Research Update:

GMR Hyderabad International Airport Upgraded To 'BBB-' On Improving Regulations And Financials; Outlook Stable

September 30, 2026

Rating Action Overview

- A more favorable regulatory environment for Indian airports with increasing timely resets of tariffs will support the cash flow stability of airport operators.
- Higher tariffs and continued growth in passenger traffic will also strengthen the earnings of GMR Hyderabad International Airport Ltd. (GHIAL).
- We raised our long-term issuer credit rating on GHIAL and long-term issue rating on its senior secured notes by two notches to 'BBB-' from 'BB'.
- The stable rating outlook reflects our expectation that improved regulatory predictability with higher tariffs under control period (CP) 4 will support the company's cash flow and expansion capital expenditure (capex) over the next few years.

Rating Action Rationale

Recent tariff resets for Indian airports reflect a more favorable regulatory environment and will support GHIAL's cash flow. India's regulator has implemented final tariffs for GHIAL and Bangalore International Airport Ltd. under CP4 (April 1, 2026-March 31, 2031) with about a five-month delay. This represents faster implementation of tariffs than previous cycles.

Last year, the regulator reset tariffs for other major airports such as Delhi and Mumbai with a delay of about a year. We consider the delays to be modest, given smooth implementation without major discord between the airport operators and regulator.

The improved regulatory environment will underpin the stability and predictability of cash flow for airport assets, a key consideration in our assessment. The CP4 tariffs will adequately compensate GHIAL for its large expansion capex, increased operating costs, and additions to the regulatory asset base. They also incorporate an approved true-up amount for aeronautical taxes from the previous control periods.

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Like other Indian airports, GHIAL will also benefit from continued strong growth in passenger traffic. We expect the company's passenger traffic to increase by a compound annual growth rate of 9%-10% over the next few years. Our expectation for fiscal 2027 (year-end March 31) is muted, given the Middle East conflict. Higher passenger traffic will buttress the company's business profile.

Rising tariffs will support GHIAL's higher spending and improved financials under CP4. The company will earn higher CP4 tariffs because the regulatory framework allows for adequate recovery of its capex over the five-year tariff period. We expect average yield per passenger of about Indian rupee (INR) 577 under CP4, up about 20% from fiscal 2026 levels.

GHIAL could have a ratio of funds from operations (FFO) to debt of 14%-16% over fiscal 2027-fiscal 2031, higher than its average of 11.5% in the past three years.

Capex will climb as GHIAL begins its next phase of expansion. The company expects to spend about INR140 billion under CP4. It will increase its airport capacity to about 60 million passengers a year by fiscal 2031 from 34 million. GHIAL handled 30.5 million passengers in fiscal 2026.

We believe robust traffic growth and compensation through the tariff framework will support the capacity expansion, which GHIAL plans to fund largely with debt. The company plans to construct a second runway, an elevated taxiway, and a passenger terminal building.

Annual capex could ramp up to about INR35 billion in fiscal 2028-2029 and INR40 billion in fiscal 2030-2031. Given the brownfield nature of the expansion and GHIAL’s past record of minimal delays, execution risks will likely be manageable. We believe GHIAL’s financials can absorb a six-month delay.

Rising tariffs in the outer years under a new incremental aggregate revenue requirement mechanism will help offset GHIAL’s debt burden. This is contingent on the timely completion of the company's planned expansion. While we expect limited execution risk given GHIAL’s past record, any delay in commissioning could lead to the lagged implementation of incremental tariffs and weaker cash flow.

We expect GHIAL to refinance its upcoming bond maturity in a timely manner. The company has a US$350 million bond due October 2027. It intends to refinance this four to five months before maturity. We expect management to be prudent in managing refinancing, as in the past.

GHIAL's good access to onshore and offshore debt markets, ample liquidity in the domestic debt market, and investor appetite for infrastructure assets with regulated returns should allow the company to refinance the bond in a timely manner, in our view.

Outlook

The stable rating outlook reflects our expectation that improved regulatory predictability with higher CP4 tariffs will support GHIAL's cash flow and expansion capex over the next two years, such that its FFO-to-debt ratio will stay above 13%.

The outlook also reflects our view that GHIAL will maintain prudent risk management and refinance its bond maturing in October 2027 in a proactive and timely manner.

Downside scenario

We could lower the rating on GHIAL if:

- The company doesn't proactively refinance its bond due in October 2027 or lacks a credible refinancing plan at least three to six months before bond maturity; or
- Its FFO-to-debt ratio falls below 13% sustainably over CP4. This could happen if: 1) delays in planned expansion or regulatory approval results in a lagged implementation of incremental tariffs and lower cash flow; or 2) in a less likely scenario, the Middle East war escalates or persists longer than our current assumptions, disrupting air traffic and materially lowering our passenger growth forecasts.

Upside scenario

We could raise our rating on GHIAL if its financial profile continues to strengthen such that its ratio of FFO to debt improves to above 18%. This is not our base case for now.

Company Description

GHIAL holds the exclusive rights to operate, manage, and develop the Rajiv Gandhi International Airport (RGIA) in India under a concession expiring in 2068. The company has an exclusivity right that the government shall permit no new airport within an aerial distance of 150 kilometers before the 25th year of its operations in 2033.

RGIA is the principal airport in Hyderabad, the largest city in the Indian state of Telangana. The airport has a capacity of 34 million passengers per year and typically operates above this capacity, catering to about 40 million passengers.

GHIAL operates under a public-private partnership. GMR Airports Ltd. (GAL) owns 74% of GHIAL, while the Airport Authority of India and the Telangana government together hold 26% as strategic shareholders.

Our Base-Case Scenario

Assumptions

- EBITDA margin of about 50% over fiscal 2027-2029. Passenger traffic growth, higher nonaeronautical revenue, and higher CP4 tariffs to support this.
- Annual capex of about INR8.2 billion in fiscal 2027 and INR34 billion-INR35 billion over fiscal 2028-2029, with the jump largely for expansion of Northern Precinct.
- We exclude interest during construction from capex for projects still under construction and consider it part of interest expense.
- Annual dividends of about INR4.7 billion over fiscal 2027-2029, in line with company policy and up to 75% of consolidated net income that is allowed under the U.S. dollar bond indentures.

Key metrics

GMR Hyderabad International Airport Ltd--Forecast summary

Period ending	Mar-31-2025	Mar-31-2026	Mar-31-2027	Mar-31-2028	Mar-31-2029
(Mil. INR)	2025a	2026a	2027e	2028f	2029f
Revenue	34,641	38,371	40,383	48,065	56,019

GMR Hyderabad International Airport Ltd--Forecast summary

EBITDA	16,781	19,283	20,389	24,216	29,587
Less: Cash interest paid	(6,948)	(8,055)	(7,963)	(8,285)	(9,460)
Less: Cash taxes paid	(687)	(1,455)	(1,441)	(1,888)	(2,329)
Funds from operations (FFO)	9,146	9,773	10,985	14,043	17,799
Interest expense	7,387	7,449	7,970	8,292	9,467
Cash flow from operations (CFO)	9,835	11,594	11,168	13,940	17,483
Capital expenditure (capex)	8,814	6,303	8,217	34,184	34,889
Free operating cash flow (FOCF)	1,021	5,291	2,951	(20,244)	(17,406)
Dividends	2,835	3,780	4,725	4,725	4,725
Debt (reported)	87,793	91,273	89,989	106,307	128,298
Plus: Lease liabilities debt	1,146	1,661	1,661	1,661	1,661
Plus: Pension and other postretirement debt	17	86	86	86	86
Less: Accessible cash and liquid Investments	(13,399)	(14,785)	(12,159)	(4,500)	(4,500)
Plus/(less): Other	(4,634)	(8,538)	(8,538)	(8,538)	(8,538)
Debt	70,922	69,697	71,038	95,016	117,006
Cash and short-term investments (reported)	14,898	16,428	13,510	5,000	5,000
Adjusted ratios					
Debt/EBITDA (x)	4.2	3.6	3.5	3.9	4.0
FFO/debt (%)	12.9	14.0	15.5	14.8	15.2
FFO cash interest coverage (x)	2.3	2.2	2.4	2.7	2.9
CFO/debt (%)	13.9	16.6	15.7	14.7	14.9
Annual revenue growth (%)	28.4	10.8	5.2	19.0	16.5
EBITDA margin (%)	48.4	50.3	50.5	50.4	52.8

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. INR--Indian rupee.

Liquidity

We assess GHIAL's liquidity as adequate. GHIAL's sources of liquidity will likely exceed needs by more than 1.2x over the 12 months to June 30, 2027. Liquidity sources should exceed uses even if EBITDA declines by 15% from our base case.

GHIAL has sound banking relationships and good access to onshore and offshore capital markets, in our view. The domestic debt market also has ample liquidity and supports infrastructure assets with regulated returns.

GHIAL has a US$350 million bond due October 2027. We expect the company to refinance this at least three to six months in advance.

We believe GHIAL has prudent risk management to mitigate liquidity risks, based on its good refinancing record.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of about INR17.3 billion as of June 30, 2026. • Cash FFO that we estimate at about INR12.5 billion over the 12 months to June 30, 2027.	• Debt maturities of about INR1.3 billion over the 12 months to June 30, 2027. • Negative working capital outflow of about INR500 million over the period. • Capex of about INR14.7 billion over the same period. • Dividends of about INR4.7 billion over the same period.

Covenants

GHIAL does not have any maintenance covenants in its bonds.

Issue Ratings--Subordination Risk Analysis

Capital structure

GHIAL had total reported debt of about INR91.1 billion as of June 30, 2026. This mainly consisted of US$350 million due in October 2027 and other Indian rupee-denominated borrowings.

Analytical conclusions

We equalize the long-term issue rating on GHIAL's notes maturing in 2027 with our issuer credit rating on the company because the notes are secured.

Rating Component Scores	
Component	
Foreign currency issuer credit rating	BBB-/Stable/--
Local currency issuer credit rating	BBB-/Stable/--
Business risk	Strong
Country risk	Moderately high risk
Industry risk	Low risk
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Negative
Stand-alone credit profile	bbb-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- GMR Hyderabad International Airport Ltd., Aug. 21, 2026

- Asia-Pacific Airports Can Power Through Fuel Price Volatility, July 5, 2026
- Indian Airports' Fee Reductions Won't Drag On Positive Trajectories, April 10, 2026
- Tear Sheet: GMR Hyderabad International Airport Ltd., Feb. 9, 2026
- Indian Corporate And Project Finance Ratings Affirmed, Recovery Ratings Assigned, After Jurisdiction Ranking Change, Dec. 8, 2025

Ratings List

Ratings List

Upgraded; Outlook Action		
	To	**From**
GMR Hyderabad International Airport Ltd.		
Issuer Credit Rating	BBB-/Stable/--	BB/Positive/--
Upgraded; Recovery Rating Withdrawn		
	To	**From**
GMR Hyderabad International Airport Ltd.		
Senior Secured	BBB-	BB
Recovery Rating	NR	3(65%)

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