

## Maharashtra Airport Development Company Limited

September 27, 2019

### Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	173.05	<b>CARE BBB+; Stable; ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE A-; Stable(Single A Minus; Outlook: Stable) on the basis of best available information
Non-Convertible Debenture	150.00		
<b>Total</b>	<b>323.05 (Rupees Three hundred twenty three crore and five lakh only)</b>		
Issuer Ratings	-	<b>CARE BBB+(Is); Stable; ISSUER NOT COOPERATING* (Triple B Plus(Issuer); Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE A-(Is); Stable (Single A Minus(Issuer); Outlook: Stable) on the basis of best available information

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 4, 2018, placed the ratings of Maharashtra Airport Development Company Limited (MADC) under the 'Issuer Non-Cooperating' category as MADC had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MADC continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated September 11, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information.

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

The ratings have been revised subsequent to the receipt of audited financial statements for FY17, wherein the company has reported a significant decline in revenues and profitability as compared to the budgeted plan submitted to CARE. Further, the auditors in their auditor report for FY17 have given a qualified opinion on various aspects of the said financial statements, based on which, the credit of MADC appears to have worsened. In addition to the above, other critical information and explanation required for assessing the financial position from the management at MADC has not been made available to CARE. However, as per due diligence done with lenders and auditors, the conduct of MADC has been satisfactory and the financials for FY18 are still under preparation and hence not shared with CARE.

### Detailed description of the key rating drivers

*At the time of last rating on April 4, 2018 the following were the rating strengths and weaknesses (updated for the information available from the audited financial statements received for FY17):*

#### 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

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

\*Issuer did not cooperate; Based on best available information

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. However, in FY17, there has been a significant decline in revenues and the company has recorded a loss of Rs.230 crore, leading to deterioration in liquidity.

#### 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, final settlement has been received from the Bank based on satisfaction of charge against MADC. CARE has not received any documents confirming the same.

**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

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Maharashtra Airport Development Company Limited (MADC) was incorporated in 2002, by Government of Maharashtra (GoM, other Government of Maharashtra entities guaranteed by GoM rated CARE A-) and comes under the purview of General Administration Department. MADC is a special planning authority (SPA) for implementing 'Multi-modal international passenger and cargo hub airport' at Nagpur (MIHAN) along with development of airports in the State of Maharashtra which are not belonging to the Airports Authority of India (AAI) and Indian Air Force (IAF). The company with support from GOM is developing airport projects at various locations viz. Amravati, Solapur, Shirdi, Rajgurunagar which will provide air connectivity between various important districts of Maharashtra.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	44.73	121.92
PBILDT	9.74	-187.60
PAT	-23.83	-230.07
Overall gearing (times)	0.17	0.21
Interest coverage (times)	0.26	-5.97

A: Audited; Note: The company has not provided financial statements for the year FY18 and FY19

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	August 21, 2019 and August 31, 2020 <sup>^</sup>	173.05	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE BBB+ (Is); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A- (Is); Stable; ISSUER NOT COOPERATING* on the basis of best available information
Debentures-Non Convertible Debentures	INE173L07011	June 04, 2010	10.78%	June 4, 2022	150.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable; ISSUER NOT COOPERATING* on the basis of best available information

\*Issuer did not cooperate; Based on best available information; <sup>^</sup>Payment status not available with CARE

## 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.	Debentures-Non Convertible Debentures	LT	150.00	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A-; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE A-; Stable (06-Apr-17)	-
2.	Fund-based - LT-Term Loan	LT	173.05	CARE BBB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A-; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE A-; Stable (06-Apr-17)	-
3.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE BBB+ (Is); Stable; ISSUER NOT COOPERATING*	-	1)CARE A- (Is); Stable; ISSUER NOT	1)CARE A- (Is); Stable	-

				Issuer not cooperating; Revised from CARE A- (Is); Stable; ISSUER NOT COOPERATING* on the basis of best available information		COOPERATING* (04-Apr-18)	(06-Apr-17)	
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\*Issuer did not cooperate; Based on best available information

**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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#### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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