

January 29, 2025

AI Assets Holding Limited: Rating reaffirmed

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); reaffirmed
Total	14,985.0	14,985.0	

Rating Without Explicit Credit Enhancement

[ICRA]BB

*Instrument details are provided in Annexure-I

Note 1: 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

The reaffirmation of rating for the non-convertible debenture (NCD) programmes of AI Assets Holding Limited (AIAHL) continues to factor in the irrevocable and unconditional guarantee from the Government of India (GoI) through the Ministry of Civil Aviation, that would cover all obligations that may arise on the rated NCDs. The rating also factors in the payment mechanism designed to ensure payment on the rated NCDs, as per the terms of the transaction. ICRA notes the demonstrated track record of funding support from the GoI so far, with respect to servicing the coupon payments and redemption of NCDs. Further, the repayment of principal and interest payment for these borrowings would be made by the GoI, by making suitable provisions in the budget of the Ministry of Civil Aviation. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, GoI.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach whereby the rating of the guarantor has been translated into the rating of the said instrument. The guarantee is legally enforceable, irrevocable and unconditional, and covers the entire amount and tenure of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by the GoI is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AAA (CE) against the unsupported rating of [ICRA]BB.

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » The guarantee is unconditional, absolute, irrevocable, continuing one and will remain in force and effect until the full and final discharge of the obligations of the company.
- » GoI, as a principal debtor, undertakes to pay principal and interest accrued and payable on the NCDs on respective due dates.
- » Defined payment mechanism (including guarantee invocation mechanism) is a part of the terms to ensure that dues of the NCDs are paid in a timely manner.
- » GoI undertakes to continue to hold 100% stake of Air India Assets Holding Limited (AIAHL) during the tenure of the NCDs.

Key rating drivers and their description

Credit strengths

Guarantee from the GoI – The rating for the Rs. 14,985-crore NCDs is based on the strength of the unconditional and irrevocable guarantee from the GoI and the fact that repayment of principal and interest payment for these borrowings will be made by the GoI, by making suitable provisions in the budget of the Ministry of Civil Aviation.

The GoI made provisions for Rs. 1,158.79 crore in the FY2025 Budget (Budget Estimates) for AIAHL towards coupon payments.

Payment mechanism is in/to be in place to ensure timely payments – A trustee-monitored payment mechanism is in place to ensure timely payment of interest and principal obligations on the Rs. 14,985-crore NCD programme. The company has opened a no lien designated account, to be exclusively used for servicing the liability towards the rated NCDs.

Payment mechanism for the Rs. 14,985-crore NCD programme trigger date

Trigger Date	Action Points
T-45	The Trustee, within 45 days before each due date, will inform the company in writing regarding the due date and adequate funds, which will mean such amounts in the designated account, as may be required for the full repayment of principal and interest due on the relevant due date in terms of the repayment schedule in the Information Memorandum (IM). Such adequate funds will include any amount derived from the Air India Monetisation Escrow account and/or the GoI through the Ministry of Finance (MoF) in terms of the letter of assurance dated June 18, 2019. The company will ensure that adequate funds are available in the designated account latest by 30 calendar days before the due date
T-30	If the designated account does not have adequate funds on or before thirty (30) days prior to the due date, it will constitute an event of default
T-29	The trustee will intimate the GoI about the event of default. However, any failure on the part of the trustee to send intimation to GoI will not prejudice the right of the trustee to invoke the guarantee
T-8 working days	If default continues up to eight working days before the due date, the trustee will invoke the guarantee by sending a notice to the GoI. Upon receipt of notice from the trustee, the GoI will transfer into the designated account adequate funds, as notified by the trustee in the notice by the guarantor's payment date (mean a date not later than seven working days from the date of notice or at least one working day prior to the due date, whichever is earlier),.
T-1 working day	The GoI has to fund the designated account for payment of interest and/or the principal.
T	Due date for payment of interest/principal

Credit challenges

Not Applicable

Liquidity position:

GoI (the Guarantor): Superior

The rating for the Rs. 14,985-crore NCDs is based on the unconditional, irrevocable and continuing guarantee from the GoI that would cover all the repayment obligations to the NCD holders. ICRA expects servicing of debt through budgetary provision and the trustee-controlled payment mechanism such that adequate funds are made available by the GoI to service debt obligations in a timely manner.

AI Assets Holding Limited: Adequate

The company receives/ is expected to receive timely grants/infusion for servicing of interest and principal obligations from the GoI, apart from its rental income from properties identified to be transferred to AIAHL. As the grants/infusion are matched with the debt obligations falling due, the liquidity profile remains adequate for the entity.

Rating sensitivities

Positive factors – Not applicable

Negative factors – For the [ICRA]AAA(CE) (Stable) rating on the Rs. 14,985-crore NCD programme: Pressure on AIAHL's rating could arise in case of failure of relevant stakeholders to adhere to the NCD structure.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach - Explicit third-party support
Parent/Group support	The rating for the Rs. 14,985-crore NCDs is based on the unconditional, irrevocable and continuing guarantee from the GoI that would cover all the repayment obligations to the NCD holders.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

AI Assets Holding Limited (AIAHL) was incorporated with 100% shareholding by the Government. The entity is a special purpose vehicle (SPV) formed for acquiring the following from Air India Limited:

- Its shares held in AI Airport Services Limited (AIASL), Alliance Air Aviation Limited (AAAL), AI Engineering Services Limited (AIESL) and Hotel Corporation of India Limited (HCI). HCI, AIASL, AAAL and AIESL were transferred to AIAHL in FY2022 and are now wholly owned subsidiaries of the company.
- Paintings, artefacts and other non-operational assets, as may be decided by AIL and the GoI
- Non-core assets, as may be decided by AIL and the GoI
- Immoveable properties whether leasehold or freehold
- Accumulated working capital loans not backed by any asset, and
- Other assets/liabilities or its subsidiaries, as may be decided by AIL/ GoI

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:

- NCD of Rs. 7,400.0 crore to be novated to AIAHL against the GoI guarantee
- Issue of GoI fully serviced bonds for Rs. 7,000.0 crore against Letter of Assurance
- Issue of bonds worth Rs. 15,064.0 crore with full Government guarantee for the payment of interest and principal thereof

Accordingly, AIAHL had raised funds through bonds of Rs. 21,985.0 crore to repay the working capital and aircraft loans of AIL. The above NCD amounting to Rs.7,400.0 crore was redeemed at a premium in FY2022. Further, the GoI fully serviced bonds for Rs. 7,000.0 crore were redeemed at par on maturity in FY2023.

Key financial indicators (audited)

AIAHL Standalone	FY2023	FY2024
Operating income [^]	582.9	887.1
PAT	(551.2)	484.7
OPBDIT/OI	45.1%	75.9%
PAT/OI	(94.6) %	54.6%
Total outside liabilities/Tangible net worth (times)	(225.1)	15.2
Total debt/OPBDIT (times)	57.0	22.3
Interest coverage (times)	0.2	0.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

[^] Operating income includes Government Grants and Rental income as the company is a SPV having no commercial activities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				Jan 29, 2025	Jan 31, 2024	Jan 31, 2023	Jan 31, 2022	Jul 20, 2021
1 NCD Programme	Long-term	14,985.0	14,985.0	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)	[ICRA]AAA(CE) (Stable)
2 GoI Fully Serviced Bonds	Long-term	-	-	-	-	[ICRA] AAA (Stable); Withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3 Proposed NCD Programme	Long-term	-	-	-	-	-	-	Provisional [ICRA]AAA(CE) (Stable); Withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-Convertible Debenture	Very 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 analysing 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0AED08029	NCDs	14-Oct-2019	7.39%	12-Oct-2029	7,000.0	[ICRA]AAA(CE) (Stable)
INE0AED08037	NCDs	22-Oct-2019	7.39%	22-Oct-2029	7,985.0	[ICRA]AAA(CE) (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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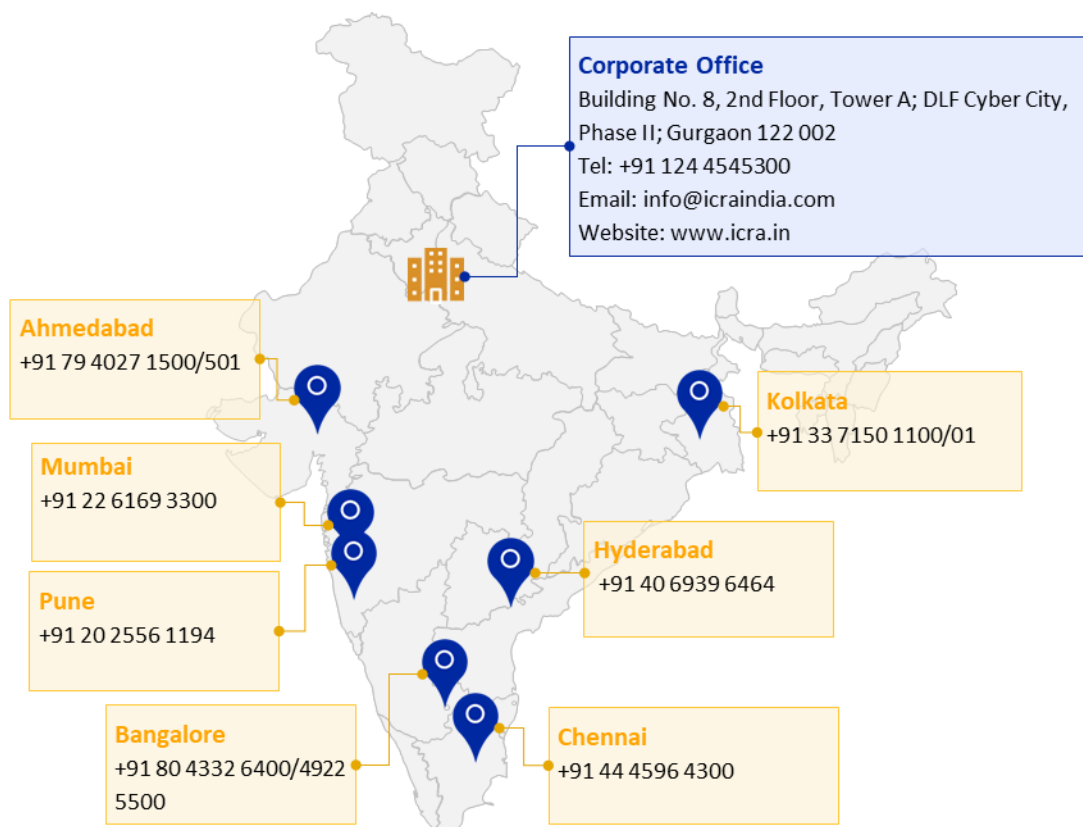


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