

Bengal Aerotropolis Projects Limited

March 20, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	530.31	CARE D (Single D)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Total Facilities	530.31 (Rs. Five hundred thirty crore and thirty one lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Bengal Aerotropolis Projects Limited (BAPL) is on account of the ongoing delays in debt serving.

The rating continues to be constrained by subdued sale of plotted land, discontinuation of flight operation and project implementation risk for development of township. The rating, however, derives strength from established track record of promoters & management team, strategic location of the project, involvement of reputed consultants & contractors.

Detailed description of the key rating drivers

Key Rating Weaknesses

On-going delays in debt servicing: BAPL experienced slow-down in sale of plotted land which impacted its liquidity position and has approached the banks for further re-structuring of loans.

Subdued sale of plotted land: The sale volume of plotted land has consistently gone down (from around 56.99 acre in FY13 to around 25.61 acre in FY17) due to majority of the sale of plotted land to retail individual customers initially and thereafter no major vertical development made on booked plots. As a result, the company changed its marketing strategy in FY16 and started concentrating to sale the plotted lands to institutional customers, which can lead to overall faster development of booked plotted lands.

Project implementation risk for development of township: The project cost has increased to Rs.1376.94 crore (as against earlier envisaged cost estimate of Rs.1319.80 crore) mainly due to additional urban infrastructure to be created. The increase in project cost is proposed to be financed through incremental debt of Rs.46.95 crore and the remaining through internal accruals of Rs.10.19 crore.

Discontinuation of flight operation: The airport (named as 'Kazi Nazrul Islam Airport') became operational from May 18, 2015. One passenger carrier (i.e. Air India) started the operation on a single route (Kolkata-Durgapur-Delhi - operating three flights in a week) from Dec 2015 onwards. However, the airport operation was abruptly terminated from June 17, 2016 due to disagreement between Air India and BAPL on viability gap funding. Zoom Air started commercial operations from February 15, 2017 on Delhi-Kolkata-Durgapur-Delhi route. The flight had shown good response with over 85%-90% occupancy on an average. However, after the bird hit incident on June, 2017, the flight services are yet to resume.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths

Established promoters & management team: BAPL is a professionally managed and is headed by Shri Arvind Pandey (Chairman) having more than four decades of experience. Shri Pandey, an ex IAS officer, was Chairman in SAIL and has also served as independent director in companies like HDFC Bank & Coal India Limited. Shri Pandey, is ably supported by Shri Partha Ghosh (Whole time Director) who has over two decades of experience in varied industries. Mr. Manoj Pant (Senior IAS officer) and Ms. Vandana Yadav (Senior IAS officer and currently acting as a MD of WBIDC) has been recently included into the Board of the company post Government of West Bengal (GoWB) infusion of funds to the extent of Rs.300 crore (from 11.12% in March, 2017 to 26.05% in January, 2018). Changi Airports India Pte Ltd (CAIPL), subsidiary of Changi Airport International (CAI) hold about 30.21% equity stake in BAPL.

Strategic location of the project: The Aerotropolis (township with an airport) is strategically located about 10 km from Durgapur, along NH 2 (connecting Kolkata-Delhi). The Durgapur-Asansol region of West Bengal is an industrial belt with presence of several PSUs & large manufacturing units in industries like iron & steel, aluminium, locomotives, coal mining etc. The airport will also cater to cargo requirement for nearby industrial zones.

Involvement of reputed consultants and contractors: BAPL has been able to rope in well-known consultants like Changi Airports International, L&T Ramboll Consulting Engineers, Jones Lang La Salle Meghraj, Townland Consultants Limited, Hong Kong, IMRB Business & Industrial Research Division, Tata Consulting Engineers Limited, Changi Airports Consultants Pte Limited, Singapore for various aspects of the project. Simplex Infrastructures Limited was the EPC contractor for the airport. L&T was appointed as the EPC contractor for the infrastructure development like road, power, storm, water drains, sewage waste, solid waste management and water supply with construction of central water reservoir, elevated water reservoir and sewage treatment plant over an area of approx. 1,200 acres in integrated township.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology - Infrastructure Sector Ratings](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

Bengal Aerotropolis Projects Limited (BAPL), incorporated in 2007, is developing an infrastructure development project (comprising Airport, IT Park, Industrial Zone and Township) at land admeasuring about 1,818 acres (including airport of 650 acres and township including infrastructure development over 1168 acres of land), located about 10 km from Durgapur, along NH 2 (connecting Kolkata-Delhi). BAPL has got the possession of entire land area of 1,818 acres from WBIDC for a lease period of 99 years with a provision for automatic renewal. The total cost of the project is Rs.1376.94 crore (as against previous estimate of Rs.1319.80 crore), which is proposed to be funded through debt of Rs.794.91 crore, equity of Rs.353.13 crore and internal accruals of Rs.263.59 crore. Till November 30, 2017, the company has incurred Rs.1285.51 crore accounting for 92% of the total project cost. The project mainly comprises of airport development and infrastructure development.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	102.48	29.85
PBILDT	44.51	2.66
PAT	5.57	-55.82
Overall gearing (times)	1.56	1.34
Interest coverage (times)	1.35	0.06

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March, 2031	515.46	CARE D
Fund-based - LT-Term Loan	-	-	March, 2031	14.85	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	515.46	CARE D	-	1)CARE BB; Stable (24-Jan-17)	1)CARE BBB (15-Mar-16)	1)CARE BBB (05-Dec-14)
2.	Fund-based - LT-Term Loan	LT	14.85	CARE D	-	1)CARE BB; Stable (24-Jan-17)	1)CARE BBB (15-Mar-16)	1)CARE BBB (05-Dec-14)

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