

India Ratings Places GMR Air Cargo and Aerospace Engineering on RWN

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By Aashman Sharma

India Ratings and Research (Ind-Ra) has placed the ratings of GMR Air Cargo and Aerospace Engineering Limited (GACAEL) on Rating Watch Negative (RWN). The Outlook was Stable. The instrument-wise rating actions are as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Non-convertible debentures I (NCDs I)	INE991L07016	6 October 2017	8.55	6 October 2024	INR1,000	IND AA (CE)/RWN	Placed on RWN
NCD II	INE550V08017	6 October 2017	8.55	6 October 2024	INR1,750	IND AA (CE)/RWN	Placed on RWN
Unsupported rating^	-	-	-	-	-	IND A/RWN	Placed on RWN

^Ind-Ra has assigned unsupported rating in compliance with the Securities Exchange Board of India's circular dated 13 June, 2019, which requires credit rating agencies to disclose unsupported ratings without factoring in the explicit credit enhancement (CE) and supported rating after factoring in the explicit CE.

ANALYTICAL APPROACH

Ind-Ra continues to factor the strong legal, operational and strategic linkages between GACAEL and GMR Hyderabad International Airport (GHIAL; 'IND AA'/RWN) into the ratings. The ratings are based on the absolute, unconditional and irrevocable pre-default guarantee extended by GHIAL towards the rated debt.

KEY RATING DRIVERS

The RWN reflects the likely significant, adverse impact of the COVID-19 outbreak on the aviation sector and affiliated services in terms of passenger and cargo traffic. The Indian government has restricted international travel and issued travel advisory discouraging domestic travel. Ind-Ra will monitor the effect of the same on GACAEL's cash flows and liquidity.

Click [here](#) to access the previous rating rationale published on 31 October 2019.

RATING SENSITIVITIES

The RWN indicates that both the CE and unsupported ratings may be either affirmed or downgraded. Ind-Ra will resolve the RWN after the travel restrictions are lifted and the impact on cargo volumes being handled by GHIAL is assessed.

COMPANY PROFILE

GACAEL is a wholly owned subsidiary of GHIAL. The company was formed after the merger of GMR Aerospace Engineering Limited, GMR Aero Technic Limited and GMR Hyderabad Air Cargo and Logistics, another subsidiary of GMR Hyderabad International Airport.

FINANCIAL SUMMARY

Financials (INR million)	FY19	FY18
Revenue	2,521	1,990
Operating EBITDA	382	229
Interest expense	267	375
Net profit	-32	-137
Debt	3,021	3,023
Cash & equivalents	56	172
Source: GACAEL		

RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Ratings/Outlook			
	Rating Type	Rated Limit (million)	Rating	31 October 2019	16 September 2019	22 January 2019	7 November 2017
NCD	Long-term	INR2,750	IND AA(CE)/RWN	IND AA(CE)/Stable	IND AA(CE)/Stable	IND AA(SO)/Stable	IND AA(SO)/Stable
Unsupported Rating	Long-term	-	IND A/RWN	IND A/Stable	-	-	-

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

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Applicable Criteria

[Corporate Rating Methodology](#)

[Cash Flow Measures in Corporate Analysis](#)

[Parent and Subsidiary Rating Linkage](#)

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