

Press Release

Airports Authority of India

March 13, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3400.00	ACUITE AAA Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	3400.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE AAA (read as ACUITE triple A)** on the RS 3,400 Cr bank facilities of Airports Authority of India (AAI). The outlook is 'Stable'.

Rationale for rating assigned

The rating is primarily driven by the strategic importance of Airports Authority of India to Government of India (GoI) for operating, maintaining and developing the aviation infrastructure and controlling the civil aviation traffic. AAI controls and manages the Indian airspace & adjoining oceanic areas and is the sole entity providing Communication, Navigation, Surveillance and Air Traffic Management (CNS/ATM) services in the country. The rating also factors in the healthy financial risk profile and the improvement in operating conditions in FY 22 and current fiscal year supported by improvement in aircraft and passenger movement and resumption of revenue sharing by Mumbai International Airport Limited (MIAL) in FY 22 and Delhi International Airport Limited (DIAL) in FY23. The aircraft and passenger movement has increased by 45.7% and 79.9% respectively till 9MFY23 as compared to same tenure in previous year. Further, the monthly annual fees under JVC from MIAL and DIAL is expected to increase and bounce back to pre-covid levels to Rs 2,610 Cr in FY 23 as against Rs 1,038 Cr in FY 22 and Rs 484 Cr in FY 21. The revenues from MIAL and DIAL were affected in FY 21 and FY 22 due to invocation of force majeure clause by these airports. Arbitration process for this is yet in final stage with respect to revenue sharing stopped in FY 21 and FY 22 by MIAL and DIAL.

The above-mentioned rating strengths are partly offset by the vulnerability of operations to fluctuations in aircraft and passenger movement. Further, the revenue stream is also impacted by the privatization of revenue generating airports. However, to mitigate the same going forward, AAI has planned to tag a small/non-revenue generating airports with revenue generating airports under PPP model.

About the Company

Airports Authority of India (AAI) was constituted by an Act of Parliament and came into being on 1st April 1995 by merging erstwhile National Airports Authority and International Airports Authority of India. The merger brought into existence a single Organization entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and air space in the country.

It is a Government of India owned organisation. The corporate office is in New Delhi and the organisation is currently being managed by its chairman Mr. Sanjeev Kumar.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AAI while arriving at the rating.

Key Rating Drivers

Strengths

Strategic Importance to GoI

AAI is a strategically important to GoI as it is the only entity who controls, manages and develops the aviation infrastructure in India. AAI is a sole entity providing Communication Navigation Surveillance/Air Traffic Management (CNS/ATM) services in the country and controls the entire airspaces of the India and adjoining oceanic areas. AAI is having JVC for DIAL and MIAL with GMR Group and Adani Enterprises Limited. Further, the AAI has awarded six airports namely Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangalore to Adani Enterprises Ltd under Public Private Partnership (PPP).

AAI manages a total of 133 airports which include 23 International airports (3 Civil Enclaves), 10 Custom Airports (4 Civil Enclaves) and 100 Domestic airports (22 Civil Enclaves). AAI provides air navigation services over 2.8 million square nautical miles of air space.

Acuite believes AAI will continue to benefit from its strategic position in the civil aviation space.

Augmentation in Business Risk Profile

The operating income of AAI has increased to Rs 6,841 Cr in FY 22 as against Rs 4,867 Cr in FY 21 supported by increase in aircraft and passenger movement by 47% and 64% respectively in FY 22 as compared to previous year. The operations in FY 21 were affected due to COVID-19 which had disrupted the air traffic movement significantly as the airports were not fully operational. Further, the revenue was affected due to invocation of force majeure clause by DIAL and MIAL resulting in temporary stoppage of revenue sharing from these airports. However, MIAL and DIAL have resumed revenue sharing in FY 22 and FY 23 respectively which is likely to improve the revenue going forward. AAI has recorded an improvement in aircraft and passenger movements by 45.7 % and 79.9% respectively till 9M FY 2023 as compared to same tenure in previous year. They are expecting a revenue growth by 58% in FY 23 with an expected revenue of Rs 10,802 Cr supported by fully operational airports and improvement in aircraft and passenger movements. AAI has recorded a operating losses of Rs 1,754.59 Cr in FY2021 as compared to operating profit of Rs 5,045.30 Cr in FY 2020 due to significant decline in revenue. However, in FY 2022 they have recorded an operating profit of Rs 938.52 Cr due to write back of receivables from Air India of Rs 1000 Cr which were written off in previous financial year.

Acuite believes that revenue profile of the AAI may improve going forward with the improvement in air traffic movement and revenue resumption from MIAL and DIAL.

Healthy Financial Risk Profile

The financial risk profile of AAI is above average with healthy network, low gearing and above average debt protection metrics. The network of the company stood at Rs 12,231 Cr in FY 2022 as against Rs 12,848.26 Cr in FY2021 and Rs 15,449.84 Cr in FY 2020. The decline in network in FY 21 is due to losses recorded by AAI and in FY 22 is due to appropriation of dividends from the reserves. The total debt stood at Rs 3,386.49 Cr as on March, 2022 and constitutes of Rs 3,120 Cr in long-term debt, Rs 234.55 Cr in short term debt and Rs 32.02 Cr from USL. The AAI follows a conservative financial policy reflected by its low gearing ratios with debt-equity ratio at 0.28 times in FY 2022 as against 0.25 times in FY 2021 and Total Outside liabilities to Tangible Network at 1.77 times in FY 2022 as against 1.51 times in FY 2021. Further, debt protection metrics remains above average with DSCR at 18.50 times and ICR at 26.87 times in FY 2022.

Further, the budget estimates for the capex in FY2023-24 approved by board are Rs 4,000 Crores through a funding of Rs 3,442.51 Cr from Internal & Extra Budgetary resources and of Rs 557.49 Cr from Govt. Budgetary support including grants.

Acuite believes that financial risk profile of the AAI may continue to remain above average with healthy accruals to fund the future capex plan of AAI.

Weaknesses

Vulnerability to the fluctuations in aircraft and passenger movement

The revenue of the AAI are vulnerable to fluctuations in aircraft and passenger movements. Further, the revenue are also affected by the privatization of revenue generating airports. However, to mitigate the said risk AAI is planning to tag 7 small/non-revenue generating airports to its 5 revenue generating airports which are proposed to be awarded under PPP going forward.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Fluctuations in Aircraft and passenger movements

Material covenants

None

Liquidity Position

Strong

The liquidity position of AAI is strong, with unencumbered cash and bank balance of around Rs 1600 Cr as on FY 2022. And also the AAI has generated a net cash accruals of Rs 1,913 Cr in FY 2022 with the written back of receipts from Air India of Rs 1000 Cr (which was written off earlier) against the maturing debt and lease obligation of Rs 32.57 Cr during the same tenure. Further, they are expected to generate a net cash accruals of Rs 3,355-3,780 Cr during FY23-24 against the maturing debt obligation of Rs 40.95 Cr during the same tenure. The regular capex funding of AAI with respect to development of existing airports, infrastructure requirement of new airports, etc of Rs 4,500-5,000 Cr are already funded through the bank finance availed of Rs 3,400 Cr. Further, for the capex in FY2023-24 is estimated of Rs 4,000 Crores through a funding of Rs 3,442.51 Cr from Internal & Extra Budgetary resources and of Rs 557.49 Cr from Govt. Budgetary support including grants.

Further, any liquidity or funding needs of AAI are also funded by GoI through grants.

Outlook: Stable

Acuité believes the company's outlook will remain 'Stable' over the medium term on account of its strategic importance to GoI, fully operation airports and strong liquidity and healthy financial risk profile. The outlook may be revised to 'Negative' in case of significant decline in air-traffic movement affecting operations of the AAI.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	6333.72	4335.42
PAT	Rs. Cr.	8.76	(1962.06)
PAT Margin	(%)	0.14	(45.26)
Total Debt/Tangible Net Worth	Times	0.28	0.25
PBDIT/Interest	Times	26.87	(17.61)

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	External Commercial Borrowing	Not Applicable	Not Applicable	Not Applicable	Simple	1050.00	ACUITE AAA Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2350.00	ACUITE AAA Stable Assigned

*External Commercial Borrowings are USD 140 Million.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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