

February 24, 2025

CIAL Infrastructures Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Term loan	185.00	185.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund-based - Working capital limit	5.00	5.00	[ICRA]A+ (Stable); reaffirmed
Total	190.00	190.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for CIAL Infrastructures Limited (CIL) factors in the presence of long-term power purchase agreements (PPAs) for the 39-MW solar capacity located in the airport premises with the parent, Cochin International Airport Limited (CIAL, rated at [ICRA]AA (Stable)), at a healthy tariff of Rs. 6.80/unit and healthy debt coverage metrics. Further, more than 70% of CIL's operational capacity is tied-up with CIAL and timely receipt of payments is expected to support its credit profile. The rating considers the healthy financial flexibility associated with a strong promoter profile and ICRA's expectations that CIAL would be willing to extend financial support to CIL, given the high strategic importance that CIL holds for CIAL for meeting the latter's diversification objectives.

CIL had signed an interim PPA with KSEBL for the Arippara Small Hydro Electric Plant (SHEP) of 4.5 MW at a tariff of Rs. 4.30/unit in May 2023 for a tenure of 23 years. However, the interim PPA tariff is lower compared to Kerala State Electricity Regulatory Commission's (KSERC) generic tariff regulations 2020 for SHEP with capacity of less than 5 MW at Rs. 5.53/unit. Hence, the order has been challenged by CIL at Appellate Tribunal for Electricity, Delhi and the issue is pending for disposal at the tribunal. Further, the company is in the process of submitting a revised petition with KSERC appealing for higher tariff for Arippara SHEP, on account of lower capacity utilisation factor (CUF) and higher power evacuation expenses.

The rating is, however, constrained by the vulnerability of cash flows to variations in solar irradiation levels and hydrological risks. In the event of non-generation of power due to variations in solar irradiation levels, the company's cash inflows may be affected. Moreover, the cash flows from the hydro project remain exposed to hydrological risks, given that it is not covered under any deemed generation clause in case of drop in generation due to shortage of water, as the company's revenues are linked to actual unit sales. The company is exposed to variations in interest rates, given the floating nature of the interest rates on term loans.

The Stable outlook on the rating reflects ICRA's opinion that the rated entity will benefit from its long-tenor PPAs for 39-MW solar capacity and 4.5-MW Arippara SHEP and timely receipt of payments from its strong offtaker, CIAL.

Key rating drivers and their description

Credit strengths

Long-term PPAs that cover full debt tenure – The company has long-term PPAs for 39-MW solar capacity with CIAL and 4.5-MW Arippara SHEP with KSEBL, covering full tenure of the debt for 100% of the capacity installed inside the airport premises and SHEP respectively. CIL is supplying the entire power requirement of CIAL from the 39-MW solar plant operational inside the airport premises for the past five years. The offtake risk is low as only surplus generation is sold to KSEBL. Till FY2020, the entire power generated from the 39-MW solar plant was sold to CIAL. However, in FY2021 and FY2022, around 18% of power was sold to KSEBL, on account of airport operations being hit by the pandemic. Nevertheless, operations at CIAL improved in

FY2023 and only around 9% power was sold to KSEBL, while the entire power generated from the 39-MW solar plant was sold to CIAL between FY2024 and 9M FY2025. Further, the timely receipt of payments has been supporting CIL's liquidity position.

Strong financial profile – CIL's financial profile is strong, characterised by robust cash accruals, and healthy debt coverage indicators. The operating margins are healthy at 80.5%, with debt service coverage ratio (DSCR) of 2.4 times and interest coverage ratio of 5.5 times in FY2024. Further, the cumulative DSCR is strong at more than 2 times during the debt tenure. At present, revenue from CIAL contributes to around 75% of CIL's revenue and the same is likely to increase going forward with the signing of long-term PPA for Payyannur plant with CIAL.

Strong parent profile – CIL is a wholly-owned subsidiary of CIAL and the rating factors in ICRA's expectations that CIAL would be willing to extend financial support to CIL, should there be a need, given the high strategic importance that CIL holds for CIAL for meeting the latter's diversification objectives.

Credit challenges

Lack of long-term PPA for Payyannur solar plant; relatively weaker counterparty for capacities outside airport premises – While 100% of the capacities at the airport premises (39 MW) and Arippara SHEP (4.5 MW) have long-term PPAs, the Payyannur solar plant (11.6 MW), lacks a long-term PPA. CIL had signed a short-term PPA with KSEBL for the Payyannur plant for a period of two years ending March 31, 2025 at a tariff of Rs. 2.37/unit. Further, the company filed a petition for supply of power from Payyannur solar plant to CIAL and the same is expected to be approved by March 2025. CIL is also likely to sign a long-term PPA with CIAL for the Payyannur solar plant starting from FY2026, at a higher tariff resulting in further improvement in the coverage metrics. The signing of long-term PPA for the Payyannur solar project remains a key rating monitorable from the credit perspective.

Additionally, the PPAs for the capacities outside the airport premises are signed with KSEBL, which is a weaker counterparty compared to CIAL. However, payments from KSEBL are received in a timely manner with an average delay of around 32 days over the past 1.5 years. Hence, CIL's ability to realise the payments from KSEBL without material delays remains important from the liquidity perspective.

Vulnerability of cash flows to variations in solar irradiance and hydrological risks – In the event of non-generation of power due to variations in solar irradiation levels, the company's cash inflows may be affected. Further, the cash flows from the newly operational hydro power project remain exposed to hydrological risks, given that it is not covered under any deemed generation clause in case of drop in generation due to shortage of water, as the company's revenues are linked to actual unit sales. However, the generation from the plants is in line with ICRA's estimates and the coverage metrics are comfortable. Further, the O&M risk for the company is largely mitigated on account of fixed-price contracts covering penalties for non-generation below guaranteed units.

Interest rate risk – The company is exposed to variations in interest rates, given the floating nature of interest rates of term loans and fixed tariff for the power sold.

Liquidity position: Adequate

The company's liquidity position is adequate, with unencumbered cash and liquid balances of Rs. 39.4 crore as on September 30, 2024 respectively. It has repayment obligations of Rs. 7.7 crore in FY2025 and Rs. 8.2 crore in FY2026, which can be comfortably serviced through estimated cash flow from operations and the available liquidity. The company is likely to incur capex of around Rs. 20-25 crore over the next two years, which is likely to be funded entirely through the available cash balances and internal cash accruals.

Rating sensitivities

Positive factors – The rating could be upgraded if the company ties up long-term PPA for the Payyannur solar plant while maintaining healthy coverage metrics along with timely receipt of payments from the counterparties.

Negative factors – Pressure on CIL’s rating could arise if there is any significant under-performance of operational projects, or significant debt-funded capex, leading to cumulative DSCR over loan tenure falling below 1.4 times on a sustained basis. Also, any significant deterioration in the credit profile or weakening in linkages, with the sponsor, CIAL will be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power – Solar
Parent/Group support	Parent Company: Cochin International Airport Limited The rating factors in ICRA’s expectation that CIAL would be willing to extend financial support to CIL, should there be a need, given the high strategic importance that CIL holds for CIAL for meeting the latter’s diversification objectives. Both CIL and CIAL also share a common name, which in ICRA’s opinion would persuade CIAL to provide financial support to CIL to protect its reputation from the consequences of a group entity’s distress.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of CIAL Infrastructures Ltd

About the company

CIAL Infrastructures Limited (CIL) was incorporated in 2012 as a subsidiary of Cochin International Airport Limited (CIAL) to consider opportunities in the power and other infrastructure sectors. CIL is a wholly-owned subsidiary of CIAL (rated at [ICRA]A+ (Positive)). CIAL has commissioned 39-MW solar power plant at the Cochin airport premises, thereby enabling CIAL to achieve the status of a fully solar powered airport. The plant generates adequate power to meet the energy requirements of the airport. In FY2022, CIL completed the construction of two projects outside airport premises — a 11.6-MWp solar power plant at Payyannur, Kerala and a 4.5-MW SHEP, at Arippara, Kerala, and the same have been operational from Q3 FY2022.

Key financial indicators (audited)

CIL (Standalone)	FY2023	FY2024
Operating income	42.3	41.1
PAT	10.3	10.9
OPBDIT/OI	81.9%	80.5%
PAT/OI	24.3%	26.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	2.3	2.2
Interest coverage (times)	5.9	5.5

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	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated	Feb 24, 2025	FY2024		FY2023		FY2022	
		(Rs. crore)		Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loans	Long-term	185.00	[ICRA]A+ (Stable)	Nov 15, 2023	[ICRA]A+ (Stable)	Oct 14, 2022	[ICRA]A (Stable)	Sep 16, 2021	[ICRA]A (Stable)
Fund-based- Working capital	Long-term	5.00	[ICRA]A+ (Stable)	Nov 15, 2023	[ICRA]A+ (Stable)	Oct 14, 2022	[ICRA]A (Stable)	Sep 16, 2021	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based – Term loans	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	Fund-based - Term loan 1	February 2020	7.80%	January 2032	150.00	[ICRA]A+ (Stable)
NA	Fund-based - Term loan 2	March 2018	7.80%	February 2030	35.00	[ICRA]A+ (Stable)
NA	Fund-based – Working capital limit	-	7.70%	-	5.00	[ICRA]A+ (Stable)

Source: CIL

[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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