

October 09, 2020

GMR Hyderabad Aviation SEZ Limited: Rating reaffirmed; Negative outlook assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	58.65	57.30	[ICRA]AA (CE); reaffirmed and negative outlook assigned; removed from watch with negative implications
Total	58.65	57.30	

Rating Without Explicit Credit Enhancement

[ICRA]BBB+

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 (Negative)), the parent of GMR Hyderabad Aviation SEZ Limited (GHASL), for the rated bank line facilities. The Negative outlook on this rating reflects ICRA's outlook on the rating of the guarantor GHIAL.

For arriving at the ratings of GHIAL, ICRA has considered the consolidated 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 Aero Technic Limited.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by GHIAL in favour of the said facility. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facility, it does not have a well-defined invocation and payment mechanism. Taking cognizance of the above, ICRA has assigned a rating of [ICRA]AA(CE) to the said facility against the unsupported rating of [ICRA]BBB+ [and in relation to the GHIAL's rating of [ICRA]AA]. In case the rating of GHIAL or the unsupported rating of GHASL 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 facility may also undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between GHIAL and GHASL, or there is a change in the reputation sensitivity of GHIAL to a default by the GHASL or there is a change in the strategic importance of the GHASL for the GHIAL.

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

- » DSCR shall not fall below 1.05x during the tenor of the loan
- » If the rating of the sponsor falls below A+, the interest rate shall stand increase by 0.25% for each notch of downgrade

» No profits to be withdrawn without meeting the instalment payable under the term loan. Also, dividends should only be declared after meeting the bank dues

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 (Negative)). The rating for the bank facilities of Rs. 57.30 crore is based on the strength of corporate guarantee provided by GHIAL.

Liquidity position

The liquidity position of the Guarantor is adequate with assignable cash balance (excluding bond proceeds earmarked for capex, ICDs and investments in commercial papers) of Rs. 727.5 crore¹ as on August 31, 2020. The company has low debt repayment obligations Rs. 7.6 crore and Rs. 24.39 crore in FY2021 and FY2022 respectively. The pending capex for FY2021 and FY2022 will be funded through encumbered cash balance earmarked for capex and the current available liquidity.

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 non-adherence to the terms of guarantee.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support Rating Methodology for Debt Backed by Lease Rentals
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 Hyderabad Aviation SEZ Limited (GHASL), a 100% subsidiary of GHIAL, is currently developing a 252-acre Aviation SEZ at the GMR Hyderabad Airport at a total cost of Rs. 152 crore.

Guarantor's profile

¹ As on August 31, 2020, at consolidated level, bond proceeds (parked for capex) amount to Rs. 445.0 crore, Rs. 416.3 crore is invested in commercial papers, Rs. 200 crore is extended as ICDs to a group entity and Rs. 71.1 is restricted cash; remaining Rs. 727.5 crore is assignable.

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 (GHASL)

	FY2019	FY2020
Operating Income (Rs. crore)	12.0	17.5
PAT (Rs. crore)	-3.7	-4.4
OPBDIT/OI (%)	52.7%	46.6%
PAT/OI (%)	-31.2%	-24.9%
Total Outside Liabilities/Tangible Net Worth (times)	2.1	3.2
Total Debt/OPBDIT (times)	9.2	8.9
Interest Coverage (times)	1.1	1.3

Source: GHASL, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2021)			Chronology of Rating History for the Past 3 Years					
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating	Date & Rating	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2017	
					9-Oct-20	22-May-20	9-Apr-20	20-Dec-19	28-Dec-18	5-Dec-17	5-Jul-17
1	Term Loan	Long Term	57.30	57.30	[ICRA]AA (CE) (Negative)	[ICRA]AA (CE)@; outstanding	[ICRA]AA (CE)@	[ICRA]AA (CE) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)

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	July 2017	9.75%	April 2030	57.30	[ICRA]AA (CE) (Negative)

Source: GHASL

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

Abhishek Lahoti

+91 40 40676534

abhishek.lahoti@icraindia.com

Relationship Contact

L Shivakumar

+91 22 6169 3304

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

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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

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