GMR Airports Limited

March 03, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]
Non-Convertible Bonds	1,670.00	CARE A-; Under Credit watch with Developing Implications (Single A Minus)
Bank facilities – Non Fund Based ST – LC/BG	200.00	CARE A2+; Under Credit watch with Developing Implications (A Two Plus)

Update on change in strategic partner to Groupe ADP instead of consortium of TATA-GIC-SSG

The holding company GMR Infrastructure Limited (GIL) via press release on stock exchange dated Feb 20, 2020 announced the Strategic Partnership with Groupe ADP for its airports business. GIL has signed a share purchase agreement pursuant to which France's Groupe ADP will hold 49% stake in GAL for an equity consideration of Rs.10,780 crore. This equity consideration comprises of Rs.9,780 crore towards secondary sale of shares by GMR Group and Rs.1,000 crore equity infusion in GAL.

The first tranche of Rs.5,248 crore will be received by GMR Group immediately and this money will help deleverage the group. The two step deal will see the French company initially buying 24.99% in GAL and later topping it up by purchasing 24.01% more. As discussed with the management, GAL will receive the money in the second tranche only. As per exchange announcement from GIL dated Feb 26, 2020, the company has confirmed the receipt of first tranche of Rs.5,248 crore from Groupe ADP. As part of the terms of the transaction, GMR will retain management control over the Airports business with Groupe ADP having the customary rights and board representation at GAL and its subsidiaries. As discussed with the management, the deal is subject to certain regulatory approvals and they expect the transaction to materialize in next 2-3 months. The earlier deal with consortium of TATA-GIC-SSG has been called off and GAL has received NOC from the trustee for the above rated bonds.

The ratings continue to remain on credit watch with developing implications as post the materialization of said Groupe ADP deal which is expected to close before June 2020, GAL is expected to receive Rs.1,400 crore through a mix of repayment by GIL and equity infusion, which is expected to reduce the overall debt levels of GAL and remains a key monitorable. CARE would keep a close watch on the developments and take an appropriate rating action once clarity emerges on the same

Rating sensitivities

Positive factors

- Timely materialization of deleveraging efforts leading to significant reduction in debt levels below Rs.1000 crore.

Negative factors

- Delay in materialization of Groupe ADP deal beyond the long stop date of share purchase agreement.
- Any increase in exposure towards holding company/companies with weak credit profile.

The previous press release of GAL is available on the following link: Click here

Detailed Rationale & Key Rating Drivers

The ratings of GAL factors in its healthy financial flexibility being a holding company of two major airports viz, Delhi International Airport Limited (DIAL, largest airport in India) and GMR Hyderabad International Airport Limited (GHIAL) which has reported consistent improvement in its business profile thereby demonstrating self-sufficiency for future expansions. The rating continues to factor in the experienced promoter group with diversified business portfolio.

The rating continues to remain constrained by susceptibility of GAL's revenues to seasonality and volatility associated with traffic growth and regulatory risk faced by its airport assets.

Analytical approach: Standalone

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

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

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