GMR Airports Limited

July 06, 2021

Facilities/ Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Bank facilities – Non Fund based- LT/ST – LC/BG	200	CARE A-; Negative / CARE A2+ [Single A Minus; Outlook: Negative/ A Two Plus]	Reaffirmed
Total facilities	**200 (Rupees Two Hundred Crore only)**		
Proposed Non-Convertible Bonds (2021 Bonds)	500	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed
Non-Convertible Bonds	3,000	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed
Total Long-Term Instruments	**3,500.00 (Rs. Three Thousand Five Hundred Crore Only)**		

Details of instruments / facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings continue to factor in GAL's healthy financial flexibility, the company being the holding company of two major airports in the country viz, Delhi International Airport Private Limited (DIAL) and GMR Hyderabad International Airport Limited (GHIAL). Both the airports are among the busiest airports in India. The rating also continue to take comfort from the 49% shareholding of Groupe Aéroport de Paris (Groupe ADP), a major international airport operator, and their board representation, which is expected to enhance GAL's operational efficiencies, while bolstering the company's fund-raising capabilities, project execution and bidding capabilities, going forward.

The ratings continue to remain constrained by delay in recovery of both domestic and international traffic at GAL's operating assets, resulting in moderation in GAL's cashflows – from operator fees, management fees and dividend income. Further, the company has a significant repayment of Rs 1,330 crore and Rs 1,670 crore of outstanding Non-Convertible Bonds (NCBs) in FY23 and FY24 respectively. The company plans to repay the same using the proceeds of proposed bond in its international subsidiary viz GMR Airports International B.V. (GAIBV) coupled with part refinancing. The said plans expose the company to vagaries of the international bond market and risk of refinancing. Any delay in the materialization of the planned bond raising initiative and/ or the company's refinancing plans beyond December 31, 2021 shall be a credit negative for the company. The ratings also continue to remain constrained by the company's significant exposure towards group companies in the form of Inter Corporate Deposits (ICDs). Any delay in receipt of funds from group companies beyond August 2021 and/or any additional outflow to group companies shall be credit negative.

Outlook: Negative

The 'Negative' outlook reflects the expectation of weakening of the financial risk profile of GAL's operating airport assets in the near term given the significant decline in passenger traffic levels on account of the ongoing pandemic, which has resulted in government authorities imposing restrictions on air travel. As a result, GAL's revenues in the near to mid-term earned through operator fee, management fee and dividend from these airport assets are expected to get impacted in comparison to previous years. Any higher than envisaged moderation in GAL's cashflows would be credit negative.

Rating Sensitivities

Positive

- Timely materialization of deleveraging efforts leading to significant reduction in debt levels below Rs 500 crore.

Negative

- Persistence of the Covid-19 pandemic related constraints on air travel, leading to slower than envisaged recovery of passenger traffic at DIAL and GHIAL.
- Delay in the proposed refinancing or bond raising plans at GAIBV beyond December 31, 2021.
- Further delay in the receipt of funds from group companies beyond August 2021 or any additional outflow in the form of loans & advances/ICDs to group companies.
- Higher than envisaged equity commitments or other funding support required in upcoming projects.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Detailed description of the key rating drivers

Key Rating Strengths

Majority ownership of two large operating airport assets providing financial flexibility

GAL is the holding company for two major airport assets – DIAL and GHIAL – which have strong business profiles and command monopolistic positions at their respective locations. Both these airports have regulated revenues under the hybrid till tariff structure with assured return on aero assets, which is further supported by non-aero revenues. GAL also holds 17.03% in Delhi Duty Free Services Limited (DDFS) and 40.1% in Delhi Airport Parking Services Private Limited (DAPS) which have healthy financial risk profiles. GAL has financial flexibility being majority stake holder in DIAL (64%) and GHIAL (63%). Apart from the domestic airport assets, GAL through GAIBV also has 40% stake in Mactan Cebu International Airport, which is the second largest airport of Philippines and has current capacity of 16 million passengers per annum.

Satisfactory business profile of airport assets, although weakened in FY21

The two main operating airports under GAL - DIAL, which is the largest airport in India and GHIAL, have demonstrated consistent improvement in their business performance over the years. DIAL and GHIAL put together handled more than 26% of the total passenger traffic in the country during FY21. The total passenger traffic at DIAL and GHIAL increased during FY11 to FY20 at a compounded annual growth rate (CAGR) of 9.42% and 12.33% respectively. However, owing to the pandemic, the passenger traffic at DIAL and GHIAL has sharply declined by ~66.4% and ~62.8% respectively during FY21. The impact of COVID-19 is expected to remain in the near to medium term, impacting the operational and financial performance of the entire sector, and the recovery of the same remains highly dependent on the successful Covid-19 vaccination programme rolled out by the GoI. GAIBV's Mactan Cebu Airport has also exhibited sharp fall in the operational performance with reported decline in total passenger traffic to 2.7 million for 2020 from 12.7 million during 2019.

Experienced promoters with diversified business portfolio

GMR Group was founded by Mr. G. M Rao in 1978. Over the years, the company has demonstrated successful execution capabilities across diverse sectors. At present, the group's investment interests span across various infrastructure businesses such as energy, airports, roads and urban infrastructure. Besides, in FY20, Groupe ADP acquired a 49% stake in GAL subsequent to the completion of the stake sale deal with GMR Infrastructure Limited. Groupe ADP develops and manages airports, and owns and operates all three of Paris' international airports: Paris-Charles de Gaulle, Paris-Orly and Paris-Le Bourget. In addition, ADP also manages 21 airports globally, through its alliance with Royal Schiphol Group N.V., which operates Amsterdam Airport Schiphol. The major shareholder of ADP is the Government of France, which holds a stake of 50.6%. The presence of Groupe ADP in the board of GAL is expected to improve GAL's airport assets' operational efficiency along with bidding capabilities going forward.

Key Rating Weakness

Significant reliance on refinancing

The company has principal repayments of Rs 1,330 crore and Rs 1,670 crore of outstanding NCBs in FY23 and FY24 respectively. The company plans to repay the bonds due in FY23 through the expected inflow of planned bond raising of $300 million at GAIBV level and consequent return of the extended ICDs. The repayment of NCBs due in FY24 is expected to be done through refinancing. Considering the uncertainties pertaining to international bond market, the timely issuance of such bonds would remain a key rating monitorable. In case the company's bond raising plans are delayed due to subdued market conditions, it would depend upon fresh debt tie up, thereby exposing itself to a significant refinancing risk. CARE would monitor the progress on both the said events.

Exposure towards group companies

The company has exposure towards group companies in the form of ICDs which stood at Rs 466 crore as on June 29, 2021. As per the management, Rs 200 crore is expected to be received from GIL in August 2021, while the remaining amount will be received in the next 2-3 years. Going forward, any further delays in the receipt of fund from group companies beyond August 2021 or any additional outflow in the form of loans & advances/ICDs to group companies shall be a credit negative and remains a key rating monitorable.

Project risk primarily with respect to project at Goa and Bhogapuram

The company has various under implementation projects including Goa airport (4.4 million passengers per annum (MPPA)), Bhogapuram airport (6.0 MPPA) and Crete (Greece) Airport among other which exposes it to significant project risk. The Goa Airport is being built under the BOOT (Build Own Operate Transfer) model at an estimated total cost of ~Rs 2,615 crore. The envisaged commercial operations date (COD) of Goa Airport is August 2022. GAL is also developing an international airport in Bhogapuram, Andhra Pradesh at an estimated total project cost of ~Rs 3,193 crore. The company is currently in discussion with various financial institutions and expects to achieve financial closure. The company had also signed the concession agreement for Heraklion International Airport, Crete, Greece and has a 21.64% stake in the airport. The company has an aggregate equity commitment of ~Rs 880 crore during the next 3 years till FY24 with Rs 170 crore committed for FY22. The equity commitments against all these projects are expected to be met partly through internal accruals, expected inflow of ICDs and the remaining through proceeds of the proposed bonds. Any higher-than-expected major investments in near future funded through debt shall remain a key monitorable.

Regulatory risk
GAL is exposed to regulatory risk pertaining to its airport assets as the regulatory regime for airport operators in India is still evolving. The airport operators, on their own do not have any authority to decide/revise the tariffs for aeronautical services provided by them. Operators are required to file their aeronautical revenue requirements with regulator, who critically assesses the filing and passes a tariff order. Instances of revisions in various rates, which have direct impact on the revenue, expose the companies to regulatory risk.
Liquidity: Adequate
The liquidity is characterized by financial flexibility available with GAL being the holdco for two major airport assets [Delhi International Airport Limited (DIAL - 64%) and GMR Hyderabad International Airport Limited (GHIAL - 63%)]. The company has no principal repayment obligation due in FY22 and debt servicing during the year is limited to interest payment obligation. The company had free cash and liquid investments of ~Rs 139 crore as on June 03, 2021 out of which the company has already met interest obligations due in June 2021. The proceeds from the '2021 bonds' issuance shall be kept as part of the liquidity buffer to meet future debt obligations and equity commitments during FY22.

Analytical approach: Standalone
Applicable Criteria
Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating of loans by investment holding companies
Liquidity Analysis of Non-Financial Sector Entities

About the Company
GAL is the holding company of GMR Group's investments in the airport sector. GAL's holding company, GMR Infrastructure Limited (GIL) holds 51% in GAL, and the remaining 49% is held by Groupe ADP. GAL's major operating assets include DIAL, GHIAL, Cebu Mactan International Airport (Philippines) and Delhi Duty Free Services Private Limited. The company also has under implementation projects in Goa, Bhogapuram and Crete (Greece).
During August 2020, GIL had announced the restructuring exercise of GMR Group which once approved shall result in GIL retaining only the airport business segment, while the rest of group's businesses including Energy, EPC and Urban Infrastructure shall be housed under GMR Power and Urban Infra Limited having mirror shareholding of GIL. Regarding the same, the company has already received NOCs from SEBI and stock exchanges and is in process to get the approval from NCLT.
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3.*

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	574	361
PBILDT	500	219
PAT	75	-258
Overall gearing (times)	0.20	0.19
Interest coverage (times)	1.18	0.42

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	200.00	CARE A-; Negative / CARE A2+
Bonds-Non Convertible Bonds	INE903F08078; INE903F08094; INE903F08102; INE903F08110; INE903F08086	December 28, 2020	6%	Jun 24, 2022 (Rs 1,330 crore) Dec 28, 2023 (Rs 1,670 crore)	3000.00	CARE A-; Negative
Debentures-Non Convertible Debentures		-	-	Proposed	500.00	CARE A-; Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (04-Apr-18)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	200.00	CARE A-; Negative / CARE A2+	-	1)CARE A-; Negative / CARE A2+ (12-Mar-21) 2)CARE A-; Negative / CARE A2+ (04-Sep-20)	1)CARE A2+ (CWD) (19-Sep-19) 2)CARE A1 (CWN) (10-Jun-19)	1)CARE A1 (07-Jan-19) 2)CARE A1 (04-Apr-18)
3.	Bonds	LT	-	-	-	-	1)Provisional CARE A+ (CWN) (10-Jun-19) 2)Withdrawn (10-Jun-19)	1)Provisional CARE AA- (CWN) (07-Jan-19) 2)Provisional CARE AA-; Stable (04-Apr-18)
4.	Bonds-Non Convertible Bonds	LT	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE A-; Negative (04-Sep-20)	1)CARE A- (CWD) (19-Sep-19) 2)CARE A+ (CWN) (08-Jul-19) 3)Provisional CARE A+ (CWN) (25-Jun-19)	-
5.	Bonds-Non Convertible Bonds	LT	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE A-; Negative	1)CARE A- (CWD) (10-Oct-19)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
						(04-Sep-20)	2)Provisional CARE A- (CWD) (19-Sep-19)	
6.	Bonds-Non Convertible Bonds	LT	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE A-; Negative (04-Sep-20)	1)CARE A- (CWD) (20-Feb-20) 2)Provisional CARE A- (CWD) (13-Dec-19)	-
7.	Bonds-Non Convertible Bonds	LT	3000.00	CARE A-; Negative	-	1)CARE A-; Negative (12-Mar-21) 2)CARE A-; Negative (28-Dec-20) 3)Provisional CARE A-; Negative (11-Dec-20)	-	-
8.	Bonds-Non Convertible Bonds	LT	500.00	CARE A-; Negative	-	1)CARE A-; Negative (12-Mar-21)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
1. Permitted Indebtedness	A. The aggregate financial indebtedness of the issuer (whether funded or unfunded including guarantees issued by GAL except permitted guarantees) shall not exceed INR 3,750 crore (including accrued PIK/ redemption premium) provided the aggregate notional value of indebtedness incurred under this clause as of the day on which such indebtedness is first incurred shall not exceed Rs 3,500 crore.
2. Other conditions	A. Up-streaming of any other cash outflow from GAL (except for permitted inter-corporate debt) shall not be allowed without the permission of the bond holders.
	B. Payment of any dividend or any loans/ advances / debt by GAL shall require approval of bond holders.
B. Non-financial covenants	
1. Negative lien / negative pledge	A. GAL shall not create or permit to subsist any encumbrance over any of its assets, other than the security created pursuant to the 2021 bonds and permitted encumbrances.
2. Other conditions	B. Security over all moveable assets owned by GAL under a hypothecation agreement and pledge over

Name of the Instrument	Detailed explanation
	certain shares owned by GAL in its subsidiaries, including DIAL and GHIAL shall be created on the occurrence of trigger events defined in the Bond Trust Deed including the following events: i. An insolvency event (as defined under GHIAL SHA) in respect of GIL or GAL ii. A material breach (as defined under GHIAL SHA) by GIL or GAL iii. A termination event (as defined under DIAL SHA) in respect of GIL or GAL iv. A HIAL default event (as defined under GHIAL concession agreement) v. A JVC event of default (as defined under DIAL OMDA)

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Bonds-Non Convertible Bonds	Simple
2.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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