

February 19, 2025

Cochin International Airport Limited: Ratings upgraded to [ICRA]AA (Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based – Term loan	639.69	639.69	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Fund-based – Working capital limit	185.00	185.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Total	824.69	824.69	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade for Cochin International Airport Limited (CIAL) factors in the steady growth in passenger traffic coupled with expectation of sustenance of the same along with improvement in both aeronautical and non-aeronautical revenues resulting in healthy revenue growth and robust coverage metrics. The consolidated revenues increased by 23% to Rs. 1,158 crore in FY2024 from Rs. 940 crore in FY2023 and is expected to increase by around 10% in FY2025 due to increase in aeronautical tariffs, growth in overall passenger traffic and non-aeronautical revenues. Further, the profitability also improved to 62.4% in FY2024 from 59.9% in FY2023, on account of higher operating income amid increase in tariffs and passenger traffic, and lower operating expenses with majority of the expenses being fixed in nature, and the same is expected to sustain in the medium term. Following the Covid-19 pandemic led under-recovery in the second control period (CP2 – FY2017 to FY2021) and the proposed capex programme, AERA approved levy of User Development Fee (UDF) of Rs. 180 and Rs. 400 for domestic and international passengers respectively, from April 1, 2022. The same was further increased to Rs. 270 and Rs. 570 for domestic and international passengers, respectively, in FY2025 which is expected to support the growth in aeronautical revenues. The rating is also supported by the favourable passenger mix of CIAL with international passengers accounting for 47% of total passengers over the past three years resulting in higher aero and non-aero revenue per passenger and thereby supporting its profitability metrics.

The capital structure and coverage metrics remains robust, with gearing of 0.25 times as of March 31, 2024. With expected improvement in earnings and low debt funded capex, the gearing is expected to remain low in the medium term. The DSCR is likely to be robust at around 3.5 times in FY2025 owing to healthy profits and is expected to remain strong at similar levels during the debt tenure. CIAL is currently undertaking expansion of T3 terminal (apron and pier), modifications of cargo complex, revamping of IT systems and scanning equipment, flood control measures, construction of commercial complex and golf course development among others. The estimated capital expenditure over the next two years (FY2025-FY2026) is likely to be around Rs. 1,000 – 1,200 crore and is proposed to be funded through the existing cash balances, internal accruals and debt (only if required). While CIAL is yet to tie-up debt for the same, the company is adequately placed to fund the capex. CIAL's ability to execute the sizeable capex programme within the budgeted costs and timelines would be a key rating monitorable. AERA has considered capex of Rs. 1,754 crore (aero capex of Rs. 1,275 crore) in CP3 tariff order. However, the actual capex is likely to be higher on account of design changes and escalations and any major disallowance of capex for the determination of tariff will be a credit negative. Nevertheless, CIAL has completed the fresh Airport User consultative committee (AUCC) consultation process for the increase in terminal 3 expansion costs and the same has been approved by the regulator, Airports Economic Regulatory Authority (AERA). This mitigates the risk of disallowance of capex to an extent.

The rating is constrained by the stiff competition from four international airports situated within 300 km radius from CIAL, viz. Trivandrum International Airport, Calicut International Airport, Coimbatore International Airport and Kannur International Airport. Any material shift in traffic to competing airports could adversely affect the earnings profile. Nevertheless, CIAL is well

positioned in terms of cost competitiveness (least burden on passengers despite levy of UDF w.e.f. April 2022), advantageous geographical location with close proximity to major tourist destinations and Cochin being the major business hub in Kerala.

Further, unlike the other private airports, which are either governed by the Operations, Maintenance and Development Agreement (OMDA) or concession agreement (CA), there is no concession awarded by the Government of India (GoI) in the case of CIAL. In absence of a CA, the rights, obligations, and the concession period are not defined for CIAL. Additionally, the GoI is not bound by any non-compete/right of first refusal clauses, should there be any proposal to develop new international airports in the region. Nonetheless, the long operational track record, competitive tariff at CIAL and presence of Kerala Government as major shareholder mitigates risk related to new Greenfield airport to an extent.

The Stable outlook on the rating reflects ICRA's opinion that CIAL's credit profile remains strong supported by healthy passenger growth, aided by its competitive position and Cochin's location advantage, comfortable capital structure and strong debt coverage metrics.

Key rating drivers and their description

Credit strengths

Long operational track record – The company had started commercial operations from June 1999 and has a long operational track record of over two decades. Following the Covid-19 pandemic led under-recovery of Rs. 286 crore in CP2, and the proposed capex programme, AERA approved levy of UDF of Rs. 180 and Rs. 400 for domestic and international passengers, respectively, in FY2023. The same was further increased to Rs. 270 and Rs. 570 for domestic and international passengers, respectively, in FY2025 which is expected to support the growth in aeronautical revenues. The rating is also supported by the favourable passenger mix of CIAL with international passengers accounting for 47% of total passengers over the past three years resulting in higher aero and non-aero revenue per passenger and thereby supporting its profitability metrics. However, the company remains exposed to asset concentration risk and the variations in passenger traffic resulting from economic cycles and externalities including weather/floods/epidemics, which could lead to a temporary decline in traffic. Nevertheless, this is offset by true-up framework, wherein the shortfall in returns in any given control period are recovered in the subsequent regulatory period, albeit with a lag.

Healthy revenue growth and profitability levels – The sustained growth in passenger traffic along with improvement in both aeronautical and non-aeronautical revenues is expected to result in healthy revenue growth over the medium term. The consolidated revenues increased by 23% to Rs. 1,158 crore in FY2024 from Rs. 940 crore in FY2023 and is expected to increase by around 10% in FY2025 due to increase in aeronautical tariffs, growth in overall passenger traffic and non-aeronautical revenues. The aeronautical revenues have improved by 30% to Rs. 638 crore in FY2024 from Rs. 493 crore in FY2023 on the back of levy of UDF, increase in tariffs and 18% growth in passenger traffic. The aeronautical revenues are further expected to increase by around 11% in FY2025, on the back of 8-9% growth in passenger traffic and increase in tariffs. The non-aeronautical revenues (including duty-free income) have improved by 17% in FY2024 and the same is expected to increase further by around 10% in FY2025. Further, the profitability also improved to 62.4% in FY2024 from 59.9% in FY2023, on account of higher operating income amid increase in tariffs and passenger traffic, and lower operating expenses with majority of the expenses being fixed in nature, and the same is expected to sustain in the medium term.

Strong debt coverage metrics – The capital structure and coverage metrics remains robust, with gearing of 0.25 times as of March 31, 2024. With expected improvement in earnings and limited debt funded capex, the gearing is expected to remain modest in the medium term. The DSCR is likely to be robust at around 3.5 times in FY2025 owing to healthy profits and is expected to remain strong at similar levels during the debt tenure. Low leverage and healthy profitability margins are likely to result in strong debt coverage metrics. Further, the liquidity position is strong with cash balances of Rs. 902 crore as on December 31, 2024 and is expected to remain strong supported by healthy cash flow from operations and moderate repayments. These balances have been deployed in mutual funds and fixed deposits of various banks and financial institutions, as part of the treasury operations. Nevertheless, sizable cash outflow in the form of dividends or incremental treasury

investments in weaker credits or loans and advances to group companies adversely impacting its liquidity position will be credit negative.

Credit challenges

Exposed to competition from other international airports in the vicinity – CIAL has four international airports situated within 300 km radius from CIAL, viz. Trivandrum International Airport, Calicut International Airport, Coimbatore International Airport and Kannur International Airport. Any material shift in traffic to competing airports could adversely affect the earnings profile. Nevertheless, CIAL is well positioned in terms of cost competitiveness (least burden on passengers despite levy of UDF w.e.f. April 2022), advantageous geographical location with close proximity to major tourist destinations and Cochin being the major business hub in Kerala.

Lack of concession agreement – Unlike the other private airports, which are either governed by the Operations, Maintenance and Development Agreement (OMDA) or concession agreement (CA), there is no concession awarded by the Government of India (GoI) in the case of CIAL. In absence of a CA, the rights, obligations, and the concession period are not defined for CIAL. Additionally, the GoI is not bound by any non-compete/right of first refusal clauses, should there be any proposal to develop new international airports in the region. Nonetheless, the long operational track record, competitive tariff at CIAL and presence of Kerala Government as major shareholder provides comfort.

Sizeable capex plans; risk of disallowance of capex – CIAL is currently undertaking expansion of T3 terminal (apron and pier), modifications of cargo complex, revamping of IT systems and scanning equipment, flood control measures, construction of commercial complex and golf course development among others. The estimated capital expenditure over the next two years (FY2025-FY2026) is likely to be around Rs. 1,000 – 1,200 crore and is proposed to be funded through the existing cash balances, internal accruals and debt (if required). While CIAL is yet to tie-up debt for the same, the company is adequately placed to fund the capex. CIAL's ability to execute the sizeable capex programme within the budgeted costs and timelines would be a key rating monitorable. AERA has considered capex of Rs. 1,754 crore (aero capex of Rs. 1,275 crore) in CP3 tariff order. However, the actual capex is likely to be higher on account of design changes and escalations and any major disallowance of capex for the determination of tariff will be a credit negative. Nevertheless, CIAL has completed the fresh Airport User consultative committee (AUCC) consultation process for the increase in terminal 3 expansion costs and the same has been approved by the regulator, Airports Economic Regulatory Authority (AERA). This mitigates the risk of disallowance of capex to an extent.

Liquidity position: Strong

The company's liquidity position is strong, with unencumbered cash of around Rs. 902 crore as of December 31, 2024 and undrawn overdraft facility of Rs. 30 crore. It has debt repayment obligation of Rs. 122.4 crore in FY2025 and Rs. 122.5 crore in FY2026, which can be comfortably met through its estimated cash flow from operations. The estimated capex over the next two years (FY2025-FY2026) is likely to be around Rs. 1,000 – 1,200 crore and the company is comfortably placed to fund the same through existing cash balances, internal accruals and debt (only if required).

Rating sensitivities

Positive factors – ICRA may upgrade CIAL's rating if there is a significant growth in passenger traffic along with improved diversification in international destinations, non-aero revenues and profitability resulting in improvement in debt coverage metrics while maintaining the strong liquidity position on a sustained basis.

Negative factors – Pressure on CIAL's rating could arise if the growth in traffic and/or non-aero revenues are lower than ICRA's base case assumptions, adversely impacting the cash flows. The rating may be downgraded if there is a material loss of market share to competing airports in the region, on a sustained basis. Further, disallowance of capex for tariff determination and/or larger-than-anticipated debt-funded capex or incremental treasury investments in weaker credits, or incremental loans and advances to group companies adversely impacting the liquidity position would also put pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Airports
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of CIAL. As on March 31, 2024, the company had four subsidiaries, which are enlisted in Annexure II

About the company

Cochin International Airport Limited (CIAL) was the first airport in India to be built under Public Private Partnership (PPP), with equity participation from the airport users as well as the public, Non-Resident Indians (NRIs), Government of Kerala (GoK) and the airport service providers. Chief Minister (CM) of Kerala is the chairman of the company. CIAL was incorporated on March 30, 1994 as a public limited company. The construction work commenced in August 1994, and it commenced commercial operations in June 1999 (T1). CIAL constructed new international terminal (T3) with 12 million passenger capacity per annum which was inaugurated in March 2017. Government of Kerala (GoK) is the major shareholder in CIAL with 33.38% stake as of March 2024.

Key financial indicators (audited)

CIAL (consolidated)	FY2023	FY2024
Operating income	939.6	1,158.4
PAT	292.7	447.8
OPBDIT/OI	59.9%	62.4%
PAT/OI	31.2%	38.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	1.2	0.8
Interest coverage (times)	12.6	14.2

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

Current (FY2025)			Chronology of rating history for the past 3 years						
			FY2024		FY2023		FY2022		
Instrument	Type	Amount rated (Rs. crore)	Feb 19, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long Term	639.69	[ICRA]AA (Stable)	Nov 15, 2023	[ICRA]AA- (Stable)	Oct 10, 2022	[ICRA]A+ (Positive)	Sep 07, 2021	[ICRA]A+ (Stable)
Fund-based – Working capital limit	Long Term	185.00	[ICRA]AA (Stable)	Nov 15, 2023	[ICRA]AA- (Stable)	Oct 10, 2022	[ICRA]A+ (Positive)	Sep 07, 2021	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based – Term loan	Simple
Fund-based – Working capital limit	Simple

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	Long-term – Fund-based – Term loan	March 2015	7.80%	March 2032	639.69	[ICRA]AA (Stable)
NA	Long-term – Fund-based – Working capital limit	-	7.70%	-	185.00	[ICRA]AA (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

Company name	ownership	Consolidation approach
Cochin International Aviation Services Limited	99.99%	Full Consolidation
Air Kerala International Services Limited	99.99%	Full Consolidation
CIAL Infrastructures Limited	99.99%	Full Consolidation
CIAL Duty free and Retail Services Limited	99.90%	Full Consolidation

Source: CIAL

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