

GMR Airports Limited

September 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	200.00	CARE A-; Negative / CARE A2+ (Single A Minus; Outlook: Negative/ A Two Plus)	Reaffirmed
Total Bank Facilities	200.00 (₹ Two Hundred Crore Only)		
Proposed Non-Convertible Bonds	1,500.00	CARE A-; Negative (Single A Minus; Outlook: Negative)	Assigned
Non-Convertible Bonds (Tranche 1-5)	3,000.00	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed
Non-Convertible Bonds	500.00	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed
Non-Convertible Bonds (Tranche 7)	400.00	CARE A-; Negative (Single A Minus; Outlook: Negative)	Reaffirmed
Total Long-Term Instruments	5,400.00 (₹ Five Thousand Four Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the debt instrument and bank facilities of GMR Airport Ltd factor in the healthy financial flexibility of the company with GAL 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 amongst the busiest airports in India and the passenger traffic at the airports have witnessed staggering improvement in FY22 and have reached close to pre-covid level (FY19) for the month of June 2022. The ratings 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 also derive strength from the demonstrated track record of fund raising over the past several years to meet the refinancing and/or capex requirement and completion of significant portion of equity commitment in the under-construction airport asset in both domestic and overseas subsidiaries. The company has pending commitment in only GMR Visakhapatnam International Airport Limited which is developing airport asset at Bhogapuram, Andhra Pradesh and major funding requirement would fall in FY24-26.

The ratings also factor in definitive agreement signed with Aboitiz InfraCapital Inc. for entire stake sale in Cebu Airport, Philippines operating under the company GMR Megawide Cebu Airport Corporation. The stake sale proceed is expected to be realized by GAL in Q4FY23 which would be utilized for reduction in debt levels of the company, thereby expected to improve the credit metrics. This apart, as per the agreement, the company is also eligible for performance-based considerations.

The rating strengths are tempered by the susceptibility of revenue to volatility associated with traffic growth and regulatory risk faced by its airport assets, debt funded equity investment in the under-construction projects resulting in elevated debt level & moderate debt coverage metrics, refinancing risk associated with bullet repayments of the debt instruments and proposed amendment to the terms of outstanding bonds.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Reduction in debt level and improvement in debt coverage metrics
- Improved cashflow of underlying SPVs thereby facilitating higher dividend inflows to GAL.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Delayed monetization of proposed assets within the timelines envisaged
- Time or cost over run in execution of Bhogapuram airport and higher than envisaged equity commitments or other funding support required in upcoming projects.
- Any additional outflow in the form of loans & advances/ICDs to holding company.
- Inability to refinance the debt obligations in a timely manner

Outlook: Negative

The cashflows of GAL have witnessed moderation in the last 2 years with reduced share of revenue from the two major airport assets i.e., DIAL and GHIAL. With rebounding of economy, the passenger traffic level of the airport assets is moving towards pre-covid level. However, the revenue profile of GAL in terms of earnings through operator fee, management fee and dividend from these airport assets is yet to witness any improvement and cashflows still remains susceptible to any unforeseen contingency impacting the airport operations. The company is working on reducing the debt level through monetization of stake in existing assets which is at an advanced stage. Fructification of the transaction and recovery of proceeds within the envisaged timelines would be crucial. In light of all this, the negative outlook on the ratings continue.

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 viz, DIAL and GHIAL, which have strong business profiles. Both these airports have regulated revenues under the hybrid tariff structure with assured return on aero assets, which is further supported by non-aero revenues. DIAL and GHIAL command monopolistic positions in their respective locations.

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 Netherlands also has 40% stake in Cebu Airport in Philippines and Crete Airport in Greece. Cebu airport 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 due to covid pandemic: 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 & GHIAL together contributed 26-28% of total passenger traffic of the country during past 4 years. The Operations Management and Development Agreement (OMDA) agreements prohibit any airport within 150 KM radius of both the airports (Delhi and Hyderabad) thus providing them a monopolistic position. Both the airports are located at strategic locations of the country thus leading to significant traffic volumes. 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. Post witnessing contraction during FY21 due to impact of covid impact, the passenger traffic has witnessed recovery in FY22 with gradual reopening of economy and successful vaccination drive. The domestic and international traffic in Delhi and Hyderabad reported y-o-y growth of 74% and 53% respectively in FY22 over FY21. The passenger traffic level for the month of June 2022 has reached 93% and 90% of June 2019 level for DIAL and GHIAL respectively signalling the path to recovery.

Demonstrated fund raising capabilities

GAL has demonstrated track record of successful fund raising in the past to support the refinancing requirements and/or meeting the capex requirement for its airport assets. It has raised cumulative debt of Rs.7,020 crore since FY17 apart from Rs.1000 crore of equity infusion by Groupe ADP during FY21. While the successful fund raising has enabled meeting the refinancing requirement, the high cost of debt has impacted the cashflow.

In September 2022, the group has entered into definitive agreement with Aboitiz InfraCapital Inc. for entire stake sale in Cebu Airport, Philippines operating under the company GMR Megawide Cebu Airport Corporation. The stake sale proceed is expected to be realized by GAL in Q4FY23 which would be utilized for reduction in debt levels of the company, thereby expected to improve the credit metrics.

Proposed diversification of revenue profile

Historically, GAL has been mainly deriving revenue through operator fees, dividend income, management fees and interest income from advances extended to group entities. It has also started realizing project consultancy/construction income from FY21 onwards. The company has proposed merger of its subsidiary; GADL with itself with the transaction expected to be completed in H1FY23. Post merger, GAL expects to leverage from the expertise of GADL in construction sector which handles group projects. With potential orders from the under construction airport projects in the group (Goa, Vizag and Greece), the

construction/project consultancy revenue contribution is expected upwards of 60% from FY23-24 onwards. Such diversification of revenue profile and reduced dependency on the airport assets contribution is expected to support the cashflows of the company in the long term.

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. 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 Weaknesses

Refinancing risk and elevated debt level

GAL being the holding entity of the airport assets has equity investment commitments in the under construction SPVs and also has to extend need based support to other subsidiaries. However, in absence of significant return on investments from operational subsidiaries (DIAL and GHIAL), GAL has relied on debt funding equity investment resulting in elevated debt level. Besides, bullet repayments of the debt instruments have necessitated timely refinancing. The refinancing risk continues with upcoming repayments of outstanding debt instrument on September 24, 2022. GAL is in the process of raising funds through fresh bond issuance of up to Rs.1,110 crore to refinance the aforementioned NCB due on September 24, 2022. Post the NCD repayment in September 2022, the next redemption is due in December 2023. Considering the uncertainties in Indian bond markets and rising interest rate scenario, the timely refinancing would remain a key rating monitorable.

Exposure to group companies

The company has advanced ICDs to group entities with no major recoveries during past two years. Any additional exposure to group entities (other than commitments in the under construction assets) by way of advances/delayed recovery of advances extended to such entities would be important from credit perspective.

Project risk associated with under construction assets

The company has three under implementation projects comprising construction of greenfield airports at Goa [4.4 million passengers per annum (MPPA)], Bhogapuram, Andhra Pradesh (6.0 MPPA) and Crete (Greece) which exposes GAL to high project risk. The brief on project is as follows-

Goa Airport: The Goa Airport is being built under the BOOT (Build Own Operate Transfer) model at an estimated total cost of ~Rs 2,615 crore being financed at a debt:equity of 1.39x. The project is at an advanced stage of completion with ~74% cost incurred till May 31, 2022 and entire equity funding from GAL completed. The envisaged commercial operations date (COD) of Goa Airport is October 2022.

Bhogapuram, AP: The total project cost is estimated to be in the range of Rs 3,000-3,200 crore. The project has been delayed due to pending receipt of clearances from the Government. Financial closure is underway. GAL has pending equity commitment of Rs.886 crore (with financing to be done by GAL: Rs.561 crore) during the period FY23-26 and main funding requirement commencing from FY24 onwards.

Heraklion International Airport, Crete, Greece: GAL, through its overseas subsidiary GMR Greece Limited, is developing the airport at project cost of EUR 520 million. The entire equity commitment of GAL has been completed. Expected COD is March 2025.

As on August 31, 2022, GAL has equity commitment pending only for Bhogapuram airport which is expected to be met partly through internal accruals, expected inflow of ICDs and the remaining through debt. As all the airport projects are in intermediate/preliminary stages of construction, any cost or time overrun in any of the ongoing projects thereby necessitating GAL to fund the cost increase through debt shall be important.

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 i.e., DIAL and GHIAL. The company has fulfilled all its equity commitments in ongoing airport projects handled under various subsidiaries/JVs except in Bhogapuram airport where GAL is expected to infuse Rs.561 crore over a period of 4 years (FY23-FY26) with marginal funding requirement during FY23. As on March 31, 2022, the company had free cash balance of Rs.122 crore.

Analytical approach: Standalone, factoring in support to be extended to subsidiaries.

Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Rating Methodology-Airports](#)

[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

GMR Airports Limited (GAL) is the holding company of GMR Group's investments in the airport sector. GAL was incorporated on February 6, 1992 with the name of Medvin Finance Private Limited. Later on, w.e.f April 28, 2005, its name was first changed to GVL Investments Private Limited and then w.e.f. November 10, 2009, to GMR Airports Holding Private Limited. The company was converted into a Public Limited Company on February 09, 2010. Thereafter, the company has been known as GMR Airports Limited since May 03, 2012.

Groupe ADP has invested in the company in FY21 and holds 49% stake with balance held by GMR Infrastructure Ltd.

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (Published)
Total Operating Income	349	568	120
PBILDT	206	389	180
PAT	(258)	(81)	48
Overall gearing (times)	0.19	0.20	0.21
Interest coverage (times)	0.30	2.07	2.20

A: Audited, Interest coverage ratio calculation considers the cash coupon payment portion only

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	200.00	CARE A-; Negative / CARE A2+
Bonds-Non Convertible Bonds	INE903F08144 INE903F08094 INE903F08102 INE903F08110 INE903F08086	December 23, 2020	6%	September 24, 2022 (Rs.1,330 crore) December 28, 2023 (Rs.1,670 crore)	3000.00	CARE A-; Negative
Bonds-Non Convertible Bonds	INE903F08128	August 17, 2021	6%	August 17, 2024	500.00*	CARE A-; Negative
Bonds-Non Convertible Bonds	INE903F08136	June 24, 2022	6%	June 24, 2024	400.00	CARE A-; Negative
Bonds-Non Convertible Bonds	-	-	-	-^	1500.00	CARE A-; Negative

*amount raised Rs.300 crore

^proposed bonds. Bullet repayment in 2 years from date of issuance

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	200.00	CARE A-; Negative / CARE A2+	1)CARE A-; Negative / CARE A2+ (13-Jun-22)	1)CARE A-; Negative / CARE A2+ (06-Jul-21)	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)
2	Bonds	LT	-	-	-	-	-	1)Provisional CARE A+ (CWN) (10-Jun-19) 2)Withdrawn (10-Jun-19)
3	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)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
4	Bonds-Non Convertible Bonds	LT	-	-	-	-	1)Withdrawn (12-Mar-21) 2)CARE A-; Negative (04-Sep-20)	1)CARE A- (CWD) (10-Oct-19) 2)Provisional CARE A- (CWD) (19-Sep-19)
5	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)
6	Bonds-Non Convertible Bonds	LT	3000.00	CARE A-; Negative	1)CARE A-; Negative (13-Jun-22)	1)CARE A-; Negative (06-Jul-21)	1)CARE A-; Negative (12-Mar-21) 2)CARE A-; Negative (28-Dec-20) 3)Provisional CARE A-; Negative (11-Dec-20)	-
7	Bonds-Non Convertible Bonds	LT	500.00	CARE A-; Negative	1)CARE A-; Negative (13-Jun-22)	1)CARE A-; Negative (06-Jul-21)	1)CARE A-; Negative (12-Mar-21)	-
8	Bonds-Non Convertible Bonds	LT	400.00	CARE A-; Negative	1)CARE A-; Negative (13-Jun-22)	-	-	-
9	Bonds-Non Convertible Bonds	LT	1500.00	CARE A-; Negative				

*LT/ST: Long-term/Short-term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

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

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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About CARE Ratings Limited:

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