

Press Release

Ligare Aviation Limited (LAL)

20 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.408.33 Cr
Long Term Rating	SMERA BB-/Outlook Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 408.33 crore bank facilities of Ligare Aviation Limited. The outlook is '**Stable**'.

Ligare Aviation Limited (LAL) incorporated in 1996 provides non-scheduled charter services. The erstwhile Religare Aviation Limited was changed to LAL in 2012. The company is a step-down subsidiary of RHC Holdings Private Limited (RHC) and a 100% subsidiary of Ligare Voyages Limited (LAL). LAL has a fleet of 11 aircrafts which includes three jets, two helicopters and six turboprops. Four turboprops are owned by the company (on its own books) and the rest are on operating lease of 10 years.

List of key rating drivers and their detailed description

Strengths:

Experienced management & strong parentage: LAL's credit risk profile is supported by its strong parentage. It is a step-down subsidiary of RHC Holdings Private Limited (RHC). RHC is a Non-Banking Finance Company (NBFC), promoted by Mr. Malvinder Singh and Mr. Shivinder Singh and has substantial holding and investments in Religare Enterprises, SRL Diagnostics, Fortis Healthcare among several others. SMERA believes that LAL will continue to receive ongoing support from RHC - as evident from the past. Going forward, SMERA expects LAL to refinance its debt obligations from both financial institutions and capital markets. This is on account of the stated posture of support from RHC. RHC's cashflows are expected to remain contingent on its ability to monetise its assets and refinance its short term debt in a timely manner. SMERA expects LAL to continue to receive financial, business and managerial support from its promoter group. Timely support from RHC shall continue to remain a key credit monitorable.

Weaknesses:

Weak financial risk profile of subsidiaries: LAL reported operating losses of Rs. 46.36 crore in FY2016-17 (provisional) as compared to Rs. 126.39 crore in FY2015-16 on account of high operating leverage as a result of lease rentals and high employee cost. The networth was also negative as on 31 March, 2017 (Provisional) at (192.04) crore on 31st March, 2016 compared to Rs. (75.79) crore on 31 March, 2016. The company remained dependent on timely infusion of funds by RHC to service its debt obligations in a timely manner. SMERA expects its profitability metrics to remain subdued over the medium term. The ability to improve operating efficiency shall also remain a key credit monitorable.

Exposure to refinancing risk in its group entities: LAL is expected to remain dependent on the refinancing of its debt obligations over the medium term. Deterioration in the credit profile of RHC holdings or headwinds faced in refinancing its long term and short term debt can adversely impact LAL's debt servicing abilities.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>
- Group and Parent Support - <https://www.smerra.in/criteria-group.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that LAL will maintain a stable outlook over the medium on account of continued support from RHC and experienced management. The outlook may be revised to 'Positive' in case of substantial improvement in the credit risk profile of RHC and/or marked improvement in the business and financial risk profile of LAL. Conversely, the outlook may be revised to 'Negative' in case of events affecting LAL's ability to refinance its existing debt obligations or delays in infusion of funds by RHC.

About the Rated Entity

The company reported net loss of Rs.187.28 crore on operating income of Rs.22.73 crore in FY2015-16, compared to net loss of Rs.126.37 crore on operating income of Rs.75.35 crore in FY2014-15. The net worth stood negative at Rs.75.79 crore as on 31 March, 2016 as against positive networth of Rs.47.24 crore as on 31 March, 2015. Further, for FY2016-17 (Provisional) LAL reported net loss of Rs. 116.30 crore on an operating income of Rs. 25.42 crore.

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

Any other information: The International Court of Arbitration, Singapore has recently awarded damages of Rs. 3500 crore to Daiichi Sankyo in the proceedings over the sale of Ranbaxy Laboratories Limited (RLL) by RHC and others. RHC has contested the award in the Indian Courts and the matter is subjudice. Any adverse outcome will have a significant impact on the credit profile of RHC and potentially its ability to support its group companies. The credit profile of RHC and changes in the same shall be key monitorables.

SMERA also takes note of the uncertainty regarding RHC's decision on continuing in the NBFC sector.

Rating History for the last three years: Not Applicable

***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 I	Not Applicable	Not Applicable	March, 2022	150.00	SMERA BB- /Stable
Term Loan II	Not Applicable	Not Applicable	August, 2023	69.44	SMERA BB- /Stable
Term Loan III	Not Applicable	Not Applicable	December, 2017	75.00	SMERA BB- /Stable
Term Loan IV	Not Applicable	Not Applicable	Not Applicable	14.99	SMERA BB- /Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- /Stable
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A4
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	53.90	SMERA BB- /Stable

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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