

## Maharashtra Airport Development Company Limited

April 6, 2017

### Ratings

Instruments/ Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Non-Convertible Debenture	150	<b>CARE A-;Stable (Single A Minus; Outlook:Stable)</b>	Reaffirmed
Long-term Banking Facilities- Fund based-Term Loan	173.05 (reduced from 450)	<b>CARE A-;Stable (Single A Minus; Outlook:Stable)</b>	Reaffirmed
Issuer Rating	-	<b>CARE A- (Is);Stable [Single A Minus (Issuer Rating); Outlook: Stable]</b>	Reaffirmed

*Details of facilities/instruments in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

The issuer rating (rating is subject to the company maintaining overall gearing not exceeding 0.18x, projected level as on March 31, 2017) and ratings assigned to the Non-Convertible Debentures Programme/bank facilities of Maharashtra Airport Development Company Limited (MADC), continues to derive strength from ownership and support of the Government of Maharashtra (GoM), strategic importance of the project for the development of the Vidarbha region, locational advantage of Nagpur for the project and liquidity available with the company on account of regular receipt of Government Grant.

However, the ratings continue to remain constrained by risk related to unpredictable revenue profile and hence cash accruals on account of revenue model of the company which is primarily based on sale of land in SEZ and Non SEZ area. Further delays in completing land acquisition leading to time and cost overrun also remains the constraining factor.

Timely completion of the MIHAN project without further delays and cost overrun as well as envisaged off-take of SEZ (Special Economic Zone) and non-SEZ space are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Strong support demonstrated by GoM:** The GoM has consistently demonstrated strong support for the company. The project is one of the key initiatives undertaken by GoM for the development of Vidarbha region of Maharashtra. MADC receives support in the nature of grants from GoM for land acquisition, rehabilitation of PAPs (Project Affected Persons) and airport development activity in the state. This grant can also be used to meet intermittent cash flow mismatches and provides significant liquidity backup. During FY16 (refers to the period April 01 to March 31), MADC received about Rs.140 crore (Rs.105 crore in FY15) as Grant for MIHAN project and Rs.42.14 crore for Shirdi airport. Cumulatively till September 30, 2016, MADC has received Rs.1017 crore for land acquisition and resettlement for the project MIHAN.

**Location advantage of Nagpur for developing the project and completion of utility infrastructure:** Nagpur is centrally located in India as well as on the international aviation routes. Besides, the city is adequately connected to all parts of India, both by National Highways as well as main trunk rail routes and also the air ways. MADC has completed major infrastructure work in MIHAN. As on September 2016, the company has already incurred Rs.970.54 crore out of budgeted cost of Rs.986 crore on infrastructure towards the project.

**Adequate liquidity to support short term mismatches:** As on March 31, 2016 and December 31, 2016, the company has free cash and cash equivalent of Rs.133 crore and Rs.104 crore respectively (Rs.220 crore as on March 31, 2015). This comprises the unspent government grant received for land acquisition towards MIHAN and development of other airports. These funds can be utilised for the interim period towards managing its liquidity.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

## Key Rating Weaknesses

**Counter guarantee on behalf of developer leading to blockage of funds:** The Company has given a counter guarantee to bankers on behalf of Reatox Builder and Developers (RBD), who was developing residential premises in MIHAN. Later, after some financial issues, RBD has abandoned the project in the construction stage and defaulted on debt service obligations. MADC has a deposit (Rs.164 crore as on March 31, 2016) with the same bank which the Company is not able to utilize for the project or debt repayments. The probable liability as on March 31, 2016 is Rs. 240 crore shown under contingent liability. However, as per understanding provided by the management, RBD is under final settlement with the Bank, the FDs are expected to be released by the Banker to MADC.

**Residual project implementation risk:** The land acquisition progress has been relatively slow due to delay in transferring and settlement of land between the company and Indian Air Force and delay in settlement and land acquisition from PAP. Timely acquisition of the balance land is critical for MADC and a prerequisite for completing the project within envisaged time and cost.

**Off-take risk for the balance land:** MADC earns its revenue through sale of land in the SEZ and Non SEZ area of MIHAN. Land sale is dependent on prevailing economic conditions. Going ahead, MADC's ability to lease out additional space at envisaged rates would be crucial in view of its high debt repayment obligations of the company in near to medium term.

**Commitment towards other airports:** MADC is also developing airports in Maharashtra at locations viz. Amravati, Solapur, Shirdi, Purandar (Pune). MADC is also a SPA for Shirdi Airport. The land acquisition and rehabilitation is completely funded by the government grant and there are no major commitments towards other airports in the near future.

**Analytical Approach:** Standalone

### Applicable Criteria:

Criteria on assigning outlook to credit ratings  
Rating Methodology: Factoring Linkages in Ratings  
CARE's policy on default recognition  
Criteria for short-term instruments  
CARE's Issuer Ratings  
Financial Ratios: Non Financial Sectors  
Rating Methodology – Infrastructure Sector Ratings

### About the Company

MADC was incorporated in 2002, by the GoM as the nodal agency for implementing project MIHAN, along with development of airports and SEZs in Maharashtra [not belonging to other government agencies]. MADC is floated with equity contribution from the City and Industrial Development Corporation Ltd (CIDCO), Nagpur Improvement Trust (NIT), Maharashtra Industrial Development Corporation (MIDC), Maharashtra State Road Development Corporation Ltd. (MSRDC), Nagpur Municipal Corporation (NMC) and State Industrial and Investment Corporation of Maharashtra (SICOM). The company has been also mandated to develop airports at various locations like Amravati, Solapur, Shirdi, Purandar (Pune), and others.

During FY16 (refers to the period April 01 to March 31), MADC posted total income of Rs.44.73 crore and net loss of Rs.23.83 crore compared to total income of Rs.196.86 crore and PAT of Rs.0.90 crore, respectively, in FY15.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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	-	-	Last installment in August 2020	173.05	CARE A-; Stable
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE A- (Is); Stable
Debentures-Non Convertible Debentures	-	10.78%	June 2022	150.00	CARE A-; Stable

**Annexure 2**

Rating History for 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	150.00	CARE A-; Stable	-	1)CARE A- (15-Feb-16)	1)CARE A- (30-Dec-14)	1)CARE A- (17-Jan-14)
2.	Fund-based - LT-Term Loan	LT	173.05	CARE A-; Stable	-	1)CARE A- (15-Feb-16)	1)CARE A- (30-Dec-14)	1)CARE A- (17-Jan-14)
3.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE A- (Is); Stable	-	1)CARE A- (Is) (15-Feb-16)	1)CARE A- (Is) (16-Feb-15)	-

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