

Bengal Aerotropolis Projects Limited

April 03, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	129.57	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB; Stable (Double B; Outlook: Stable) on the basis of best available information
Total	129.57 (Rs. One hundred twenty nine crore and fifty-seven lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Bengal Aerotropolis Projects Limited (BAPL) to monitor the ratings vide e-mail communications dated June 10, 2019, December 30, 2019, January 15, 2020, February 06, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Bengal Aerotropolis Projects Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on Bengal Aerotropolis Projects Limited's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large are hence requested to exercise caution while using the above ratings.

The ratings have been revised due to continued losses and lack of adequate information regarding the project status and operational performance coupled with uncertainty around its credit risk.

Detailed description of the key rating drivers

At the time of last rating on March 29, 2019 the following were the rating strengths and weaknesses (updated for information available from Registrar of Companies):

Key Rating Weaknesses

Low passenger traffic at the Airport

The Airport at Andal, West Bengal (named as 'Kazi Nazrul Islam Airport') has a capacity of 1 million passengers per annum and can further be expanded to a capacity to 2.5 million per annum. The overall passenger flow although increased by 346% remained substantially low at 30,524 passenger movements from January 2018 to December 2018 with a single carrier, Air India operating under Delhi and Hyderabad route. However, with the introduction of the UDAN-Regional Connectivity Scheme (UDAN-RCS) by the Government of India, SpiceJet is very soon expected to operate flights in two routes (Chennai and Mumbai). Air traffic is expected to increase in the near-future with subsequent addition of new routes.

Risk attached to sale of balance inventory of plotted land

BAPL 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). The company has successfully constructed the Airport way back in 2015 and it is currently operational.

Against the total area demarcated for development of township (including infrastructure) the company has already sold approximately 200 acres. The Company has transacted with the GoWB for about 80 acres of land for the rehabilitation project of Coal India Limited. Also, through GoWB initiatives, BAPL is in advanced stage of discussion (for land sale) with PSUs and other reputed corporate entities for bulk deals and various other parties for smaller deals.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

An Industrial Township Authority (ITA), an autonomous urban local body, has been set up under Municipal Act to facilitate the project. Through this arrangement, the occupants would be provided with vital infrastructure services. The ITA has already started functioning and providing building plan approval and other approvals require for setting-up a facility within the project. BAPL has entered into an Agreement with GCITA to provide all the civic services to the end-users of the Township. BAPL will be authorized to charge and collect revenue towards such services. Some of the industrial units and institutional facilities, including two reputed schools are already operational.

Key Rating Strengths

Established promoters & strong management team, coupled with increase in the controlling stake of GoWB

BAPL is a professionally managed company and is headed by Mr. Arvind Pandey (Chairman) having more than four decades of experience. Mr. Pandey, an ex IAS officer, was Chairman in SAIL and has also served as independent director in companies like HDFC Bank & Coal India Limited. Mr Pandey, is ably supported by Mr. 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) have been recently inducted in the Board of the company post equity infusion by GoWB through WBIDC to the extent of Rs.120 crore for 26.05% stake in the company. Changi Airports India Pte Ltd (CAIPL), subsidiary of Changi Airport International (CAI) hold about 30.21% equity stake in BAPL.

Infusion of funds by GoWB through WBIDC

BAPL had approached banks for debt realignment towards 'Change in Ownership' scheme under RBI circular titled 'Resolution of Stressed Assets- Revised Framework' dated February 12, 2018. The said scheme was approved by all the lenders in the consortium and the resolution scheme was thereafter made effective from August, 2018.

As per the resolution plan, GoWB through WBIDC had infused in Rs.300.00 crore (Rs.120.00 crore as Equity and Rs.180.00 crore as 1% Cumulative redeemable Preference shares) upfront to become one of the major shareholder in the project. Further, in FY19, additional Rs.108.00 crore as preference shares was infused by WBIDC. Accordingly, the said infusion by GoWB has led to an upfront prepayment of nearly 52% of the outstanding term loan as on December 01, 2017 and has reduced the overall interest burden on BAPL. BAPL has pre-paid installments up to September 30, 2027 by upfront repayment of Rs.290.69 crore.

Recommencement of flight operation

The Airport (named as 'Kazi Nazrul Islam Airport') became operational on May 18, 2015 with one airline (i.e. Air India) which commenced operation (on a single route) 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 (VGF) due to low passage load. Later, Zoom Air started commercial operations from February 15, 2017 which was later terminated after the bird hit incident in June, 2017.

Air India has recommenced its operations since April 2018 in Delhi-Durgapur-Delhi route and is currently operating two routes (Delhi and Hyderabad). The airport is falling under Regional Connectivity Scheme (UDAN) of the Government of India. State and Central Government are entitled to extend benefits under RCS to the airport in terms of concessional rates for power, water, security and ATC operations. The same is expected to reduce the airport operational cost of the company substantially. Also, there would not be any VGF payable by the airport. Further the State Government had earlier notified 'zero' sales tax for refueling at the airport which has validity till May 2021. The management expects the air traffic to increase in the near-future, incidental to the benefits extended under the above scheme.

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 the 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 has completed basic infrastructure development like road, power, storm, water drains, sewage waste, solid waste management and water supply etc.

Liquidity position

With the infusion of funds from GoWB (Rs.408 crore) has led to an upfront prepayment of nearly 52% of the outstanding term debt and has reduced the interest burden on BAPL, thereby improving the liquidity position of the company.

Outlook on Industry

The infrastructure sector is wide-ranging and inter alia includes electricity, roads, airports, railways, water systems, public utilities, and telecommunications, the development of which raises the country's economic productivity. Highways, ports, airports, roads, and rail are all necessary conduits for commerce, making their construction, improvement, and expansion all the more vital.

The Indian government has promoted investing in infrastructure, providing benefits such as the easing of tax restrictions and multiple financing alternatives. Such a focus on investment to boost GDP has led to consumption-led growth strategies.

Analytical approach: Standalone.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy of Default Recognition](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios - Non Financial Sector](#)

[Rating Methodology – Real Estate 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.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total Operating Income	64.70	41.07
PBILDT	26.68	12.35
PAT	-37.87	-38.66
Overall Gearing (times)	1.37	0.48
Interest coverage (times)	0.53	0.41

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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	-	-	-	129.57	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	-	0.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	129.57	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	1)CARE BB; Stable (05-Apr-19)	-	1)CARE D (20-Mar-18)	1)CARE BB; Stable (24-Jan-17)
2.	Fund-based - LT-Term Loan	LT	0.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB on the basis of best available information	1)CARE BB; Stable (05-Apr-19)	-	1)CARE D (20-Mar-18)	1)CARE BB; Stable (24-Jan-17)

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.

Contact Us
Media Contact

Mradul Mishra
 Contact no. – +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr. Punit Singhania
 Tel: 033-4018 1620
 Mobile : 98743 41122
 Email: punit.singhanian@careratings.com

Relationship Contact

Name: Lalit Sikaria
 Contact no. :9830386869
 Email ID :lalit.sikaria@careratings.com

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