

Press Release

Kannur International Airport Limited (KIAL)

23 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.892.00 Cr
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) on the above mentioned Rs.892.00 crore bank facility of Kannur International Airport Limited (KIAL). The outlook is '**Stable**'.

The rating continues to derive comfort from the extensive expertise of the management and support envisaged from the Kerala government (KIAL's key stakeholder). These rating strengths are partially offset by the company's exposure to project implementation risk.

Incorporated in 2009 as a private limited company and reconstituted as a public limited company in 2010, KIAL is set up by the Government of Kerala to build, own and operate Kannur International Airport.

List of key rating drivers and their detailed description

Strengths:

Extensive expertise of the management: Mr. G Chandramouli, Managing Director has more than three decades of experience in operating airports having held senior positions in Airports Authority of India and Thiruvananthapuram International Airport.

Support envisaged from Kerala government (KIAL's key stakeholder): The Government of Kerala (GoK), as part of its infrastructure development program has plans to develop an airport at Kannur district. KIAL is a public limited company established by GoK in December 2009 to build, own and operate the airport. The government would contribute land of 1300 acres out of the total requirement of 2061 acres as equity contribution. The total consideration of the land provided by the GoK is Rs.350.00 crore.

Weaknesses:

Exposure to project implementation risk: The project is under construction and is expected to be completed by May 2017 leading to a risk of cost and time overrun. Commercial operations are expected to commence from September 2017 after receipt of license Approvals. GoK would be required to provide financial support in the initial years when cash flows are insufficient to meet debt servicing requirements. The same has been in principally agreed by GoK.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company. Further, SMERA has taken into consideration the support of the Government of Kerala while notching up KIAL.

Applicable Criteria

- Infrastructure entities: <https://www.smerra.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company would maintain a stable outlook and derive benefit from the experienced management and the support extended from the Government of Kerala. The outlook may be revised to 'Positive' in case the company registers healthy cash accruals with successful, on-time project completion and revenue generation. Conversely, the outlook maybe revised to 'Negative' in case of delay in project completion resulting in time and cost over runs thus impacting the financial risk profile of the company.

About the Project

GoK had proposed in 1998 to build an international greenfield airport at Kannur, Kerala keeping in view the aviation scenario, the potential for trade and tourism development. The Government of Kerala (GoK), as part of its various programs for development of infrastructure in the state, decided to develop an airport in Kannur district. Kannur International Airport Limited (KIAL) is a public limited company set up by GoK in December 2009 to build, own and operate the airport. The proposed airport at Kannur would cater to the requirements from three northern districts – Kannur, Wayanad and Kasargod. The cost of Phase I is estimated to be Rs.1892 cr proposed to be funded through equity of Rs.1000 cr and the balance of Rs.892 cr to be raised as debt from banks/institutions.

About the Rated Entity

Incorporated in 2009 as a private limited company and reconstituted as a public limited company in 2010, KIAL was established by the Government of Kerala to build, own and operate Kannur International Airport. The commercial operations are expected to commence from the second half of 2016-17.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating
Term loan	LT	892.00	SMERA BB-/Stable (Reaffirmed)	-	-	07 Oct, 2015	SMERA BB-/Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	N.A	N.A	September, 2030	892.00	SMERA BB-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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