

December 16, 2025

GMR Air Cargo and Aerospace Engineering Limited (formerly GMR Aerospace Engineering Limited): Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Term loan	276.00	225.00	[ICRA]AA+ (CE) (Stable); reaffirmed
Long-term – Fund-based - Term loan	-	123.00	[ICRA]AA+ (CE) (Stable); assigned
Long-term – Fund-based - Working capital facilities	60.00	60.00	[ICRA]AA+ (CE) (Stable); reaffirmed
Long-term – Non-fund based - Working capital facilities	100.00	100.00	[ICRA]AA+ (CE) (Stable); reaffirmed
Total	436.00	508.00	

Rating Without Explicit Credit Enhancement	[ICRA]AA
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*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. It 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

ICRA has reaffirmed the rating for the term loan-I facility¹ and working capital facility and assigned the rating for term loan-II facility² of GMR Air Cargo and Aerospace Engineering Limited (GACAEL) based on the strength of corporate guarantee agreements provided by GMR Hyderabad International Airport Limited (GHIAL, rated [ICRA]AA+ (Stable)), the parent of GACAEL. The agreement has post-default invocation and a well-defined payment mechanism in the corporate guarantee deed. 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 GACAEL, GMR Hyderabad Aviation SEZ Limited (GHASL), GMR Hospitality and Retail Limited (GHRL) and GMR Hyderabad Aerotropolis Limited (GHAL). ICRA has considered the strong linkages of GHIAL and its subsidiaries through common management, operational linkages, track record of timely and need-based financial support and the strategic importance of GACAEL to GHIAL's operations. ICRA notes the presence of cross-default clauses in the loan agreements between GHIAL and GACAEL, which further strengthens the linkages.

Adequacy of credit enhancement

The corporate guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, along with post-default invocation and a well-defined payment mechanism. Given these attributes, the guarantee provided by GHIAL is 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. In case the rating of the guarantor or the unsupported rating of GACAEL were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this instrument may undergo a change in a scenario whereby, in ICRA's assessment there is a change in the strength

¹ Term loan-I facility refers to the Rs. 300 crore of debt availed from National Investment and Infrastructure Fund Infrastructure Finance Limited (NIIF IFL), of which Rs. 224.5 crore is outstanding as on September 30, 2025.

² Term loan-II facility refers to the Rs. 123 crore of debt sanctioned from Exim Bank.

of the business linkages between the guarantor and the rated entity, a change in the reputation sensitivity of the guarantor to a default by the rated entity, or a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facilities

- » Debt service reserve (DSR) of six months (principal + interest) for term loan-I facility and three months (principal + interest) for term loan-II facility
- » At any point of time, minimum DSCR shall be ≥ 1.15 times for term loan-I facility and should be ≥ 1.25 for term loan-II facility.
- » The maximum long-term debt/EBITDA shall not exceed 7.0 times at any point of time for term loan-I facility and shall not exceed 5.0 times as on March 31, 2028, and annually thereafter for term loan-II facility
- » Fixed asset coverage ratio shall not fall below 1.25 times at any point of time during the currency of term loan-II facility.
- » During the tenure of the loan, the guarantors will not, without banks' permission, formulate any scheme of amalgamation/reconstitution or change in management control.
- » Investments in debt mutual funds schemes with a minimum rating of AA/A1+ or an equivalent rating by rating agency or fixed deposits with a bank with a minimum rating of AA or an equivalent rating by rating agency
- » Restricted payments clause for payment of dividends, extension of loans, etc.

Key rating drivers and their description

Credit strengths

Strong sponsor with demonstrated track record of financial support – The rating takes support from the strong profile of the sponsor, GHIAL. GACAEL has close operational and financial linkages with GHIAL, given the common management and track record of timely financial support. The rating for the term loan and working capital facility is based on the strength of the unconditional and irrevocable corporate guarantee provided by GHIAL.

Healthy growth in revenues and profitability, which is expected to sustain in the medium term – GACAEL's operating income (OI) recorded robust growth of over 60% in FY2025, driven by strong performance in both the maintenance, repair and overhaul (MRO) and cargo divisions, which grew by 68% and 48%, respectively. The MRO division's revenue improved to Rs. 531.05 crore in FY2025 from Rs. 316.75 crore in FY2024, supported by higher occupancy levels, the addition of new clients and one-time revenue from Go Air. This segment is expected to maintain healthy growth in the medium term, aided by sustained demand for MRO services amid significant aircraft capacity expansion planned by Indian airlines and requirement of regular service checks. Similarly, cargo volumes grew strongly in FY2025, with international cargo volumes increasing by 28% amid the Red Sea crisis. Combined with a hike of 20% in tariff rates in FY2025, cargo revenue surged by 48% to Rs. 223.01 crore in FY2025 from Rs. 150.24 crore in FY2024. Going forward, cargo revenues are expected to increase further in FY2026, supported by continued growth in volumes and a 20% tariff increase under the Control Period 3 (CP3, April 01, 2021 – March 31, 2026) tariff order, effective from May 1, 2023. With positive growth prospects for both divisions, GACAEL's overall revenue is expected to grow at around 6-7% year-on-year over the next 2-3 years.

Operating margins improved significantly to 34% in FY2025 from 24% in FY2024, primarily due to higher margins in the MRO division, driven by improved hanger utilisation and strong demand. Cargo margins also strengthened on the back of increased international volumes and tariff hikes. Going forward, operating margins are expected to remain healthy at around 30% in the near term, supported by robust demand for MRO services and increase in tariffs for the cargo division.

Credit challenges

Vulnerability to fluctuations in cargo volumes at Hyderabad Airport – GACAEL’s cargo operations remain susceptible to fluctuations in volumes at the Hyderabad International Airport. The cargo volumes depend on global economic conditions, and any slowdown in global trade could adversely impact the company’s operations. Further, the cargo business is expected to face competition going forward, with a second cargo operator to start operations in Q4 FY2026 and any significant impact on account of the same remains a key rating monitorable.

Debt-funded capex plans likely to result in moderation of leverage and coverage metrics in medium term – GACAEL has large capex plans, for both MRO and cargo divisions during FY2026-FY2028 of around Rs. 350-400 crore, which is expected to be funded by a mix of debt and internal accruals. The capital expenditure is towards the expansion of cargo terminal, installation of additional hangars, tooling, hanger doors and operational capex. The debt-funded capex is likely to result in moderation of leverage and coverage metrics. Nevertheless, with expected significant increase in revenues and healthy profitability margins, the leverage and coverage metrics are anticipated to remain comfortable in the medium term.

Liquidity position:

For the guarantor: Adequate

The liquidity position of the guarantor (GHIAL) is adequate, with an assignable cash balance of Rs. 950 crore as on September 30, 2025. Additionally, it has cushion of Rs. 150 crore of working capital limits. GHIAL has low debt repayment obligations in FY2026, which can be serviced comfortably from its estimated cash flow from operations. It has foreign currency bond repayments of around Rs. 2,100 crore in Q4 FY2026 and the same is expected to be refinanced in a timely manner.

For the entity: Adequate

GACAEL’s liquidity position is adequate with unencumbered cash balance and liquid investments of around Rs. 267 crore and healthy cushion in working capital limits of Rs. 60 crore as on September 30, 2025. The company has repayment obligation of Rs. 38 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. It has capex plans of around Rs. 350-400 crore over the next 2-3 years, which are expected to be funded by debt of Rs. 123 crore and the balance through internal cash accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant improvement in the scale and earnings, resulting in improved debt coverage 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 there is any weakening of the linkage with the parent company (GHIAL). A significant decline in GACAEL’s revenues and profitability, deteriorating the debt coverage metrics and liquidity on a sustained basis, may exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Support – GHIAL The rating factors in the expected financial support from GHIAL to GACAEL to protect its reputation from the consequence of a subsidiary’s distress. GHIAL has also provided an unconditional and irrevocable corporate guarantee to GACAEL’s term loan and working capital facilities.
Consolidation/Standalone	The rating is based on the company’s standalone financial profile

About the company

GMR Air Cargo and Aerospace Engineering Limited (GACAEL) is a wholly owned subsidiary of GHIAL. GACAEL is formed from the merger of GMR Aero Technic Limited and GMR Hyderabad Air Cargo and Logistics Private Limited into GMR Aerospace Engineering Limited. The company caters to the MRO and the cargo handling business at the Rajiv Gandhi International Airport, in Hyderabad. It received merger approval from the National Company Law Tribunal (NCLT) on July 26, 2019, with the effective date of implementation from April 1, 2018. The company was renamed as GACAEL on September 25, 2019.

Key financial indicators (audited)

GACAEL	FY2024	FY2025	H1 FY2026*
Operating income	466.7	753.0	472.7
PAT	63.3	191.5	116.6
OPBDIT/OI	24.0%	33.9%	36.3%
PAT/OI	13.6%	25.4%	24.7%
Total outside liabilities/Tangible net worth (times)	6.4	1.9	1.4
Total debt/OPBDIT (times)	2.9	1.1	0.8
Interest coverage (times)	3.1	7.7	10.8

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: None

Rating history for past three years

Instrument	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	December 16, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	225.00	[ICRA]AA+(CE) (Stable)	Apr 28, 2025	[ICRA]AA+(CE) (Stable)	-	-	Jan 12, 2024	[ICRA]AA(CE) (Stable)	Jul 29, 2022	[ICRA]AA(CE) (Stable)
				-	-	-	-	-	-	Dec 16, 2022	[ICRA]AA(CE) (Positive)
				-	-	-	-	-	-	Dec 27, 2022	[ICRA]AA(CE) (Positive)
Term loan	Long-term	123.00	[ICRA]AA+(CE) (Stable)	-	-	-	-	-	-	-	-
Fund-based-Working capital facilities	Long-term	60.00	[ICRA]AA+(CE) (Stable)	Apr 28, 2025	[ICRA]AA+(CE) (Stable)	-	-	Jan 12, 2024	[ICRA]AA- (Stable)	Dec 27, 2022	[ICRA]AA- (Stable)
Non-fund based-Working capital facilities	Long-term	100.00	[ICRA]AA+(CE) (Stable)	Apr 28, 2025	[ICRA]AA+(CE) (Stable)	-	-	-	-	-	-
Unallocated limits	Long-term	-		Apr 28, 2025	[ICRA]AA (Stable)	-	-	Jan 12, 2024	[ICRA]AA- (Stable)	Dec 27, 2022	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based - Term loan	Simple
Long-term – Fund-based - Working capital facilities	Simple
Long-term – Non-fund based - Working capital facilities	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 – Fund-based - Term loan	August 2021	-	September 2031	225.00	[ICRA]AA+ (CE) (Stable)
NA	Long-term – Fund-based - Term loan	July 2025	-	March 2035	123.00	[ICRA]AA+ (CE) (Stable)
NA	Long-term – Fund-based - Working capital facilities	NA	NA	NA	60.00	[ICRA]AA+ (CE) (Stable)
NA	Long-term – Non-fund based - Working capital facilities	NA	NA	NA	100.00	[ICRA]AA+ (CE) (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 – Not Applicable

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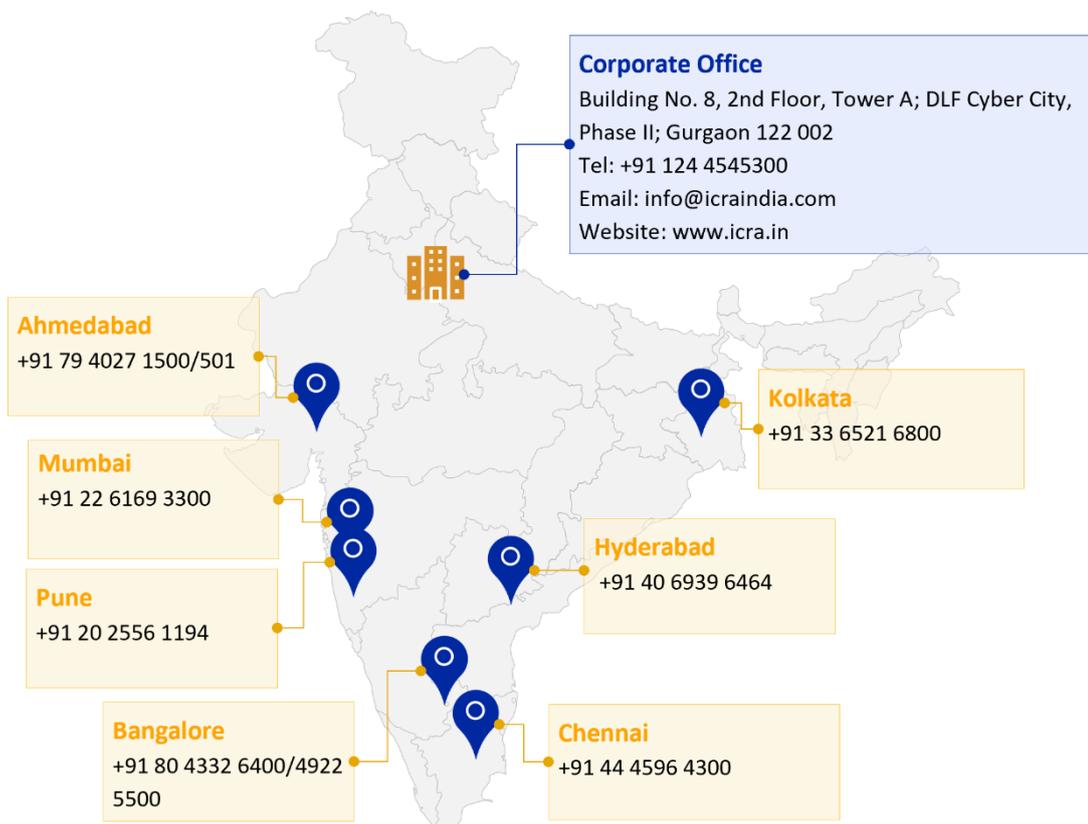
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