

August 06, 2024

## Delhi Aviation Fuel Facility Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loans	172.00	90.00	[ICRA]A+ (Stable); reaffirmed
Long-term fund-based – Cash credit	40.00	20.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Unallocated limits	-	20.00	[ICRA]A+ (Stable); reaffirmed
<b>Total</b>	<b>212.00</b>	<b>130.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Delhi Aviation Fuel Facility Private Limited (DAFFPL) factors in the company's established position as the sole service provider of aviation fuel facilities at the Indira Gandhi International Airport at New Delhi, which is the largest airport in the country (in terms of passenger handling capacity). The company commenced operations of the hydrant system at Terminal 1 from December 2023 resulting in a healthy fuel offtake growth of 11.1% in FY2024. Further, the volume growth has continued in Q1 FY2025 and the full year volumes are expected to grow by around 13-14% in FY2025, supported by higher airline traffic and the opening up of T1 hydrant system.

ICRA takes note of DAFFPL's strong promoter profile as Indian Oil Corporation Limited (IOCL, rated [ICRA]AAA (Stable)/[ICRA]A1+) and Bharat Petroleum Corporation Limited (BPCL, rated [ICRA]AAA (Stable)) hold 37% stake each, while the remaining 26% is held by the airport operator, Delhi International Airport Limited (DIAL, rated [ICRA]AA-(Stable)/[ICRA]A1+). IOCL and BPCL have high financial flexibility, sizeable sovereign ownership and occupy strategically important positions in the Indian energy sector. Moreover, these companies are the key suppliers and customers of the fuel facility at the Delhi Airport.

Notwithstanding the expected increase in volume offtake, the revenue is likely to decline over the next two years due to the reduction in fuel infrastructure charge (FIC) (FIC rates are scheduled to decline to Rs. 344/kl in FY2025 and Rs. 269/kl in FY2026 from Rs. 402/kl in FY2024), as per the tariff order for the third control period (CP3<sup>1</sup>). The decline in FIC rates is on account of over recovery in the second control period. DAFFPL has undertaken a capex of around Rs. 263 crore towards installation of hydrant system (used to transport fuel from the storage area to the airport) at Terminal 1 of the Delhi International Airport. The sizeable capex has resulted in higher leverage, and moderation in debt coverage metrics in the medium term. However, in FY2023, the company has prepaid eight quarterly debt repayments due in FY2024 and FY2025 of around Rs. 47 crore and has further prepaid the debt obligations due in Q1 and Q2 FY2026 in March 2024 and July 2024, respectively, which reduces the repayment obligations over the next 24 months. While the DSCR in FY2026 is expected to be modest (as per the original repayment schedule), the prepayments made and the management's intention to further prepay the future debt repayments of FY2026 provides comfort. Additionally, the company has healthy cash balances and unutilised working capital limits of around Rs. 20 crore supporting its liquidity position.

<sup>1</sup> CP3 refers to April 01, 2021 to March 31, 2026

DAFFPL's operations remains susceptible to the aircraft traffic at the Delhi Airport. However, the company's regulated business model of operations will provide a cushion against any lower-than-estimated volumes in a control period.

The Stable outlook on the rating reflects the company's established position as the sole service provider of aviation fuel facilities at the Delhi Airport, strong business profile and satisfactory coverage metrics.

## Key rating drivers and their description

### Credit strengths

**Sole fuel service provider at Delhi airport** – The concession agreement with DIAL grants exclusive rights to DAFFPL to develop and maintain the aviation fuel facilities at terminals 2 and 3, along with cargo terminal of the Indira Gandhi International Airport in New Delhi. In FY2019, the scope of DAFFPL's was extended to Terminal 1 as well. With completion of construction of a hydrant system and the commencement of fuel facility services at Terminal 1, DAFFPL is the sole fuel service provider at the airport, which provides it with a strong monopoly position.

**Strong promoter profile provides financial and operational flexibility** – DAFFPL has a strong promoter profile with IOCL and BPCL holding 37% stake each. The remaining 26% is held by the airport operator, i.e., DIAL. IOCL and BPCL have high financial flexibility, sizeable sovereign ownership and occupy strategically important positions in the Indian energy sector. Moreover, these companies are the key suppliers and customers of the fuel facility at the Delhi Airport. In addition, DIAL's status as an airport operator and its shareholding in DAFFPL mitigate the operational risks for the company.

**Healthy increase in volumes** – The company has recorded the highest ever fuel offtake volumes of 26.21 lakh KL in FY2024 registering a YoY growth of 11.1% and surpassing the pre-Covid level volumes by 10.7%. Further, in Q1 FY2025, the volumes have seen a strong growth of 21%, supported by higher airline traffic and opening up of T1 hydrant system. The full year volumes are expected to grow by around 13-14% in FY2025. The same is likely to continue in FY2026, with expansion of Terminal 1 at Delhi International Airport.

### Credit challenges

**Debt-funded capex to moderate debt coverage metrics in the medium term** – Despite a healthy ramp up in fuel offtake volumes in the medium term, the company's revenues are expected to decline on account of reduction in FIC rates in FY2025 and FY2026. The sizeable capex resulted in higher leverage, and moderation in debt coverage metrics in the medium term. However, in FY2023, the company has prepaid eight quarterly debt repayments due in FY2024 and FY2025 of around Rs. 47 crore and has further prepaid the debt obligations due in Q1 and Q2 FY2026 in March 2024 and July 2024 respectively, which reduces the repayment obligations over the next 24 months. While the DSCR in FY2026 is expected to be modest (as per original repayment schedule), the prepayments made and the management's intention to further prepay the future debt repayments of FY2026 provides comfort. Additionally, the company has healthy cash balances and unutilised working capital limits of around Rs. 20 crore supporting its liquidity position.

**Vulnerability of operations to aircraft traffic at Delhi Airport** – The company's business operations are dependent on the aircraft traffic at the Delhi Airport, which remains susceptible to any downturns in the domestic and global economic cycles. Any material decline in fuel offtake volumes may affect the company's operations as witnessed in FY2021 and FY2022 due to the Covid-19 pandemic. However, DAFFPL's regulated business model of operations will provide a cushion against any lower-than-estimated volumes in a control period.

## Liquidity position: Adequate

DAFFPL's liquidity is adequate, supported by cushion in the working capital limits of Rs. 20 crore and cash balances of Rs. 4.8 crore as on June 30, 2024. The liquidity position is also supported by nil principal repayments for the term loan in FY2025 and Rs. 11.8 crore in FY2026. The cash flow from operations is expected to be sufficient for debt repayments, given there are no major capex plans in the medium term.

## Rating sensitivities

**Positive factors** – The rating may be upgraded if significant increase in fuel offtake volumes results in healthy improvement in cash flow from operations and liquidity position, on a sustained basis. Specific credit metric that could lead to a rating upgrade include four-year average DSCR greater than 3.5 times on a sustained basis.

**Negative factors** – The rating could be downgraded if there is material reduction in fuel offtake volumes, adversely impacting DAFFPL's credit metrics and depleting its liquidity buffers. Further, any significant upstreaming of cash flows to the parent Group (through dividends and/or loans and advances) adversely impacting DAFFPL's liquidity position could lead to pressure on the rating.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

DAFFPL is promoted by IOCL, BPCL and DIAL to develop and maintain the aviation fuel facilities at the Indira Gandhi International Airport at New Delhi. The concession was granted by DIAL to DAFFPL for 25 years, w.e.f. July 28, 2010, when Terminal 3 (T3) became operational. An aviation fuel facility comprises the infrastructure used to supply aviation turbine fuel to air carriers at an airport. Indian Oil Skytanking Limited (IOSL) is the operator of the fuel facility at the Delhi Airport. The infrastructure charge levied by DAFFPL for use of the facility is subject to regulations by the Airport Economic Regulatory Authority (AERA). At present, DAFFPL operates fuel facility services at T2, T3 and cargo terminal of the Delhi International Airport and post the commissioning of the fuel facility at T1 from December 2023, DAFFPL is the sole fuel facility service provider at Delhi International Airport.

## Key financial indicators (audited)

As per IndAS accounting	FY2023	FY2024
Operating income	86.5	80.0
PAT	23.1	-1.2
OPBDIT/OI	95.0%	93.9%
PAT/OI	26.7%	-1.5%
Total outside liabilities/Tangible net worth (times)	1.4	1.6
Total debt/OPBDIT (times)	4.5	5.4
Interest coverage (times)	3.1	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Aug 06, 2024	Jul 07, 2023	Jun 24, 2022	Aug 27, 2021	
1 Term loans	Long term	90.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)	
2 Fund-based – Cash credit	Long term	20.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Negative)	
3 Unallocated limits	-	20.00	[ICRA]A+ (Stable)	-	[ICRA]A1; reaffirmed and withdrawn	[ICRA]A+ (Negative)/ [ICRA]A1	

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loans	Simple
Long-term fund-based – Cash credit	Simple
Long-term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	Nov 2019	8.55%	Mar 2029	90.00	[ICRA]A+ (Stable)
NA	Fund-based – Cash credit	NA	NA	NA	20.00	[ICRA]A+ (Stable)
NA	Unallocated limits	NA	NA	NA	20.00	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis - Not applicable**

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