

May 22, 2020

GMR Hyderabad Aviation SEZ Limited: Opted out of moratorium on loan servicing

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	58.65	58.65	[ICRA]AA (CE)@; rating watch with negative implications; outstanding
Total	58.65	58.65	
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

GMR Hyderabad Aviation SEZ Limited (GHASL) had initially opted for a moratorium on payments to its lender as part of the COVID-19 Regulatory Package announced by the Reserve Bank of India (RBI) on March 27, 2020. Accordingly, ICRA in its public release dated Apr 23, 2020, had disclosed, in accordance with the guidelines specified by the Securities and Exchange Board of India (SEBI), about the company having opted for a moratorium on loan servicing. Subsequently, the company decided not to avail the moratorium and cleared off the dues of March 2020 in April 2020. The same has been confirmed by the lender.

GHASL's 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 Hyderabad Aviation SEZ Limited (GHASL/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]BBB+ 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 shall, without demur or protest, pay to lender all amounts payable by the Borrower under the Facilities.
- The Guarantor undertakes that it shall immediately make available such amounts as may be required upon demand being made.
- The guarantee is valid till final settlement date (date on which all the obligations have been fully repaid).
- The guarantee shall be valid even if terms of the agreement between lenders and borrower are altered without guarantor's consent.
- The liability of the guarantor shall not be affected by winding up/dissolution/insolvency/change in constitution of Borrower.

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. 58.65 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

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.

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

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)

	FY2018	FY2019
	Audited	Audited
Operating Income (Rs. crore)	13.0	14.4
PAT (Rs. crore)	-4.1	-3.7
OPBDIT/OI (%)	71.4%	60.6%
RoCE (%)	4.4%	2.9%
Total Outside Liabilities/Tangible Net Worth (times)	2.0	2.1
Total Debt/OPBDIT (times)	6.4	6.7
Interest Coverage (times)	1.2	1.5
DSCR	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	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	Date & Rating in FY2020	Date & Rating in FY2017	Date & Rating in FY2016		
					22-May-20	9-Apr-20	13-Dec-19	28-Dec-18	5-Dec-17	5-Jul-17	
1	Term Loan	Long Term	58.65	58.65	[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	9.4%	July 2029	58.65	[ICRA]AA (CE)@

Source: GHASL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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