

April 09, 2020

GMR Hospitality and Retail Limited: Rating placed on watch with negative implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	116.88	116.88	[ICRA]AA (CE)@; placed on watch with negative implications
Total	116.88	116.88	
Rating Without Explicit Credit Enhancement			[ICRA]A-

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

The above rating is based on the strength of the corporate guarantee provided by GMR Hyderabad International Airport Limited (GHIAL/Guarantor; rated [ICRA]AA @), the parent of GMR Hospitality and Retail Limited (GHRL/Borrower), for the rated bank line facilities.

For arriving at the ratings of GHIAL, ICRA has consolidated the financials of GHIAL and its subsidiaries namely GMR Hyderabad Aerotropolis Limited, GMR Hyderabad Aviation SEZ Limited, GMR Air Cargo and Aerospace Engineering Limited, GMR Hospitality and Retail Limited, GMR Logistics Park Private Limited and GMR Hyderabad Airport Power Distribution Limited.

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 to the rating of the said instrument. The guarantee is legally enforceable, unconditional, covers the entire amount and tenor of the rated instrument. Given these attributes, the guarantee provided by GHIAL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]AA (CE)** against the rating of [ICRA]A- without explicit credit enhancement. In case the rating of the guarantor was to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

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

- The Guarantor guarantees due payments by the Borrower including all principal and interest payments, costs and all obligations under financing documents.
- Lender may act as though the Guarantor was the principal debtor to the Lender.
- The Guarantee shall be a continuing one and shall remain in full force until the discharge of all liabilities to the satisfaction of the Lender

- Certificate in writing from an authorized official of the Bank shall be conclusive evidence against the Guarantors for the amount due to the Bank.

Key rating drivers and their description

Credit strengths

Corporate guarantee from GHIAL – The rating takes support from the strong profile of the sponsor – GMR Hyderabad International Airport Limited (rated [ICRA]AA @). The rating for the bank facilities of Rs. 116.88 crore is based on the strength of corporate guarantee provided by GHIAL.

Liquidity position

The liquidity position of the guarantor, GHIAL is adequate with assignable cash balance (excluding bond proceeds, ICDs and investments in commercial papers) of Rs. 628.71 crore¹ as on March 18, 2020. The company does not have any external principal repayment obligations in FY2021. The pending capex to be incurred will be funded through undrawn portion of project debt and encumbered balances cash earmarked for capex.

Rating sensitivities

Positive Trigger

If there is any improvement in the credit profile of guarantor

Negative Trigger

Any deterioration in the credit profile of guarantor or any weakening of linkages with the parent company GHIAL or in case of revocation of corporate guarantee

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	Parent Support – GHIAL. The assigned rating draws comfort from the corporate guarantee extended by the parent company, GHIAL.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

GMR Hospitality and Retail Limited (GHRL), a 100% subsidiary of GHIAL, owns and operates a 305 room five-star business hotel at the GMR Hyderabad Airport, within ~2 km from the passenger terminal. The hotel division was initially 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. Hyderabad Duty Free Retail Limited, a 100% subsidiary of GHIAL, that has been operating duty

¹ As on March 18, 2020, bond proceeds (parked for capex) amount to Rs. 835 crore, Rs. 652.83 crore is invested in commercial papers, Rs. 200 crore is extended as ICDs to a group entity and Rs. 67.50 is restricted cash; remaining Rs. 628.71 crore is assignable.

free outlets at the International Arrivals/Departures of GHIAL since July 2010 has been merged with GHRL as per the National Company Law Tribunal order dated April 18, 2017 with appointed date as April 1, 2016.

Guarantor's profile

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 (63% holding), Malaysia Airport Holdings Berhad (MAHB) (11%), Airports Authority of India (AAI) (13%), and Government of Telangana State (13%). GHIAL has a 30-year concession for the development, maintenance and operation of the Shamshabad airport, which is extendable for 30 years at its option and another 30 years on mutual agreement. The airport was constructed at a total cost of Rs. 2920 crore with an initial handling capacity of 12 million passengers per annum. The master plan envisages a terminal capacity of 80 million passengers per annum, by the end of the concession term.

Link for last rating rationale of guarantor: [Rationale](#)

Key financial indicators (GHRL)

	FY2018 Audited	FY2019 Audited
Operating Income (Rs. crore)	187.8	234.2
PAT (Rs. crore)	4.8	3.9
OPBDIT/OI (%)	18.8%	14.6%
RoCE (%)	14.5%	14.1%
Total Outside Liabilities/Tangible Net Worth (times)	-17.9	8.9
Total Debt/OPBDIT (times)	5.4	4.7
Interest Coverage (times)	1.7	1.6
DSCR	1.7	1.7

Source: GHRL

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2020	Date & Rating in FY2019		Date & Rating in FY2018	
							14-Mar-19	10-Apr-18	23-Mar-18	05-Jul-17
1	Term Loan	Long Term	116.88	116.88	[ICRA]AA (CE) @	[ICRA]AA (CE) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)
2	Cash Credit	Long Term	5.00	-	-	-	[ICRA]A+ (Stable); Withdrawn	[ICRA]A+ (Stable)	-	-
3	Bank Guarantee	Short Term	25.00	-	-	-	[ICRA]A1; Withdrawn	[ICRA]A1	-	-
4	Unallocated Limits	Long Term/Short Term	5.82	-	-	-	[ICRA]A+ (Stable)/[ICRA]A1; Withdrawn	[ICRA]A+ (Stable)/[ICRA]A1	-	-

Amount in Rs. Crore

@placed on watch with negative implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	September 2016	9.5%	April 2030	116.88	[ICRA]AA (CE)@

Source: GHRL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

Analyst Contacts

Shubham Jain

+91 124 4545306

shubhamj@icraindia.com

Rajeshwar Burla

+91 40 4067 6527

rajeshwar.burla@icraindia.com

Shiffali Garg

+91 124 4545 868

shiffali.garg@icraindia.com

Relationship Contact

L Shivakumar

+91 22 3047 0005

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

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 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