

December 20, 2019

GMR Hyderabad Aerotropolis Limited: [ICRA]AA (CE) (Stable) reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	45.00	39.44	[ICRA]AA (CE)(Stable); Reaffirmed
Total	45.00	39.44	
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 unconditional and irrevocable shortfall undertaking provided by GMR Hyderabad International Airport Limited (GHIAL; rated [ICRA]AA (Stable)), the parent of GMR Hyderabad Aerotropolis Limited (GHAL), for the rated bank line facilities. The Stable 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 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 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 GMR Hyderabad International Airport Limited (rated [ICRA]AA (Stable)) is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AA (CE) against the rating of [ICRA]BBB+ without explicit credit enhancement. In case the rating of the guarantor was to undergo a change in the 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

- GHIAL shall ensure that the GHAL remains its subsidiary until the final settlement date.
- GHIAL shall within 7 business days of demand contribute funds to the GHAL for meeting obligations of principal, interest, default interest, additional interest any other amount due under the financing documents.
- GHIAL shall duly observe, perform and comply with its obligations under the financing documents.
- The GHAL and lenders may modify alter the terms of the facility without concurrence of GHIAL.

Key rating drivers and their description

Credit strengths

Shortfall undertaking from GHIAL – The rating takes support from the strong profile of the sponsor – GMR Hyderabad International Airport Limited (rated [ICRA]AA (Stable)). The rating for the bank facilities of Rs. 39.44 crore is based on the strength of unconditional and irrevocable shortfall undertaking provided by GHIAL.

Liquidity position

The liquidity position of the guarantor, GHIAL is adequate with unencumbered cash balance of Rs. 942.5 crore as on March 31, 2019. The company does not have any external principal repayment obligations in FY2020. The pending capex to be incurred during FY2020-FY2023 of Rs. 5,803 crore will be funded through debt of Rs. 4173.0 crore and internal accruals of Rs. 1630.4 crore. The cash accruals are sufficient to meet the margin 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 shortfall undertaking

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 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 Aerotropolis Limited is a wholly-owned subsidiary of GHIAL. Of the total land available with GHIAL, 1,500 acres is demarcated for development of 'Airport City'. Of this, 492 acres has been leased out to GHAL for commercial development. GHAL has developed a fulfillment center for Amazon Seller Services Private Limited (ASSPL) in Airport city over 17 acres totaling 400,000 sft at an estimated cost of Rs. 64.25 crore. GHAL is currently constructing office space with 2,00,000 sq. ft of leasable area and other retail real estate development at an estimated cost of Rs. 600 crore over next three years which is proposed to be funded by debt of Rs. 300 crore and remaining through support from GHIAL.

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 40 million passengers per annum, by the end of the 30-year term of the concession agreement.

Key financial indicators (GHAL)

	FY2018 Audited	FY2019 Audited
Operating Income (Rs. crore)	5.7	9.7
PAT (Rs. crore)	-3.0	-3.9
OPBDIT/OI (%)	58.7%	61.5%
RoCE (%)	3.3%	3.4%
Total Outside Liabilities/Tangible Net Worth (times)	1.0	2.0
Total Debt/OPBDIT (times)	13.6	12.5
Interest Coverage (times)	0.8	1.4
DSCR	0.9	1.0

Source: GHAL

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017	
					20-Dec-19	31-Dec-18	08-Sep-17	-	
1	Term Loan	Long Term	39.44	39.44	[ICRA]AA (CE) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	-	

Amount in Rs. Crore

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	March 2017	9.0%	September 2029	39.44	[ICRA]AA (CE)(Stable)

Source: GHAL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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