

## IOSL Noida Private Limited (Revised)

December 26, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	165.00	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
<b>Total bank facilities</b>	<b>165.00</b> <b>(₹ One hundred sixty-five crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of IOSL Noida Private Limited (INPL) derives strength from it being wholly-owned subsidiary of strong parent, i.e., Indian Oil Skytanking Private Limited (IOSPL; rated 'CARE AA; Stable'), and experienced promoters in the similar line of business. The rating also derives strength from favourable competitive landscape with the parent company, IOSPL, being the market leader in Aviation Turbine Fuel (ATF) services in India, infusion of entire promoter contribution upfront towards the upcoming greenfield project at Noida International Airport (NIA) and achievement of financial closure. Additionally, the rating also factors the strategic importance of the project to the parent along with high revenue visibility, as IOSPL is the ATF operator. The rating further derives strength from the strong articulation in terms of the support from IOSPL towards INPL, which includes unconditional irrevocable corporate guarantee extended towards debt obligations of INPL and ensuring to meet all debt obligations on or before due date. INPL is an integral part of the IOSPL, with sharing of the brand name, common management and common treasury function. The rating is, however, partially offset by the nascent stage of the project, pending approvals and exposure to regulatory risks and cyclicity of airline business.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Successful completion of the project by September 2024 without time and cost overrun.
- Successful and timely ramping-up of the facilities resulting in improvement in the total operating income (TOI)

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Delay in execution of project beyond September 2024 resulting in time and cost overrun.
- Inordinate delay in ramping-up of the facilities impacting revenue and in turn leading to stretch in the liquidity position.

### Detailed description of the key rating drivers

#### Key rating strengths

##### Strong parentage and support from promoter:

INPL is a wholly-owned subsidiary of IOSPL, which is also the ATF operator at the Noida International Airport (NIA). INPL derives financial, operational and managerial support from its parent company. The rating further derives strength from the strong articulation in terms of the support from IOSPL towards INPL, which includes unconditional irrevocable corporate guarantee extended towards debt obligations of INPL and ensuring to meet all debt obligations on or before due date. INPL is an integral part of the IOSPL, with sharing of the brand name, common management and common treasury function.

Sanjay Sahay, Chairman of INPL is also Chairman of IOSPL and ED (Aviation) at Indian Oil Corporation Ltd (IOCL), T.S Dupare, CEO of INPL is also the CEO of IOSPL and was GM (Aviation) of IOCL in his previous assignment. B G Wankhede, CFO of INPL is the CFO of IOSPL and was DGM (Internal audit) at IOCL in his previous assignment. IOSPL undertakes fuelling work for IOCL at three major airports apart from providing operations and maintenance (O&M) services at several other airports. IOCL handles 40% of all ATF consumed in India and 65% of all ATF consumed in the three large airports of Delhi, Mumbai and Bengaluru.

##### Experienced promoters with successful track record of executing and operating similar projects:

IOSPL incorporated in 2006, is a joint venture (JV) between IOCL and Skytanking GmbH (Skytanking) with 50% share each. The company has established facilities with integrated nature of operations. IOSPL has an annual throughput capacity of 3.2 billion litres in fuel farm (FF) facilities and 3.6 billion litres in into-plane (ITP) services. IOSPL operates 33 km of fuel hydrant pipeline and fuelled 33 aircrafts per hour in FY22 (refers to the period April 1 to March 31). IOSPL derives most of its income from operations at three major airports of India, ie, Bengaluru International Airport Limited (BIAL; provides FF and ITP), Delhi International Airport Limited (DIAL; provides FF and ITP), and Mumbai International Airport Limited (MIAL; provides ITP). Apart

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

from these airports, IOSPL also provides O&M services at 22 other airports. IOSPL developed similar project at BIAL in 2006 and is the sole provider of FF facility at BIAL on an open access basis for the storage of aviation turbine fuel supplied by oil marketing companies.

**Financial closure achieved and entire equity contribution infused by promoter upfront:**

The total cost of the project is estimated to be ₹194.21 crore. The project is funded by way of the promoter's contribution of ₹58.23 crore, which has been infused entirely upfront by IOSPL and term loan of ₹135.98 crore at a debt to equity ratio of 70:30. The promoter has infused in the entire promoter contribution upfront as on March 31, 2022, in the form of equity share capital. INPL has tied up ₹136 crore of term loan from Federal Bank. As on November 30, 2022, the company has not availed term loan and the entire expenses have been incurred from the promoter contribution.

**Recovery in the aviation sector after curbing of COVID-19-related travel regulation:**

Domestic airline traffic continues to witness revival in demand after COVID-19-related restrictions on airline travel and operations imposed by Government of India and state governments have been lifted. On account of this, the overall demand outlook for fuel farm and ITP fuelling services at major airports in the country has improved. Capacity utilisation by major carriers and airports continue to improve from FY22 levels. In India, about 24.94 million passengers travelled by air in September 2022 from domestic and international flights put together compared with 15.44 million passengers in September 2021, a 61.6% increase according to Airport Authority of India. The overall air travel volume and operations has increased significantly almost reaching the pre-COVID-19 levels (July 2019 – 28.95 million passengers). CARE Ratings Limited (CARE Ratings) expects a V-shape recovery in the passenger traffic in FY23, with nearly 70% growth over FY22 passenger traffic. Assuming there is no recurrence of the pandemic, the passenger traffic during FY23 is expected to recover to 93% of the pre-COVID-19 level traffic. The international traffic is expected to revive to pre-COVID-19 levels by early FY24 after the resumption of international flights to full capacity from March 27, 2022.

**Key rating weaknesses**

**Project in nascent stages of construction, largely debt funded:**

The project is currently in the nascent stages with design completion underway for majority of the items. INPL has floated tenders and awarded Letter of Intents (LoIs) for some of the items, and various approvals are either obtained or INPL is in the process of obtaining them. As indicated by the management of IOSPL, all the project activities are in line with the schedule and also in sync with the construction work with airport operator. Also, the promoter, IOSPL, has already successfully executed similar project at BIAL.

**Declaration of COD and success of the project is dependent on the timely COD and success of NIA:**

In case the project is completed, and the airport is not operational then the revenue stream for the project will be delayed. However, in such a scenario, all expenses incurred will be considered until NIA achieves COD, will be considered as pre-operating expenses and can be capitalised, on which the ATF Concessionaire will be able to earn regulated returns. Also, maximum repayment holiday permissible is mentioned as 4 years from July 2022 although the project is expected to get commissioned in September 2024 leaving almost 2-years cushion for any unexpected delays in the project. However, the project being of utmost importance to the Government of UP, given its stake in the airport, and the engineering, procurement, and construction (EPC) activities of airport being carried out by reputed players like Tata Projects, timely commencement of operations of NIA is expected.

**Exposure to regulatory risks and cyclicity of airline business:**

The Airports Economic Regulatory Authority of India (AERA) is the regulatory body that determines and regulates the tariff fixed in rendering aeronautical services at airports in India. INPL's operations also come under the ambit of AERA regulations and tariffs for such services rendered by INPL are determined by AERA. These charges are fixed by AERA for a control period of five years. While deciding the tariff, AERA takes into consideration the likely volume throughput, the return on equity, the return on assets, etc, and accordingly revises the tariffs. The business remains susceptible to air traffic in the airports in which the company operates. The revenue depends on throughput volumes and any decrease in the throughput volume will impact the revenue. However, the revenues being regulated, return is assured over long run.

**Liquidity: Strong**

Liquidity of the company is expected to be strong due to support from strong parentage i.e. IOSPL. IOSPL has infused entire promoter's contribution upfront and debt is yet to be drawn by the company. Further, IOSPL has extended corporate guarantee to the facilities availed by INPL which provides further comfort. IOSPL liquidity position is strong with a negative to zero working capital cycle. The GCA during FY22 for IOSPL stood at ₹34 crore as against the total debt repayment obligations of ₹4.43 crore in FY23. Furthermore, IOSPL had cash and liquid investments to the tune of ₹40 crore as on June 30, 2022.

## Analytical approach

Standalone, factoring in linkages with the parent, ie, IOSPL. Furthermore, the rating also factors in common promoters-cum-management and there exists centralised treasury functions to manage its investments and debt finance. Furthermore, the IOSPL has infused funds in the company in the form of equity and has also extended unconditional and irrevocable corporate guarantee to the bank facilities of the company.

## Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Project stage companies](#)

[Policy on Withdrawal of Ratings](#)

## About the company

IOSL Noida Private Limited (INPL), incorporated in December 2021, is a wholly-owned subsidiary of Indianoil Skytanking Private Limited (IOSPL; rated 'CARE AA; Stable'), which in turn is a joint venture between Indian Oil Corporation Ltd (IOCL) and Skytanking Holding GmbH with 50% shareholding each. In October 2020, Noida International Airport Limited (NIAL) and Yamuna International Airport Pvt Ltd (YIAPL) entered into airport concession agreement for the development, design, financing, construction, commissioning, operation, maintenance and management of the Noida International Airport (NIA) at Jewar, Uttar Pradesh. YIAPL invited bids for construction of Aviation Turbine Fuel (ATF) facility at NIA on a Design Finance Build Transfer (DFBT) basis (The Project). IOSPL bid for the project and Letter of Award (LoA) was issued by YIAPL to IOSPL in December 2021, requiring IOSPL to incorporate and promote a special purpose vehicle (SPV) to execute and perform the rights and obligations as ATF concessionaire. Accordingly, INPL was formed and was awarded the ATF concession rights for the DBFT of the project as an ATF concessionaire at NIA. ATF concession agreement (ATF CA) was signed between YIAPL, INPL and IOSPL in March 2022.

**Brief financials:** Not applicable as it is a project stage company.

### Status of non-cooperation with previous CRA:

Not applicable

### Any other information:

Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

## Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT-Bank guarantee	-	-	-	-	30.00	CARE AA; Stable
Term loan-Long term	-	-	-	31/08/2034	135.00	CARE AA; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term loan-Long term	LT	135.00	CARE AA; Stable				
2	Non-fund-based - LT-Bank guarantee	LT	30.00	CARE AA; Stable				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not applicable**
**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Non-fund-based - LT-Bank guarantee	Simple
2	Term loan-Long term	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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