FY2025, respectively, majorly on account of lower operating revenues and profits, with GHRL no longer undertaking duty-free operations at Hyderabad International Airport. Nevertheless, the leverage and coverage metrics remain comfortable.

The rating strengths are, however, offset by the inherent cyclicity and seasonality in the hospitality industry, which exposes GHRL's revenues to risks associated with economic slowdown and exogenous shocks as witnessed in the past. At present, it is undertaking a capex with an outlay of Rs. 225 crore, funded through the cash available and internal accruals, towards the construction of a second hotel near the airport, operational capex and renovation of convention centre. Timely completion of these projects with a healthy ramp-up in occupancy levels will be a key rating monitorable.

The Stable outlook reflects ICRA's expectation that GHRL will benefit from the steady occupancy levels and healthy operating profile of its hotel resulting in comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Corporate guarantee from a strong sponsor with demonstrated track record of financial support – The rating takes support from the strong credit profile of the sponsor – GHIAL (rated [ICRA]AA+ (Stable)). GHRL has close operational and financial linkages with GHIAL, given the common management and track record of timely financial support. The rating for the NCDs is based on the strength of the unconditional and irrevocable corporate guarantee provided by GHIAL.

Healthy improvement in earnings profile and comfortable coverage metrics – The revenues of the hotel division increased by 10% to Rs. 112.3 crore in FY2025 from Rs. 102.4 crore in FY2024 owing to improvement in occupancy and rentals. Further, the operating margins remained stable at around 39% in FY2024 and FY2025. Going forward, the operating revenues and margins of the hotel division are expected to improve with increase in occupancy and rentals. GHRL's leverage (total debt to OPBDITA) and interest coverage ratio are projected to marginally decline to around 2.8 times and 4.2 times in FY2026 from 2.2 times and 4.8 times in FY2025, respectively, majorly on account of lower operating profits, with GHRL no longer undertaking duty-free operations at Hyderabad International Airport. Nevertheless, the leverage and coverage metrics remain comfortable.

Credit challenges

Inherent cyclicity and seasonality in hospitality industry – The company is exposed to the inherent cyclicity and seasonality in the hospitality industry, which exposes GHRL's revenues to risks associated with economic slowdown and exogenous shocks. However, healthy passenger traffic should support sequential improvement in its financial metrics in the medium term.

Liquidity position

GMR Hyderabad International Airport Limited (Guarantor): 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 a 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.

GMR Hospitality and Retail Limited: Adequate

GHRL's liquidity position is adequate with unencumbered cash balance and liquid investments Rs. 65.3 crore as on March 31, 2025. The company has low repayment obligation of Rs. 3.7 crore in FY2026 and Rs. 4.9 crore in FY2027, which can be comfortably serviced through its estimated cash flow from operations. Further, the company has sanctioned fund-based working capital facility of Rs. 5 crore, the utilisation of which has remained nil as on March 31, 2025. It has capex plans of around Rs. 225 crore over the next 2-3 years, which are expected to be funded largely by available liquidity and internal cash accruals.

Rating sensitivities

For the [ICRA]AA+ (CE) (Stable) rating

Positive factors – ICRA could upgrade the rating if there is an improvement in the credit profile of the guarantor, GHIAL.

Negative factors – ICRA could downgrade the rating if there is any deterioration in the credit profile of the guarantor, GHIAL.

For the [ICRA]AA (Stable) rating

Positive factors – ICRA could upgrade the rating if there is a significant improvement in scale and earnings, while maintaining robust debt protection metrics, on a sustained basis, and improvement in the credit profile of the parent.

Negative factors – The rating could be downgraded if the credit profile of the guarantor deteriorates or the linkage with the parent company GHIAL weakens, or if there is any significant decline in the earnings of the company, adversely impacting its liquidity position on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Rating Methodology for Entities in the Hotel Industry |
| Parent/Group support | Parent Support – GHIAL. The ratings factor in the expected financial support from GHIAL to GHRL to protect its reputation from the consequence of a subsidiary's distress. GHIAL has provided an unconditional and irrevocable guarantee. |
| Consolidation/Standalone | The ratings are based on the company's standalone financial profile |

About the company

GMR Hospitality and Retail Limited (GHRL), a 100% subsidiary of GHIAL, owns and operates a five-star business hotel at GMR Hyderabad Airport, within 2 km from the passenger terminal. The hotel division was initially a part of GHIAL and was subsequently demerged into GHRL w.e.f. April 01, 2009. The hotel is being managed by the Accor Group under the Novotel brand. Further, GHRL has started the operations of a transit hotel within the airport premises from Q1 FY2025. The entity also has concession for operating duty-free outlets at the international arrivals/departures of GHIAL. However, GHRL's duty-free concession will expire in July 2025, post which GAL will take over the duty-free operations at GHIAL.

Key financial indicators (audited)

| | FY2023 | FY2024 | FY2025* |
|--|--------|--------|---------|
| Operating income | 305.0 | 395.5 | 490.4 |
| PAT | 50.7 | 32.8 | 43.2 |
| OPBDIT/OI | 19.0% | 14.9% | 13.8% |
| PAT/OI | 16.6% | 8.3% | 8.8% |
| Total outside liabilities/Tangible net worth (times) | 1.5 | 1.2 | 1.0 |
| Total debt/OPBDIT (times) | 2.7 | 2.6 | 2.2 |
| Interest coverage (times) | 4.4 | 3.5 | 4.8 |

Source: Company, ICRA Research; * Provisional numbers; 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 NCD structure has a put option available for the lenders within 120 days from the end of the fifth and tenth year from the date of allotment of NCDs, which if materialises, could expose the company to refinancing risk. Further, deterioration of credit rating of the NCDs to below investment grade, will be construed as an event of default. Consequently, the debentures will be called for redemption, which if materialises, could expose the company to refinancing risk.

Rating history for past three years

| Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | | |
|------------------------------|-------------------------|--------------------------|-------------------------|---|-------------------------------------|------------------------|--|------------------------|
| | Type | Amount rated (Rs. crore) | May 30, 2025 | Date & rating in FY2025 | Date & rating in FY2024 | | Date & rating in FY2023 | |
| | | | | May 31, 2024 | Mar 05, 2024 | Jan 12, 2024 | Dec 16, 2022 | Jul 29, 2022 |
| 1 Term loans | Long term | 0.0 | - | [ICRA]AA (CE) (Stable); withdrawn | [ICRA]AA (CE) (Stable) | [ICRA]AA (CE) (Stable) | [ICRA]AA (CE) (Positive) | [ICRA]AA (CE) (Stable) |
| 2 Working capital facilities | Long term | 5.0 | [ICRA]AA (Stable) | [ICRA]AA (Stable) | [ICRA]AA (Stable) | [ICRA]AA (Stable) | [ICRA]AA(CE) (Stable) withdrawn and [ICRA]AA- (Stable) assigned simultaneously | [ICRA]AA (CE) (Stable) |
| 3 NCD | Long term | 133.0 | [ICRA]AA+ (CE) (Stable) | [ICRA]AA+ (CE) (Stable) | Provisional [ICRA]AA+ (CE) (Stable) | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term – Fund-based – Working capital facility (Cash credit) | Simple |
| Long-term – 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 Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------------------|---|------------------|-------------|----------------|--------------------------|----------------------------|
| - | Long-term – Fund-based – Working capital facility (Cash credit) | NA | NA | NA | 5.00 | [ICRA]AA (Stable) |
| INE984M07019 | NCD | March 28, 2024 | 8.71% | March 31, 2038 | 123.40 | [ICRA]AA+ (CE) (Stable) |
| Yet to be placed | NCD | NA | NA | NA | 9.60 | [ICRA]AA+ (CE) (Stable) |

Source: GHRL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Ashish Modani

+91 20 6169 3300

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

Vinay Kumar G

+91 40 6939 6424

vinay.g@icraindia.com

M Rajashekar Reddy

+91 40 6939 6423

m.rajashekarreddy@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.