GMR Airports Infrastructure Limited

September 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	500.00	CARE BBB+; Stable / CARE A2	Assigned
Non-convertible bonds	6,100.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings to the debt instruments and bank facilities of GMR Airports Infrastructure Limited (GIL) take into consideration completion of composite scheme of merger of GIL's subsidiaries, GMR Airports Limited (GAL) and GMR Infrastructure Development Limited (GIDL) with the GIL, in a step approach, on July 25, 2024. Before merger, GAL was the holding company for the GMR group's airport vertical and Groupe ADP held 49% stake in GAL. Post merger, from July 25, 2024, Groupe ADP holds 32.3% stake in GIL and is also categorized as co-promoter of GIL with equal board representation.

Ratings factor in GIL's healthy financial flexibility by virtue of it being a listed holding company of two major operating Indian airports, Delhi International Airport Limited (DIAL) and GMR Hyderabad International Airport Limited (GHIAL). Both these airports are among the busiest airports in India and have witnessed robust passenger traffic growth of 13% and 19% year-on-year respectively in FY24 (refers to the period from April 01 to March 31). Apart from the above two, GIL's portfolio comprises 4 other airports-2 domestic (i) GMR Goa International Airport Limited (GGIAL, rate CARE A; Stable / CARE A1) & (ii) GMR Visakhapatnam International Airport Limited (GVIAL) and 2 international airports – (iii) Medan Airport, Indonesia and (iv) Crete Airport, Greece. The strategic partnership of GIL with Aeroports De Paris (i.e. Groupe ADP), demonstrated track record of funds raised over the past several years to meet the refinancing and/or capital expenditure (capex) requirements as well as lower pending equity commitments towards its under-construction airport are other credit strengths. GIL has also forayed into non-aero businesses at various airports and the recent award of concession for Duty Free Services at Delhi airport is expected to notably improve its revenue and profitability over medium term.

As a part of the GIL-GAL merger scheme, GIL raised €331 million (₹2,900 crore) from Groupe ADP through 10-year foreign currency convertible bonds (FCCBs) in March 2023 and the proceeds of the same have been utilized in FY24 towards debt repayment in one of the subsidiary company besides partly settling contingent liabilities related to non-airport businesses. Prior to this development, GMR Power and Urban Infra Limited (GPUIL) engaged in power and roads business got demerged from GIL as a listed entity of the GMR group in January 2022. The contingent liabilities related to GPUIL, and its subsidiaries were the legacy of the pre-demerger period. The corporate guarantee extended by GIL prior to merger with GAL stood at ₹3,966 crore as on March 31, 2023 which further reduced to ₹2,323 Crore as on March 31, 2024. The corporate guarantee o/s as on March 31, 2024 largely pertains to guarantee extended by GIL on behalf of GPUIL for FCCB. During FY16, prior to demerger of power and roads business from GIL, it had issued FCCBs to the tune of USD300 million which upon demerger was split between GIL and GPUIL for which aforesaid guarantee was provided by GIL. On July 10, 2024 these FCCBs were converted into equity shares leading to extinguishment of corporate guarantee extended by GIL. As per managements articulation, post GIL-GAL merger date i.e. July 25, 2024, the corporate guarantee to non-airport vertical has been substantially reduced to ₹40 crore which is favourable from credit perspective. CARE Ratings takes note of the delay in interest servicing of aforementioned FCCBs raised by GIL which was subsequently waived off at the time of conversion to equity during July 2024. While arriving at the ratings CARE Ratings has suitably factored in the 'CARE's Curing period policy' and the underlying applicable criteria. The deviation from curing period policy has been applied on account of conversion of FCCBs into equity (restructuring of debt) thereby uplifting its credit and liquidity profile and significant change in business risk profile of GIL from direct holdings of airports assets and revenue thereof post-merger with GAL thus aiding its liquidity.

However, the above rating strengths are tempered by GIL's current limited revenue stream, susceptibility of its revenue to the volatility associated with traffic growth and the regulatory risk faced by its airport assets, GIL's limited cash accruals, below unity interest coverage and inherent refinancing risk. Nevertheless, the strong and improved credit profile of the underlying operating assets and the consequent higher valuation mitigate the refinancing risk to an extent. Going forward, any material weakening in valuation to the adjusted debt (Including FCCBs, corporate guarantees extended to non-airport entities and debt backed by pledge of shares) is a key rating sensitivity.

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

The ratings also take cognizance of high promoter (GMR Group) pledge of 54% of GMR holding in GIL as on July 25, 2024 which is pledged for availing debt at promoter entity. CARE Ratings relies on management articulation that promoter debt raised via pledge of share is without recourse to GIL and GMR group shall continue to be promoter till dilution of control upto 10%.

Apart from above, CARE Ratings also notes that prior to de-merger of power vertical, GIL had extended corporate guarantee to one of power entity - GMR Rajahmundry Energy Limited (GREL; rated CARE D; Issuer Non-Cooperating) subsequently transferred to GPUIL pursuant to scheme of demerger. GIL has passed board resolutions/executed undertakings with GPUIL pursuant to which, it shall jointly remain liable for aforementioned guarantees. As articulated by GIL's management, the said corporate guarantee has not been executed as on date. However, it remains a potential risk for GIL till the settlement of said matter. Hence, extension of any corporate guarantee as well as support to non-airport business of GMR group including corporate guarantee to GREL going forward, constitutes key negative sensitivity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant reduction in debt level on sustained basis
- Diversification of revenue stream with increased contribution from non-aero segment leading to healthy ramp up of PBILDT

Negative factors

- Extension of corporate guarantee and/or support in the form of loans and advances to power vertical including GREL
- Time or cost overrun in execution of the Bhogapuram airport (GVIAL) thus significantly increasing equity commitments or other funding requirement towards the project.
- Significant increase in adjusted debt levels, diluting the valuation-to-adjusted debt ratio below 5x.

Analytical approach

Standalone i.e. merged financials of GAL, GIDL and GIL while factoring in support and equity commitments towards its subsidiaries.

Outlook: Stable

Over the medium term, CARE Ratings expects GIL's business profile to persist supported by robust performance of the underlying airport assets and favourable outlook for airports business.

Detailed description of the key rating drivers

Key strengths

Favourable outlook for airports business

In FY24, air passenger traffic in India reached to 376.4 million passengers from 327.3 million passengers in FY23, surpassing pre-pandemic air traffic levels by 10.3%. Outlook for airport businesses in medium term to remain favourable owing to strong air passenger traffic growth. CARE Ratings expects air passenger traffic to reach 425 million passengers in FY25.

Financial flexibility derived from direct ownership of airport assets as well as other airport related businesses

GIL is the holding company for two major airports of the country, 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. Apart from above, GIL also holds stake in 4 other airports- 2 domestic airports namely GGIAL & GVIAL and 2 international airports - Medan Airport, Indonesia and Crete Airport, Greece. GIL has financial flexibility, being the majority stakeholder in DIAL (64%), GHIAL (74%), and GGIAL (100%, except one golden share being held by the Government of Goa). GIL also holds 17.03% in Delhi Duty Free Services Limited (DDFS) and 50.1% in Delhi Airport Parking Services Private Limited (DAPS), which have healthy financial risk profiles.

Improvement in business profiles of airport assets

The two main operating airports under GIL – DIAL and GHIAL – have demonstrated consistent improvement in their business performance over the years. DIAL and GHIAL together have contributed 26-28% of the total passenger traffic of the country during the past six years. Both the airports are strategically located, thus leading to significant upsurge in traffic volumes.

The passenger traffic at DIAL and GHIAL reached record levels in FY24 at 73.7 million and 25.0 million respectively due to expanded passenger capacity at both the airports along with the buoyant air passenger traffic. The passenger traffic continued its growth momentum as DIAL and GHIAL registered 7.2% and 9.5% of the passenger traffic growth for Q1FY24 against Q1FY23, respectively.

DIAL and GHIAL have expanded their capacities to 100 million passengers per annum (MPPA) and 34 MPPA, respectively. Due to the unserved demand and added capacity, the passenger traffic is expected to remain robust, going forward, at both the airports. GGIAL is a greenfield airport and it commenced commercial operations in January 2023. Despite being the second airport operating at Goa, GGIAL was able to tap the unserved demand at Goa and capture 39% of the passenger market share in FY24. It has registered a passenger traffic of 4.4 million in FY24.

Demonstrated fundraising capabilities

Prior merger to GIL, GAL has a demonstrated track record of successful fundraising in the past, to support the refinancing requirements and/or meeting the capex requirements for its airport assets. While the successful fundraising has enabled meeting the refinancing requirements, the high cost of debt has impacted the cash flow.

Synergic benefits from Groupe ADP

The GMR group was founded by Mr. GM Rao in 1978. Over the years, the company has demonstrated successful execution capabilities across diverse sectors. In FY20, Groupe ADP acquired a 49% stake in GAL. Post merger of GAL with the GIL, Groupe ADP holds 32.3% shareholding and being recognized as co-promoters of the company with equal board representation. 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. ADP operates 26 airports globally. The major shareholder of Groupe ADP is the Government of France, which holds a stake of 50.6%.

Completion of merger of GIL with its subsidiaries along with reduction in the outstanding contingent liabilities albeit with risk related to GREL

The merger of GAL and GIDL with the GIL, in a step approach has been completed on July 25, 2024 with effect from April 01, 2023. The merger has eliminated the holding structure with airport assets and other subsidiary being held directly under GIL. Post merger Groupe ADP holds 32.3% stake in GIL and is also categorized as co-promoter of GIL with equal board representation.

As a part of the understanding related to the merger, GIL has raised €331 million (₹2,900 crore) from Groupe ADP through 10-year foreign currency convertible bonds (FCCBs) in March 2023 and the proceeds of the same have been utilized for repaying debt in one of the subsidiary company as well as settling part contingent liabilities related to non-airport businesses. GMR Power and Urban Infra Limited (GPUIL) engaged in power and roads business got demerged from GIL as a listed entity of the GMR group in January 2022. The contingent liabilities related to GPUIL, and its subsidiaries were the legacy of the pre-demerger period. The corporate guarantee extended by GIL prior to merger of GAL stood at ₹3,966 crore as on March 31, 2023 which further reduced to ₹2,323 Crore as on March 31, 2024. The corporate guarantee o/s as on March 31, 2024 largely pertains to guarantee extended by GIL on behalf of GPUIL for FCCB. During FY16, prior to demerger of power and roads business from GIL, it had subscribed FCCBs to the tune of USD300 million which upon demerger was split between GIL and GPUIL. On July 10, 2024 these FCCBs were converted into equity shares leading to extinguishment of corporate guarantee extended by GIL. As per managements articulation, post-merger date i.e. July 25, 2024, the corporate guarantee to non-airport vertical stood significantly reduced at ₹40 crore providing relief from credit perspective. The corporate guarantees extended to airport group companies by GAL before merger continues to be extended by GIL. The airport group companies are self-sufficient in operations and having better credit profiles, hence they are not considered in the computation of adjusted debt.

Expected improvement in operating income with foray into non-aero business

GIL previously had limited revenue stream of operator fees, dividend income from subsidiaries, EPC and management fee. In order to expand its revenue stream, GIL has forayed into providing non-aero services at its airport subsidiaries and GIL's operating income is expected to improve going forward. Presently, GIL is providing retail business, car parking and ground transportation services at GHIAL. GIL is operating car parking, cargo and duty-free service at Goa Airport. GIL has won bids for operating duty-free services both at DIAL and GHIAL and GIL is expected to commence operations at both the airports in FY26. Significant improvement in the operating revenues and profitability levels on a sustained basis is a key rating sensitivity.

Key weaknesses

Modest Refinancing risk despite elevated debt levels

GIL, the listed arm of GMR Group, as well as 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 the absence of limited upstreaming of cash flows from the major operational subsidiaries (DIAL and GHIAL), GIL has relied on debt-funded equity investments, resulting in elevated debt levels. Besides, bullet repayments of the debt instruments have necessitated timely refinancing. GIL has outstanding NCBs of ₹5,000 crore with the bullet repayment in November 2026. GIL proposes to raise incremental ₹1,100 crore of NCBs for Airport businesses. Nevertheless, the strong credit profile of the underlying assets and the consequent higher valuation mitigate the refinancing risk to an extent.

Groupe ADP had subscribed to FCCBs of GIL in March 2023. CARE Ratings has treated the FCCBs as part of the debt for assessment purpose. However, the longer tenor of the FCCB with no cash coupon payments for the first five years uptil March 2028 is expected to provide cushion from the credit perspective. The rating also takes cognizance of high promoter (GMR Group) pledge of 54% of GMR holding in GIL as on July 25, 2024 which is pledged against the debt availed at promoter entity. CARE Ratings relies on managements articulation that promoter debt raised via pledge of share is without recourse to GIL.
As per the covenants of the bonds, the minimum valuation of GIL shall be at least ₹20,000 crore at all times. Considering the NCBs, FCCBs and lease liability, the valuation-to-debt multiple basis the March 31, 2024 valuation of GIL is at 9.7x. Considering the adjusted debt (Including NCBs, FCCBs, lease liability, corporate guarantee to non-airport group companies and debt backed by pledge of shares), valuation-to-adjusted debt multiple basis March 31, 2024 valuation is at 5.76x. Going forward, the material dilution in valuation to the debt (Including FCCBs, non-airport corporate guarantees and debt backed by pledge of shares) below 5x is a key rating sensitivity.

Inherent project risk associated with under-construction assets

GIL has two under-implementation projects comprising the construction of greenfield airports at Bhogapuram, Andhra Pradesh (6.0 MPPA), and Crete, Greece, which exposes GIL to project risk. The briefs of the ongoing projects are as follows:
GVIAL, Andhra Pradesh: The total project cost is estimated to be in the range of ₹4,700-4,800 crore. The construction activities have commenced from November 2023. The physical progress stands at ~30% as of June 30, 2024. Based on the current estimate of the project cost, of the pure equity of ₹1,027 crore (GIL to infuse 51%), GIL has infused ₹411 crore while NIIF has invested ₹395 crore in the form of CCD as of March 31, 2024. Pending equity commitments from GIL to GVIAL is ₹113 crore which will be met in FY26.
Heraklion International Airport, Crete, Greece: GIL, through its overseas subsidiary, GMR Greece Limited, is developing the airport at a project cost of €632.5 million (increased from €520 million; the increased cost will be provided by the Government of Greece in the form of grant). The entire equity commitment of GIL has been completed. The expected commercial operations date (COD) is in CY2027.

As all the airport projects are in intermediate or preliminary stages of construction, any cost or time overruns in any of the ongoing projects, thereby necessitating GIL to fund the cost increase through debt, will be important from the credit perspective.

Regulatory risk

GIL is exposed to inherent regulatory risk pertaining to its airport assets portfolio. The regulatory tariff determination for the underlying airports may get delayed. The airport operators, on their own, do not have any authority to decide or revise the tariffs for aeronautical services provided by them. The operators are required to file their aeronautical revenue requirements with the regulator, who critically assesses the filing and passes a tariff order. Instances of revisions in various rates, which have a direct impact on the revenue, expose the companies to regulatory risk. However, the risk of delay in tariff determination is partially mitigated by the true-up mechanism in the next control period.

Liquidity: Adequate

The liquidity is characterised by the financial flexibility available with GIL being the holdco of the two major airport assets, i.e., DIAL and GHIAL. The company has entirely fulfilled its equity commitments in the ongoing airport projects held under various subsidiaries and joint ventures (JVs) except in the GVIAL, where GIL is expected to further infuse ₹113 crore during FY25-FY26. GIL's outstanding NCBs are maturing in November 2026. As on March 31, 2024, the company had cash and cash equivalents balance of ₹108 crore (at the standalone level) and unutilized fund based working capital limits of ₹100 crore.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environmental	• DIAL is net zero carbon emitter • DIAL is the first airport in the country to run entirely on renewable electricity i.e. hydro and solar power • DIAL has replaced >95% of its vehicle fleets by EVs • DIAL and GHIAL accredited with Level 4+: Transition by the Airports Council International • GGIAL has renewable energy generation from 5 MW onsite solar power unit
Social	CSR activities implemented in the thrust areas of Education, Health and Livelihoods.
Governance	The company's board comprises over 50% independent directors, emphasizing diversity and effective oversight. The company has strict governance principles through guided values of the organization and all the secretarial compliances in place.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Investment Holding Companies
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Policy On Curing Period
Airports
Infrastructure Sector Ratings
Short Term Instruments

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Airport & Airport services

GIL is the holding company of the GMR group's investments in the airport sector. The company specializes in the development, operation, and management of airports, with a presence in both domestic and international markets. GIL is listed on both the NSE and BSE. Groupe ADP was earlier holding 49% stake in GAL. Post merger of GAL with the GIL, Groupe ADP is categorized as co-promoter of the GIL.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	819	793	202
PBILDT	447	319	89
PAT	(1183)	(542)	(146)
Overall gearing (times)	0.24	0.16	-
Interest coverage (times)	0.44	0.36	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)#	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds-Non-Convertible Bonds	INE776C08042	22-11-2023	5%	22-11-2026	1,950.00	CARE BBB+; Stable
Bonds-Non-Convertible Bonds	INE776C08034	19-12-2023	5%	23-11-2026	800.00	CARE BBB+; Stable
Bonds-Non-Convertible Bonds	INE776C08026	02-02-2024	5%	24-11-2026	2,250.00	CARE BBB+; Stable
Bonds-Non-Convertible Bonds	Proposed	-	-	-	1,100	CARE BBB+; Stable
Non-fund-based-LT/ST	-	-	-	-	500.00	CARE BBB+; Stable / CARE A2

#Coupon rate is only cash coupon. Besides this, accrued interest of 8.275% for various NCB tranches is to be repaid at the time of redemption.

Annexure-2: Rating history for the 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based-LT/ST	LT/ST	500.00	CARE BBB+; Stable / CARE A2	-	-	-	-
2	Bonds-Non Convertible Bonds	LT	6,100.00	CARE BBB+; Stable	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	• Minimum valuation of GIL will be at least ₹20,000 crore at all times.
B. Non-financial covenants	• The direct shareholding of GIL in GHIAL and DIAL will not be below 51% each.

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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 us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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