

December 16, 2022

GMR Hyderabad Airport Assets Limited: Rating reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	59.52	59.52	[ICRA]AA (CE); reaffirmed and outlook revised to Positive from Stable
Total	59.52	59.52	

Rating Without Explicit Credit Enhancement

[ICRA]AA-

*Instrument details are provided in Annexure I

Note: The letters CE, in parenthesis, suffixed to the rating symbol stand for 'credit enhancement'. 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 structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The rating of [ICRA]AA (CE) for the bank limits of GMR Hyderabad Airport Assets Limited (GHAAL) is based on the strength of the shortfall undertaking provided by GMR Hyderabad International Airport Limited (GHIAL, rated [ICRA]AA (Positive)), the parent of GHAAL. The Positive outlook on this rating reflects ICRA's outlook on the rating of the guarantor, GHIAL.

For arriving at the ratings 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, GMR Hospitality and Retail Limited, GMR Hyderabad Airport Assets Limited 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 GHAAL to the GHIAL operations. ICRA has taken note of presence of cross-default clauses in the loan agreements of GHIAL, which further strengthens linkages.

Adequacy of credit enhancement

The shortfall undertaking is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument. Given these attributes, the shortfall undertaking provided by GHIAL is strong 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 GHAAL 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 also undergo a change in a scenario, whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- » Lease rentals shall be routed through escrow account with the lender;
- » The borrower shall keep the lender informed if any change in the borrower's capital structure where the shareholding of the existing promoters gets diluted below current level or 51% of the controlling stake, without prior permission of the lender – for which 60 days prior notice will be required;
- » Promoter's shares in the borrowing entity should not be pledged to any Bank/NBFC/Institution without lender's prior consent.

Key rating drivers and their description

Credit strengths

Shortfall undertaking from GHIAL - The rating takes support from the strong profile of the sponsor – GHIAL (rated [ICRA]AA (Positive)). The rating for the bank facilities of Rs. 59.52 crore is based on the strength of the unconditional and irrevocable shortfall undertaking provided by GHIAL.

Reputed tenant profile - GHAAL has a stable cash flow, reflected in tied-up lease rental agreement with a reputed tenant, Amazon Sellers India Private Limited (ASIPL). The tenant agreement has a lock-in period of five years and rent escalation clause of about 5% annually for the remaining lease tenure of 15 years.

Credit challenges

High tenant concentration and vacancy risks - GHAAL has high tenant concentration, with ASIPL occupying 100% of the total leased area. This exposes the company to high market risk. Nonetheless, ICRA draws comfort from the long-term lease agreement with the reputed client.

Exposure to change in interest rates - The debt coverage ratios are vulnerable to factors such as changes in interest rates.

Liquidity position: Adequate

For the [ICRA]AA (CE) (Positive) rating: Adequate

The liquidity position of the guarantee provider (GHIAL) is adequate, with assignable cash balance (excluding bond proceeds earmarked for capex, ICDs and investments in CPs) of Rs. 791.2 crore¹ as on September 30, 2022. It has low debt repayment obligations Rs. 38.3 crore in FY2023. The pending ongoing terminal expansion works will be funded through the encumbered cash balance earmarked for capex and the current available liquidity.

For the [ICRA]AA- rating: Adequate

GHAAL's liquidity position is adequate with free cash balance of Rs. 2.2 crore as on September 30, 2022. The company has repayment obligation of Rs. 4.8 crore in FY2023 and Rs. 5.3 crore in FY2024, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

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

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), or if there is any significant downward revision in ASIPL's profile, or any cancellation of the lease agreement weakening its debt metrics on a sustained basis.

¹ As on September 30, 2022, bond proceeds (parked for capex) amount to Rs. 476.2 crore, Rs. 554.5 crore is invested in CPs, Rs. 240.0 crore is extended as ICDs to Group entities and Rs. 26.1 crore is restricted cash; remaining Rs. 791.2 crore is assignable.

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 unconditional and irrevocable shortfall undertaking 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 Airport Assets Limited (GHAAL) is a 100% subsidiary of GMR Hyderabad International Airport Limited (GHIAL). GHAAL operates warehousing facilities built for Amazon. Earlier, the rent yielding warehousing business was under GMR Hyderabad Aerotropolis Limited (GHAL – 100% subsidiary of GHIAL). Effective from April 1, 2021, GHAL's warehousing business has been demerged into GHAAL.

Key financial indicators (GHAAL)

	FY2022 Audited
Operating income (Rs. crore)	19.6
PAT (Rs. crore)	6.0
OPBDIT/OI (%)	88.3%
PAT/OI (%)	30.5%
Total outside liabilities/Tangible net worth (times)	1.3
Total debt/OPBDIT (times)	3.5
Interest coverage (times)	3.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: GHAAL, ICRA Research; GHAAL has started operations from April 1, 2021

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)					Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				Dec 16, 2022	Jul 29, 2022	Jan 31, 2022	-	-
1 Term loans	Long term	59.52	59.52	[ICRA]AA (CE) (Positive)	[ICRA]AA (CE) (Stable)	[ICRA]AA (CE) (Negative)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loans	October 2017	-	February 2034	59.52	[ICRA]AA(CE) (Positive)

Source: GHAAL

[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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About ICRA Limited:

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Branches



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