

July 20, 2021

Air India Assets Holding Limited: Provisional Ratings [ICRA]AAA (CE) (Stable) withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture (NCD) Programme	14,985.0	14,985.0	[ICRA]AAA(CE) (Stable); Outstanding
Proposed NCD Programme^	7,400.0	-	Provisional [ICRA]AAA(CE) (Stable); Withdrawn
Government of India (GoI) Fully Serviced Bonds	7,000.0	7,000.0	[ICRA]AAA (Stable); Outstanding
Total	29,385.0	21,985.00	

Rating Without Explicit Credit Enhancement	[ICRA]BB
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*Instrument details are provided in Annexure-1; ^ These NCDs are under Air India Limited and to be transferred to AIAHL through novation

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

ICRA has withdrawn the provisional [ICRA]AAA(CE)(Stable) (pronounced ICRA triple A) (CE) (Stable) rating assigned to Rs. 7,400 crore NCDs of Air India Assets Holdings Limited (AIAHL), given that novation of Rs. 7,400 crore NCDs to AIAHL from Air India Limited because of which the rating was provisional are unlikely to be completed within allowable timeframe under ICRA's policy on provisional ratings. The Key rating drivers, Liquidity position, Rating sensitivities, Key financial indicators have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support ICRA Policy on Assigning Provisional Rating ICRA Policy on Withdrawal and Suspension of Credit Ratings
Parent/Group Support	The rating for the Rs. 7,400-crore proposed NCDs and the Rs. 14,985-crore NCDs are based on the unconditional, irrevocable and continuing guarantee from the GoI that would cover all the repayment obligations to the NCD holders. Further, the Rs. 7,000-crore NCDs are GoI fully serviced bonds, thus ensuring timely payment of debt obligations.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Air India Special Alternate Mechanism (AISAM) was constituted in 2017 to guide the process of strategic disinvestment of AIL. As no response was received from prospective bidders in the exercise held in 2017, the Government decided to undertake near and medium-term efforts to capture operational efficiencies and to improve the performance of Air India, to monetise non-core land and building assets and to separately decide the contours of the mode of disposal of the subsidiaries.

In line with the decision of AISAM, a company by the name of Air India Assets Holding Limited (AIAHL) was incorporated with 100% shareholding held by the Government.

The entity is a special purpose vehicle (SPV) formed for acquiring the following from Air India Limited:

- a) Its shares held in Air India Air Transport Services Limited (AIATSL), Airline Allied Services 'Alliance Air' (AASL), Air India Engineering Services Limited (AIESL) and Hotel Corporation of India Limited (HCI). As on March 31, 2020, these have been classified under assets held for sale in the balance sheet of AIL.
- b) Paintings, artefacts and other non-operational assets as may be decided by AIL and the Government of India
- c) Non-core assets as may be decided by AIL and the Government of India
- d) Immoveable properties whether leasehold or freehold
- e) Accumulated working capital loans not backed by any asset, and
- f) Other assets / liabilities or of its subsidiaries, as may be decided by AIL / Government of India

Pursuant to the decisions taken in the various AISAM meetings stated above, AIL began the exercise of transfer of identified debt amounting to Rs 29,464.0 crore as on October 01, 2018. However, in view of lenders' approval for transfer not forthcoming, the debt transfer could not take place and the debt continued to be in the books of AIL. AIL continued to service the interest due on these loans identified for transfer to AIAHL. In view of the constraints faced in the transfer of loan from AIL to AIAHL, the Ministry of Finance approved a refinancing strategy for the identified debt.

Based on the Meeting held on May 30, 2019, by the Ministry of Finance, it was decided that the SPV would raise finances in the following manner to refinance the identified debt of AIL amounting to Rs. 29,464.0 crore:

- a) NCD of Rs. 7,400.0 crore to be novated to AIAHL against GoI guarantee
- b) Issue of GoI Fully Serviced Bonds for Rs. 7,000.0 crore against LoA
- c) Issue of Bonds worth Rs. 15,064.0 crore with full Government Guarantee for the payment of interest and principal thereof. Accordingly, AIAHL has raised funds through bonds of Rs. 21,985.0 crore to repay the working capital and aircraft loans of AIL. NCDs amounting to Rs. 7,400.0 crore are in the process of novation from AIL to AIAHL. The other procedures relating to the disinvestment are in progress.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years					Date & Rating in FY2019
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020				
					July 20, 2021	Feb 02, 2021	Jan 20, 2020	Oct 04, 2019	July 31, 2019		
1	NCD Programme	Long-term	14,985.0	14,985.0	[[ICRA]AAA(CE) (Stable); Outstanding	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	-	-	
2	Proposed NCD Programme	Long-term	7,400.0	0.0	Provisional [ICRA]AAA(CE) (Stable); Withdrawn	Provisional [ICRA]AAA(CE) (Stable)	Provisional [ICRA]AAA(CE) (Stable)	-	-	-	
3	GoI Fully Serviced Bonds	Long-term	7,000.0	7,000.0	[ICRA]AAA (Stable); Outstanding	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
NCD Programme	Simple
Proposed NCD Programme	Simple
GoI Fully Serviced Bonds	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE0AED08011	NCDs / GoI Fully Serviced Bonds	18-Sep-2019	6.99%	16-Dec-2022	7,000.0	[ICRA]AAA (Stable); Outstanding
INE0AED08029	NCDs	14-Oct-2019	7.39%	12-Oct-2029	7,000.0	[ICRA]AAA(CE) (Stable); Outstanding
INE0AED08037	NCDs	22-Oct-2019	7.39%	22-Oct-2029	7,985.0	[ICRA]AAA(CE) (Stable); Outstanding
NA	Proposed NCD	NA	NA	NA	7,400.0	Provisional [ICRA]AAA(CE) (Stable); Withdrawn

Source: Company

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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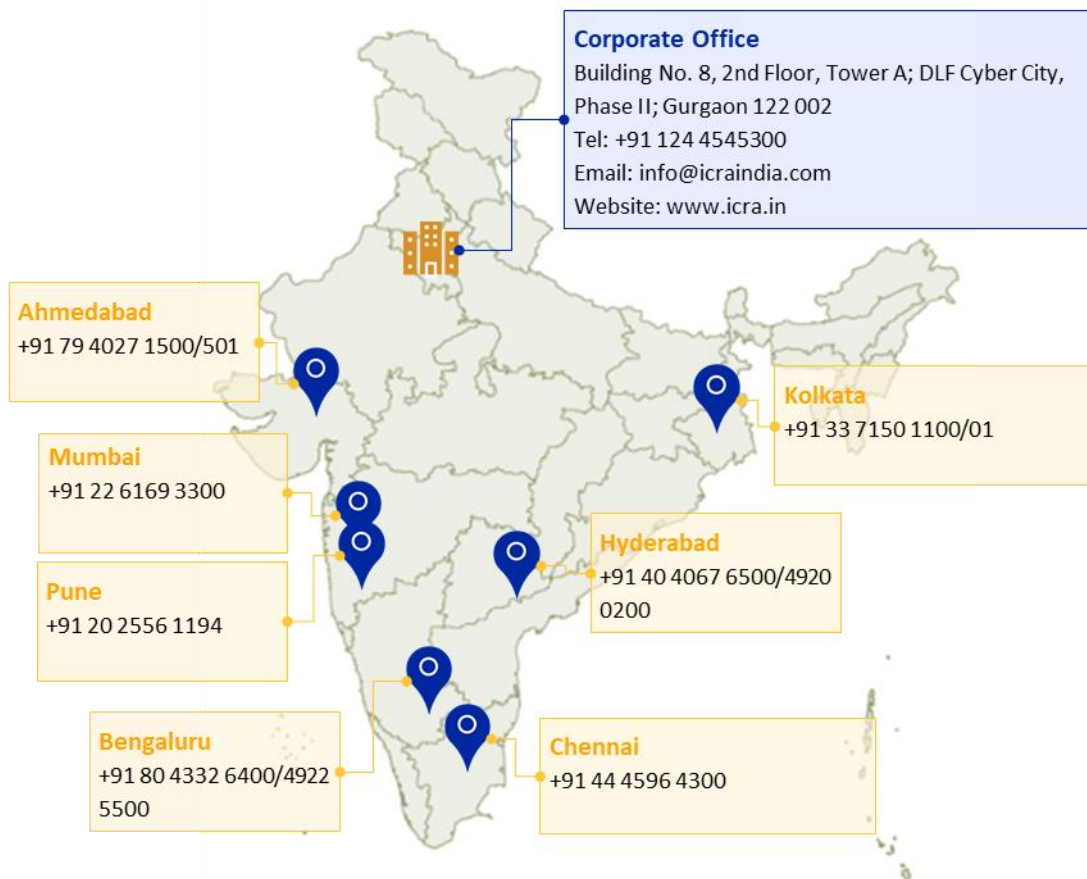


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