

GMR Aero Space Engineering Limited

Instrument	Amount	Rating Action
	Rs. Crore	April 2016
Term Loan	229.10	Reaffirmed at [ICRA]BBB+ (SO)
Unallocated	2.90	Reaffirmed at [ICRA]BBB+ (SO)

ICRA has reaffirmed [ICRA]BBB+ (SO) (pronounced as ICRA triple B plus Structured obligation) credit rating to the Rs. 232 crore¹ term loan facilities of GMR Aerospace Engineering Limited (GAE, formerly known as MAS GMR Aerospace Engineering Company Limited) †. The outlook on the rating is 'Stable'.

ICRA's rating reaffirmation continues to draw comfort from strong parentage-GAE is a 100% subsidiary GMR Hyderabad International Airport Limited (GHIAL, outstanding rating of [ICRA]A-/A2+, stable outlook). GHIAL has provided a corporate guarantee to term loans of GAE. However, the quantum of corporate guarantee from GHIAL is capped at Rs. 281.76 crore resulting in a difference between the rating of GHIAL and GAE. The rating continues to draw comfort from the well equipped MRO facility in Hyderabad. The facility has all necessary approvals from statutory authorities like DGCA and EASA.

The rating is however, constrained by lesser than expected ramp up in operations in FY16 and commencement of debt servicing with effect from April 2016. The MRO facility's inability to add any major international airlines coupled with deferral of maintenance schedule of few Indigo airlines led to slow ramp up and operational losses, which were supported by Rs. 6 crore loans from its parent GMR Hyderabad International Airport Limited (GHIAL). Further, given that interest servicing on the rated term loans has commenced in April 2016 (funded for past 21 months by way of Funded interest term loan), timely and adequate financial support from GHIAL on a monthly basis would be critical for debt servicing. The MRO facility has posted losses over the past few years, resulting in negative networth and restructuring of its term loans in June 2014. The MRO's profitability remains exposed to rupee appreciation, given that its income is entirely dollars.

Company Profile

GAE was initially incorporated as MAS GMR Aerospace Engineering Company Ltd, a 50:50 Joint Venture (JV) between GHIAL and Malaysian Aerospace Engineering Sdn. Bhd. (MAE, a 100% subsidiary of Malaysian Airline System Bhd, operator of Malaysia Airlines). The JV has commissioned an Airframe MRO facility at the Hyderabad Airport in November 2011 at a total cost of Rs. 309 crore, funded by debt of Rs. 232 crore and the balance by equity. GAE restructured its operations by designating its 100% subsidiary, GMR Aero Technic Ltd (GAT) to operate the MRO business, while it leases out the physical infrastructure to GAT for a lease rental. The MRO facility is approved by both DGCA² and EASA³. GAT has entered into agreements with Spicejet Limited, Go Airlines (India) Limited, Jet Airways Limited and a few other airline operators and aircraft leasing companies to provide MRO Services. Malaysian Aerospace Engineering Sdn. Bhd. exited the JV in December 2014. GMR Hyderabad International Airport Limited has acquired entire share of Malaysian Aerospace Engineering Sdn. Bhd. subsequently the entity has become 100% Subsidiary of GHIAL and renamed as GMR Aerospace Engineering Ltd

Guarantor Company Profile:

GMR Hyderabad International Airport Ltd (GHIAL) operates the Rajiv Gandhi International Airport located at Shamshabad, Hyderabad which commenced commercial operations on March 23, 2008. GHIAL's sponsors include GMR Airports Limited (63% holding), Malaysia Airport Holdings Berhad (MAHB) (11% holding), Airports Authority of India (AAI) (13% holding), and Government of Andhra Pradesh (GoAP) (13% holding). GHIAL has a 30-year concession for the development, maintenance and operation of the Shamshabad airport, extendable for a further 30 years at its option. 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 40

¹ Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² DGCA = Directorate General of Civil Aviation

³ EASA = European Aviation Safety Agency



million passengers per annum by the end of the 30-year term of the Concession Agreement. For the year 2014-15, GHIAL recorded an operating income of Rs. 417.11 crore and a net profit (PAT) of Rs. -187.56 crore.

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