GMR Airports Ltd — 02 Sep 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Assigned** (Post-merger): CARE BBB+; Stable / CARE A2
Outlook	**Stable** (Current)
Key Drivers of Change	1. **Structural Simplification:** Completion of GIL-GAL merger (July 2024) allows direct ownership of assets and eliminates complex holdco layers. 2. **Liability Reduction:** Non-airport corporate guarantees slashed from ₹3,966 Cr (FY23) to ~₹40 Cr post-merger; $300M FCCBs converted to equity in July 2024. 3. **Strategic Co-Promoter:** Groupe ADP now holds 32.3% stake, providing technical synergy and financial backing (€331M/₹2,900 Cr FCCBs). 4. **Traffic Recovery:** DIAL (+13%) and GHIAL (+19%) passenger growth in FY24 driving record volumes. 5. **Non-Aero Foray:** Entry into high-margin Duty-Free and Retail at DIAL/GHIAL (ops start FY26) to pivot revenue mix.
Rated Instruments	• **Non-Convertible Bonds (NCBs):** ₹6,100 Cr
Key Observations	**Strengths:** • Monopolistic assets: DIAL & GHIAL handle ~27% of India's total air traffic. • Asset Valuation: 9.7x valuation-to-debt ratio provides high financial flexibility. • Capacity Expansion: DIAL (100 MPPA) and GHIAL (34 MPPA) ready for long-term growth. **Risks:** • **Refinancing Wall:** ₹5,000 Cr in NCBs due for bullet repayment in Nov 2026. • **Weak Coverage:** Interest coverage remains critically low at 0.36x (FY24). • **Promoter Pledge:** 54% of promoter holding is pledged, creating secondary market risk. • **Project Risk:** Ongoing capex at Bhogapuram (₹4,700-4,800 Cr) and Crete airports.
Investor Impact	• **Margins:** Foray into non-aero businesses (Duty-Free) expected to significantly boost EBITDA margins from FY26. • **Leverage:** Net debt-to-equity is improving, but reliance on bullet refinancing remains high. • **Dilution Risk:** $300M FCCB conversion already completed (equity dilution priced in); future dilution risk from €331M ADP FCCBs exists. • **Growth:** High operating leverage; earnings will scale as traffic nears 150+ MPPA across the portfolio.
Agency / Cross Analysis	**Same Agency (Contextual):** CARE waived its "Curing Period Policy" (despite past FCCB interest delays) because the merger and subsequent equity conversion fundamentally restructured the balance sheet. **New Rating Logic:** The BBB+ reflects a transition from an "Infra Holdco" to an "Airport Operator." **Conclusion: Significant Improvement** in credit profile via de-leveraging of legacy power/road liabilities.
Final Inference	**Real Credit Improvement.** The rating reflects a pivot to a "pure-play" airport giant with vastly reduced contingent liabilities (₹40 Cr vs ₹3,966 Cr). However, the stock remains a "valuation play" rather than an "earnings play" due to low current interest coverage and a looming 2026 refinancing hurdle.