GMR Goa International Airport Limited

September 12, 2023

Facilities/Instruments	Amount (₹ crore) @	Rating[1]	Rating Action
Long-term bank facilities	200.00	CARE A; Stable	Assigned
Long-term/Short-term bank facilities	100.00	CARE A; Stable/CARE A1	Assigned
Non-convertible debentures	2,475.00	CARE A; Stable	Assigned
Market-linked debentures	60.00	CARE PP-MLD A; Stable	Revised from CARE PP-MLD BBB+; Stable
Non-convertible debentures	50.00	CARE A; Stable	Revised from CARE BBB+; Stable

Details of instruments/facilities in Annexure-1.

@Total external debt including proposed non-convertible debentures (NCDs) and working capital limits will not exceed ₹2,800 crore before Phase-3 Stage-2 capex.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned ratings to the proposed NCDs and bank facilities, while the ratings are revised for the existing rated instruments of GMR Goa International Airport Limited (GGIAL). The revision in the ratings takes into consideration the commencement of the airport operations of Phase-I and the ramp-up in passenger traffic in seven months since January 5, 2023, which are in line with the earlier expectations.

The ratings favourably factor in the release of the consultation paper by the Airport Economic Regulatory Authority of India (AERA) on August 31, 2023, with the proposal to allow majority of the capex incurred by GGIAL. The proposed yield-per-passenger (YPP) under the consultation paper mitigates the regulatory risk to an extent. GGIAL is exposed to the inherent risk related to the deferment of some annual revenue requirements (ARRs) to the next control period vide the issuance of the final tariff order. Nevertheless, the issuance of interim tariff order, and provision of true up of revenue in next control period in case of shortfall in current control period are key mitigants for regulatory risk.

The ratings assigned to the proposed NCDs consider the refinancing of the existing debt with a lower coupon rate. The proposed NCDs have favourable debt covenants and adequate liquidity buffer. The ratings continue to take cognisance of the investment of ₹631 crore by the National Investment and Infrastructure Fund (NIIF) into GGIAL in the form of compulsorily convertible debentures (CCDs).

The ratings continue to factor in the rich experience of GGIAL's parent, GMR Airports Limited (GAL; rated 'CARE A-; Stable/CARE A2+') in successfully developing and operating airports, along with its ability to provide financial support in case of a shortfall in debt servicing and cost overruns.

The above ratings strengths are partially offset by the exposure to passenger traffic risk due to another operational airport at Goa and the moderately leveraged profile of GGIAL. The ratings also take cognisance of the inherent risk in generating the envisaged lease rental income for the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Surpassing envisaged air passenger traffic along with significant uptick in the non-aero and lease rental revenue, resulting in improvement in the leverage and debt coverage metrics.

Negative factors

- Significantly lower passenger traffic or real estate revenue compared to estimates, impacting the peak net debt/profit before interest, lease rentals, depreciation and taxation (PBILDT) of 7.5x.
- Deferment of revenue requirement by AERA to the next control period, impacting the peak net debt/PBILDT of 7.5x.
- Non-adherence to the proposed refinancing structure.

Analytical approach: Standalone

Outlook: Stable

Over the medium term, GGIAL is expected to witness stable revenue receipt with aero revenue forming the lion share of the total revenue and a gradual ramp-up in air passenger traffic.

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

Detailed description of the key rating drivers

Key strengths

Operationalisation of the airport with ramp-up in air passenger traffic as per the expectations

The airport started commercial operations for domestic routes on January 05, 2023. Despite having another operational competing airport, the air passenger traffic at GGIAL witnessed a healthy ramp-up in the initial period of operations. GGIAL has achieved 35% share of the total air passenger traffic at Goa as on July 31, 2023. GGIAL has established connectivity to 25 domestic locations as on August 31, 2023.

International operations started on July 21, 2023, at GGIAL, and with the connectivity to more international locations, along with the upcoming winter schedule, the air passenger traffic ramp-up is expected to accelerate further.

Regulated returns under the hybrid-till tariff structure

AERA regulates the tariff to be levied at the airport on air passengers and other airline-related activities, with subsidisation of 30% of non-aero revenue under the favourable hybrid-till tariff structure. AERA has issued an ad hoc tariff order to levy tariff until the final tariff order is issued. AERA has also issued a consultation paper on August 31, 2023, to determine the aeronautical charges for the first control period (April 2023 to March 2028). As per the consultation paper, AERA has proposed to allow majority of the capex that GGIAL has incurred and proposed YPP under the consultation paper mitigates regulatory risk to an extent. The timely issuance of the final tariff order in line with the consultation paper and without differing significant revenue requirement in the next control period is a key rating monitorable.

Refinancing of debt with favourable debt covenants and liquidity buffer

GGIAL is in the process of refinancing its existing debt with the NCDs aggregating to ₹2,475 crore at a lower coupon rate with a tenure of 20 years with a call option from December 2028 to March 2029 and a put option in March 2029. The proceeds will also be used for Phase-2 capex along with the creation of an upfront debt service reserve account (DSRA) for six months of debt servicing. The NCDs have financial covenant of maintaining a maximum total leverage indicators. Also, the restricted payment conditions under the refinanced debt does not allow permitted cash withdrawal without having fully funded the DSRA, a debt service coverage ratio (DSCR) of 1.4x until FY29, and the maintenance of liquidity of a certain amount. The proposed NCD terms also stipulate sponsor undertaking from GAL for maintaining a DSRA under certain conditions and shall continue till DSCR of 1.25x is achieved or March 31, 2026, whichever is earlier.

Experienced promoters with financial and operational support

The parent of GGIAL, GAL holds an extensive track record of operating and managing airports in India and abroad, demonstrated by the successful operations of the major Delhi and Hyderabad airports. In FY20, Groupe ADP acquired a 49% stake in GAL, subsequent to the completion of the stake sale deal with GMR Airports Infrastructure Ltd (Formerly known as GMR Infrastructure Ltd). Groupe ADP owns and operates all three of Paris' international airports – Paris-Charles de Gaulle, Paris-Orly, and Paris-Le Bourget. In addition, Groupe ADP also manages 21 airports globally, through its alliance with Royal Schiphol Group N.V., which operates the Amsterdam Airport Schiphol. The major shareholder of Groupe ADP is the Government of France, which holds a stake of 50.6%.

Key weaknesses

Passenger traffic risk due to twin airports in Goa

GGIAL is exposed to passenger traffic risk due to the presence of the existing operational airport at Dabolim, Goa, with a capacity of 13 million people per annum (MPPA). However, the existing airport at Dabolim has multiple constraints, as it is a civil enclave-cum-navy base. Furthermore, the passenger traffic at GGIAL is likely to be supported by the availability of the preferred time slots for airlines and passengers, and new domestic and international route developments strategies.

Traffic numbers as on July 31, 2023, have demonstrated that the presence of a new airport at Goa has created additional demand and attracted new passengers rather than relying solely on passengers shifting from the existing Dabolim airport on account of the addition of new locations and preferred timeslots. While agreements with airlines for H2FY24 offers reasonable visibility of passenger traffic for FY24, GGIAL's ability to achieve the envisaged traffic from FY25 onwards will be a key rating monitorable.

Moderately leveraged profile

GGIAL, with the refinancing of the debt, will repay the existing senior debt, sub debt, and group debt, along with utilisation towards phase 2 capex. The financial profile of the company is moderately leveraged with a relatively higher net debt/PBILDT in the initial years. With the ramp-up in air passenger traffic along with the envisaged realisation of lease rentals, the peak net debt/PBILDT is expected to remain below 6.5x in the medium term. However, the longer concession period of 40 years aids financial flexibility.

Risk related to achievability of lease rental revenue
GGIAL is exposed to the inherent risks in generating revenue from rental income by way of upfront lease deposits and recurring annual lease payments. GGIAL has 232 acre available for the development of real estate. GGIAL is in the process of allotting two land parcels with a total size of 4.26 acre to leading hotel chains with the upfront deposit amount and recurring lease payments along with the revenue share subject to formal approval from the Government of Goa.
CARE Ratings views that the timely development of land and the realisation of cash flows as per the business plan will be a key credit monitorable.

Liquidity: Adequate
GGIAL is expected to derive liquidity support from the upfront creation of a DSRA for six months of debt servicing requirements and working capital lines up to ₹200 crore. Additional ₹128 crore will be available in the DSRA balance subject to certain conditions. The proposed NCD terms also stipulate sponsor undertaking from GAL for maintaining a DSRA under certain conditions.

Assumptions/Covenants
Not applicable

Environment, social, and governance (ESG) risks
Not applicable

Applicable criteria
Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Airports
Criteria for rating of market linked notes
Policy on Withdrawal of Ratings

About the company and industry
Industry classification

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

GGIAL, a 99.99% subsidiary of GAL (rated 'CARE A-; Stable/CARE A2+'), is a SPV to establish the greenfield international airport at Mopa, North Goa (Mopa Airport) on a design, build, finance, operate and transfer (DBFOT) basis. The Government of Goa (GoG) has planned a new airport for the state dedicated to only commercial operations under the public private partnership (PPP) mode considering the operating restrictions in the existing Dabolim airport. The airport achieved COD on December 07, 2022 and started commercial operations on January 05, 2023. The airport has 40 years of concession period with an option for additional 20 years of concession.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	0.00	27.58	NA
PBILDT	-1.94	-37.72	NA
PAT	-1.37	-148.21	NA
Overall gearing (times)	1.64	4.20	NA
Interest coverage (times)	NM	NM	NA

A: Audited; UA: Unaudited; NM: Not meaningful; NA: Not available. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the 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
Debentures-Market-linked debentures	INE735X07012 INE735X07020 INE735X07038	26-11-2022	NA	25-12-2023 25-11-2024 25-01-2026	60.00	CARE PP-MLD A; Stable
Debentures-Non-convertible debentures*	-	Proposed	-	31-03-2029	1600.00	CARE A; Stable
Debentures-Non-convertible debentures*	-	Proposed	-	31-03-2029	875.00	CARE A; Stable
Debentures-Non-convertible debentures	INE735X07046	25-11-2022	13.90%	25-11-2025	50.00	CARE A; Stable
Fund-based - LT-Working capital term loan*	-	Proposed	-	-	200.00	CARE A; Stable
Non-fund-based - LT/ ST-Bank guarantee*	-	-	-	-	100.00	CARE A; Stable / CARE A1

*Proposed instrument and debt facilities, which are either yet to be placed or raised. NA: Not applicable.

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 2023-2024	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
1	Debentures-Non-convertible debentures	LT	50.00	CARE A; Stable	-	1)CARE BBB+; Stable (09-Dec-22)	-	-
2	Debentures-Market-linked debentures	LT	60.00	CARE PP-MLD	-	1)CARE PP-MLD	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2020-2021
				A; Stable		BBB+; Stable (09-Dec-22)		
3	Debentures-Non-convertible debentures	LT	1600.00	CARE A; Stable				
4	Fund-based – LT-Working capital term loan	LT	200.00	CARE A; Stable				
5	Debentures-Non-convertible debentures	LT	875.00	CARE A; Stable				
6	Non-fund-based – LT/ ST-Bank guarantee	LT/ST*	100.00	CARE A; Stable / CARE A1				

*Long term/Short term.

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	• Net debt/PBILDT not above below levels: ▪ March 2025 until September 2026: 7.5x ▪ March 2027 until September 2027: 7.0x ▪ March 2028 until September 2028: 6.0x • No incremental debt except: ▪ Up to 70% of the Phase-3 capex cost ▪ ₹300 crore of working capital debt with sublimit of ₹100 crore of non-fund-based limits ▪ Hedging lines of ₹25 crore • Any payments using surplus funds from issuer permitted if: ▪ No event of default outstanding ▪ DSRA is fully funded ▪ DSCR for trailing 12 months to be >1.40x until the mandatory cash collateralisation date (i.e., March 2029) and >1.15x thereafter ▪ Minimum cash balance of ₹125 crore plus any drawn amount under the working capital debt repayable within one year ▪ An amount equal to the dividend amount is used for mandatory prepayment of NCDs without any prepayment charges ▪ Confirmation of no deficit for Phase-3 capex equity post the Phase-3 trigger event
B. Non-financial covenants	• Sponsor (GAL) to directly or indirectly own at least 51% on a fully diluted basis and retain management and board control

*Covenants for the proposed issue to NCDs.

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market-linked debentures	Highly Complex
2	Debentures-Non-convertible debentures	Complex
3	Fund-based - LT-Working capital term loan	Simple
4	Non-fund-based - LT/ ST-Bank guarantee	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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