

India Ratings Affirms AI Assets Holding's Guaranteed NCDs at 'IND AAA(CE)/Stable

Jan 14, 2026 | AI ASSETS HOLDING LIMITED (Formerly AIR INDIA ASSETS HOLDING LIMITED) | Holding Company

India Rating and Research (Ind-Ra) has affirmed AI Assets Holding Limited's (AIAHL) non-convertible debentures' (NCDs) rating as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures (NCDs)*\$	-	-	-	INR149.85	IND AAA(CE)/Stable	Affirmed

*Details in Annexure I

\$Credit ratings with (CE) suffix indicates that the instruments are supported by an external explicit credit enhancement. Please refer to the section, DISCLOSURES FOR CE RATING, for additional details as per the Securities and Exchange Board of India's (SEBI) Master Circular.

Analytical Approach

To arrive at the CE rating, Ind-Ra continues to factor in the strong legal and financial linkages between AIAHL and the government of India (GoI). The rating is based on the absolute, unconditional and irrevocable pre-default guarantee extended by the GoI for timely debt payment, including interest obligations. It is a continuing guarantee and shall remain in force and effect until the NCDs are fully redeemed. Ind-Ra continues to take standalone view of AIAHL.

Detailed Rationale of the Rating Action

The rating is based on the absolute, unconditional and irrevocable pre-default guarantee extended by the GoI for timely debt payment, including interest obligations. It is a continuing guarantee and shall remain in force and effect until the NCDs are fully redeemed. Ind-Ra draws comfort from the fact that the NCDs' pre-default payment mechanism will be monitored and controlled by the debenture trustee. Ind-Ra believes this would reinforce the GoI's accountability to support AIAHL in meeting its debt servicing obligations on time.

List of Key Rating Drivers

Strengths

- Supportive transaction structure
- Public sector entity status
- Strong control and oversight
- Demonstrated financial support

Weaknesses

- Moderate corporate governance

Detailed Description of Key Rating Drivers

Supportive Transaction Structure: The tripartite guarantee agreement, dated 30 August 2019, among the GoI, the debenture trustee (DT) and AIAHL, mandates AIAHL to ensure adequate funds are available in the designated account on or before 30 days of the payment due date. If there is a shortfall in the designated account on or before 30 days prior to the due date, it will trigger the payment mechanism (Annexure III).

The pre-default payment mechanism will be monitored and controlled by the DT. The guarantee document provides for the invocation of the guarantee, if the shortfall in the designated account is not met up to eight working days prior to the due date of the payment. Upon the receipt of notice from the DT, the GoI will have to deposit the specified amount in the invocation notice no later than one working day before the due date. The key covenants and other events of default are detailed in the instrument covenants (Annexure II).

Public Sector Entity Status: The rating is principally driven by AIAHL's strong legal and financial linkages with the GoI through the ministry of civil aviation (MoCA). AIAHL is a special purpose vehicle (SPV) formed by the GoI, wherein the GoI holds 100% shareholding with an aim to provide unified asset holding services. AIAHL's objective is to acquire the non-core assets of Air India Limited (AIL), its subsidiaries, certain immovable properties and to deal with the working capital loans of AIL.

Strong Control and Oversight: The GoI has a strong oversight and control on the management and functioning of AIAHL. AIAHL's board of directors has representation from the MoCA and the ministry of finance (MoF). The GoI provides financial assistance to AIAHL through the budget of the MoCA for debt servicing and other operational expenses and monitors the utilisation of the funds.

Demonstrated Financial Support: The company has no business operations. Ind-Ra considers the ability and willingness of the GoI to extend extraordinary support to be high. AIAHL receives budgetary support to service debt, which is allocated by the Union government in its annual budget. The budgetary support will be provided during the entire tenure of the NCDs. The entire liabilities for FY26 were met from the budgetary allocation.

Moderate Corporate Governance: AIAHL's audit committee does not have an independent director. AIAHL is entirely owned by the GoI, and all the directors are nominated and appointed by the GoI. AIAHL has requested the MoCA and GoI to consider appointing independent directors in the company.

Liquidity

Adequate, Supported by GoI's Budgetary Provision: Ind-Ra believes AIAHL's liquidity is supported by the budgetary provision and trustee-controlled pre-default payment mechanism. AIAHL does not have any regular commercial operations or bank lines for debt servicing. Its unrestricted cash and bank balances stood at INR3.26 billion as on 30 November 2025 (FY25: INR7.66 billion). In FY25, AIAHL received INR10.80 billion as budgetary grants. Of this, INR8.18 billion was received for servicing of interest on bond. Furthermore, as monetisation proceeds remain modest, the agency believes AIAHL's medium-to-long-term liquidity would continue to be mainly supported by budgetary grants from the GoI. The interest liability of INR11.07 billion on the NCDs in FY26 was serviced through the GoI budgetary support of INR8.32 billion and the balance from rental and other monetisation proceeds generated by AIAHL. Ind-Ra believes that the GoI will provide for the entire interest obligation that will be due for FY27 in its budget.

According to the letter of assurance issued by the MoF on 18 June 2019, the GoI will fund the designated account of AIAHL through the provision of funds in the MoCA's budget to the extent of a shortfall, if any, for the timely interest servicing and principal repayment of the guaranteed NCDs. The GoI has committed to provide the shortfall after considering the monetisation proceeds from the identified non-core assets and the sale of the subsidiaries of AIAHL into its designated escrow account.

Rating Sensitivities

Positive: Not applicable

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- the GoI's failure to meet its obligations in a timely manner on the invocation of the guarantee;
- reduced support from the GoI, which could result from a substantial dilution in the government's shareholding;
- the lack of clarity and/or inadequate budgetary provisions for servicing the debt throughout the tenure of the bonds.

Disclosures for CE Rating

1. UNSUPPORTED RATING

Ind-Ra has affirmed the unsupported rating at 'IND AA'/Stable.

The unsupported rating is arrived at without factoring in the explicit CE. It helps in understanding the extent of the CE factored into the instrument rating.

Analytical Approach

Ind-Ra continues to factor in the strong legal and financial linkages between AIAHL and the Gol.

Detailed Rationale of the Rating Action

Ind-Ra has classified AIAHL as a dependent public sector entity under its Rating of Public Sector Entities criteria. The unsupported rating considers the legal status of the entity, the significant control exercised by the Gol over the policy objective and the functioning of the board and borrowing programme of AIAHL, in combination with the Gol's ability and willingness to provide financial support to the entity to timely fulfil its debt obligations.

List of Key Rating Drivers

Strengths

- Public sector entity status
- Strong control and oversight
- Demonstrated financial support

Weaknesses

- Moderate corporate governance

Detailed Description of Key Rating Drivers

The detailed description of the key rating drivers is same as that for the NCD rating.

Liquidity

The detailed description of liquidity is same as that for the NCD rating.

Rating Sensitivities

Positive: Not applicable, as Ind-Ra believes that a positive rating action is unlikely as the entity is an SPV of the Gol, established to house a partial debt of AIL and not for undertaking business operations.

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- reduced support from the Gol, which could result from a substantial dilution in the government's shareholding; and
- the lack of clarity and/or inadequate budgetary provisions for servicing the debt throughout the tenure of the bonds.

2. INSTRUMENT COVENANTS (Annexure II)

The amounts due in relation to the debentures shall, inter se between debenture holders, rank pari passu without any preference or priority on account of date of issue or allotment.

Details of Other Event of Default (EoD)

The repayment of the entire principal amount together with the payment of the accrued interest shall stand accelerated and shall be deemed forthwith to have become due and payable on the occurrence of any of the following events:

- a) if a petition for the winding up of the company shall have been admitted, or if an order of a court of a competent jurisdiction is made, or a resolution for the winding up of the company has been passed and the order of admission for winding up has not been stayed or vacated by the court within a period of 180 days from the passing of such order, or if the company has not filed an appeal against such order;
- b) if an encumbrancer takes possession, or a receiver is appointed, of the material properties and material assets of the company and such possession or the appointment has not been stayed or vacated by the court within a period of 180 days from the date of possession, or if the company has not filed an appeal against such an order;
- c) if a distress, execution or other process shall be levied or enforced upon or taken out against the material properties and material assets of the company and shall not be withdrawn or discharged, satisfied or paid out within 180 days or such extended period as may be agreed to in writing by the trustee from the date of levy or enforcement of such distress, execution or other process or if the company has not filed an appeal against such distress, execution or other process or taking of the material properties and material assets of the company;
- d) if the company, at any time fails, to observe or perform any material covenants, conditions or provisions contained in the debenture trust deed and on its part to be observed and performed, and the company continues to fail to perform such material covenant, condition or provisions within a period of 180 days of being notified of such failure by the trustee;
- e) when the company, without the consent of the debenture holders, ceases to carry on its business or gives notice of its intention to do so; and
- f) when any breach of the terms of the information memorandum inviting the subscriptions of debentures or of the covenants is committed.

Procedure in Case of Other EoD

- a) The trustee shall forthwith notify the company to transfer the entire principal and accrued interest to the designated account;
- b) If the company does not fund the designated account to the required extent, the trustee shall, within two working days from the knowledge of occurrence of other EoD, invoke the guarantee; and
- c) The guarantee agreement provides that the Gol shall pay the entire principal and interest on a date not later than seven working days from the date of such a notice.

3. ADEQUACY of CE STRUCTURE

1. **Guaranteed Bonds:** The tripartite guarantee agreement, dated 30 August 2019, among the Gol, the debenture trustee (DT) and AIAHL mandates AIAHL to ensure adequate funds are available in the designated account on or before 30 calendar days of the payment due date. If there is a shortfall in the designated account on or before 30 calendar days prior to the due date, this will trigger the payment mechanism (Annexure III).
2. **Sufficiency of CE Under Stress Scenario:** The Gol has extended the pre-default guarantee for timely repayment of debt including interest obligations. The total obligation, including interest on guaranteed NCDs, in case of accelerated repayment is likely to be INR160.92 billion. This is 0.47% of the Gol's revenue receipt of INR34,204.09 billion in FY26 budgeted estimate. Ind-Ra expects that, in the event of accelerated repayment, the Gol will be in a position to service the debt without any significant stress on its fiscal position.

Any Other Information

Annexure I: Non-Convertible Debenture's Payment Mechanism

Trigger Date	Action Points

T-45	The DT shall, within 45 days before each due date (DD), inform the company in writing regarding the DD and the adequate funds. The company shall ensure that the adequate funds are available in the designated account latest by 30 calendar days before the DD.
T-30	If the designated account does not have adequate funds on or before 30 days prior to the DD, it shall constitute an event of default (EoD).
T-29	The DT shall intimate the Gol about the EoD. However, any failure on the part of the DT to send an intimation to the Gol shall not prejudice the right of the DT to invoke the guarantee.
T-8 working days	If the default continues up to eight working days before the DD, the DT shall invoke the guarantee by sending a notice to the Gol. Upon the receipt of notice from the DT, the Gol shall transfer into the designated account by the guarantor's payment date (meaning a date not later than seven working days from the date of notice or at least one working day prior to the DD, whichever is earlier), adequate funds as notified by the DT in the notice.
T-1 working day	The Gol has to fund the designated account for the payment of interest and/or principal.
T	DD for the payment of interest/principal

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on AIAHL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

AIAHL, a special purpose vehicle was set up on 22 January 2018 by the Gol to implement the strategic disinvestment of AIL. The company's objective, inter-alia, is to acquire the non-core assets of AIL, its subsidiaries and certain immovable properties of AIL. AIAHL raised NCDs worth INR219.85 billion in the form of Gol-fully-serviced bonds worth INR70 billion (redeemed in full) and Gol-guaranteed debentures worth INR149.85 billion in FY20. These funds were transferred to AIL for the repayment of identified debts in AIL's books, in accordance with the refinance strategy approved by the MoF in June 2019.

Key Financial Indicators

Particulars (INR billion)	FY25	FY24
Total Income	16.13	14.32
EBIDTA	14.49	12.18
EBIDTA margin (%)	89.84	85.05
Net Debt/EBIDTA (x)	9.81	11.54
Interest coverage ratio (x)	1.31	1.10
Source: AIAHL, Ind-Ra		

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings/Outlook	Historical Rating/Outlook		
				16 January 2025	17 January 2024	19 January 2023

Non-convertible debenture	Long-term	INR149.85	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable
GoI fully serviced bonds	Long-term	INR70.00	-	-	-	WD
Unsupported rating	Long-term	-	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Moderate

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook
Series 2 NCDs	INE0AED08029	14 October 2019	7.39% semi-annual payment	12 October 2029	INR70.00	IND AAA(CE)/Stable
Series 3 NCDs	INE0AED08037	22 October 2019	7.39% semi-annual payment	22 October 2029	INR79.85	IND AAA(CE)/Stable
Total					INR149.85	

Source: NSDL, AIAHL.

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Evaluating Corporate Governance

Policy for Credit Enhanced (CE) Ratings

Rating of Public Sector Entities

The Rating Process

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