

Bengal Aerotropolis Projects Limited

April 05, 2019

Ratings

Facilities	Amount(Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	129.57 (reduced from 530.31)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE D (Single D)
Total Facilities	129.57 (Rs. One hundred and twenty nine crore and fifty seven lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Bengal Aerotropolis Projects Limited (BAPL) takes into account the timely servicing of debt obligations since September 2018.

The rating continues to remain constrained by low passenger traffic at the Airport, profile and sale of balance inventory of plotted land.

The rating, however, derives strength from established track record of promoters & management team, strategic location of the project, involvement of reputed consultants & contractors and recommencement of the aircraft operations at the Kazi Nazrul Islam Airport, Andal. Rating also derives comfort from the financial support extended by Government of West Bengal (GoWB) by infusion of funds through West Bengal Industrial Development Corporation Ltd. (WBIDC), aggregating to Rs.408 crore which has been subsequently used to prepay nearly 52% of the outstanding debt till December 2027.

Detailed Description of key rating drivers

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.

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.

Resumption 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

[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.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	29.48	60.52
PBILDT	2.66	32.43
PAT	-55.82	-37.87
Overall gearing (times)	1.34	1.25
Interest coverage (times)	0.06	0.64

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-4

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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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	129.57	CARE BB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	129.57	CARE BB; Stable	-	1)CARE D (20-Mar-18)	1)CARE BB; Stable (24-Jan-17)	1)CARE BBB (15-Mar-16)

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