Press Release

Mumbai Aviation Fuel Farm Facility Private Limited

November 16, 2022

Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	113.62	ACUITE AA- | Stable | Reaffirmed	-
Bank Loan Ratings	202.88	ACUITE AA- | Reaffirmed & Withdrawn	-
Bank Loan Ratings	50.00	-	ACUITE A1+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	163.62	-	-
Total Withdrawn Quantum (Rs. Cr)	202.88	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of **'ACUITE AA-' (read as ACUITE double A minus)** and short term rating of **'ACUITE A1+' (read as ACUITE A one plus)** on the Rs.163.62 Cr bank facilities of Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL). The outlook remains **'Stable'**.

Further, Acuité has reaffirmed & withdrawn its long term rating of **'ACUITE AA-' (read as ACUITE double A minus)** on the Rs. 202.88 Cr bank facilities of MAFFFL.
The rating is being withdrawn on account of request received from the issuer on Acuite's policy of withdrawal of ratings.

Rationale for rating

The rating reaffirmation considers the comfort derived from the strong promoters and its significant competitive advantage in the airport fuel storage and supply business. The company also has comfortable credit metrics and an adequate liquidity position. With the relaxation in Covid restrictions, the revenues of the company has improved to Rs 62.95 Cr in FY 2022 as against Rs 48.82 Cr in FY 2021. However, MAFFFL has limited pricing flexibility as tariffs are regulated by Airport Economic Regulatory Authority (AERA).

About the Company

Mumbai based MAFFFL was incorporated in 2010, is a Joint Venture Company (JVC) between Mumbai International Airport Limited (MIAL), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL). MIAL, the airport operator, had granted license to MAFFFL for developing an integrated fuel farm facility project at Chhatrapati Shivaji Maharaj International Airport (CSIA), Mumbai. The company has developed and continues to operate as well as maintain the integrated fuel farm facility on open access basis at Santacruz. The fuel storage capacity is 47,500 KL. The infrastructure charge levied by MAFFFL for use of the facility is subject to regulation by the

Airport Economic Regulatory Authority (AERA).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MAFFFL to arrive at the rating.

Key Rating Drivers

Strengths

Strong Promoters

MAFFFL continues to have a strong promoter profile with Mumbai International Airport Limited (MIAL), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) holding a 25% stake each. IOCL, HPCL and BPCL are the dominant oil refining and marketing companies in India with strong government ownership and high financial flexibility. Moreover, these companies are the key customers of the fuel facility at the Mumbai airport and in turn, supply ATF to the airline companies. In addition, MIAL's status as an airport operator and its shareholding in MAFFFL mitigates operational risks for the company. The promoters have provided consistent support to MAFFFL through equity infusion amounting to Rs. 18.52 Cr in FY2022, Rs. 25.60 Cr in FY2019 and Rs.14.48 Cr in FY2018. Acuite expects such support from the promoters group to continue over the medium term.

Significant competitive advantage

The concession agreement with MIAL grants exclusive rights to MAFFFL to develop and maintain the aviation fuel facilities at the CSIA at Mumbai. This arrangement makes MAFFFL the sole fuel service provider at the airport and provides a strong competitive advantage.

The tariff charged by MAFFFL for its fuel infrastructure and into-plane service charges are regulated and determined by AERA on a multi-year basis. This lends stability to MAFFFL's profitability. The fuel infrastructure charges are the major source of income generation for the company and is determined by AERA on the basis of the price cap approach. Under the approach, the aggregate revenue requirement is a build-up of the fair rate of return on the regulatory asset base, operation and maintenance expenditure, depreciation and taxation. Currently, AERA has revised the fuel infrastructure charge (FIC) to Rs.890/KL (kilo litre) effective from April 2022 from Rs 810/KL from September 2021 to March 2022 and earlier to this, FIC was Rs 750/KL, highlighting the steady rise in realizations. The control period is for five years. However, revenues other than aeronautical services are deducted while arriving at the aggregate revenue requirement. In case the actual expenditure incurred by MAFFFL is higher or lower than estimated expenditure, the fuel infrastructure charges are trued up/down accordingly.

Further, the company has granted sub-concessions to two Into Plane (ITP) service providers namely Bharat Star Services Pvt. Ltd. (BSSPL) and Indian Oil Skytanking Pvt. Ltd. (IOSL), at CSIA, Mumbai. ITP services started in January 2015. As per the agreements, MAFFFL receives a share of the gross revenue from into-plane operations and of its gross revenue share, it has to share a portion with MIAL.

Recovery in scale of operations with comfortable credit protection metrics

The revenue of the company has improved to Rs 62.95 Cr as on FY 2022 as against Rs 48.82 Cr as on FY 2021. Further, the revenue has also improved in HY1FY 2023 with the relaxation of Covid restrictions and higher air traffic. The company has achieved a revenue of Rs 49.26 Cr till Sep-22. In terms of volumes, the company has recorded 6.2 lacs KL till Oct-22 as compared to 3.6 lacs KL during the same period in previous year.

MAFFFL has comfortable credit metrics marked by low gearing and healthy debt coverage metrics. The tangible net worth of the company has increased to Rs 376.87 Cr in FY 2022 as against Rs 348.93 Cr in FY 2021. The increase in networth is majorly due to additional shares issued by the company of Rs 18.52 Cr in FY 2022. The gearing ratio stood comfortable at 0.33 times as on 31 March, 2022 as against 0.36 times as on 31 March, 2021; debt service coverage ratio (DSCR) stood at 1.29 times in FY2022 as compared to 1.30 times in FY2021. The debt coverage ratios remained moderate due to contraction in its revenues and profits, given the lockdown induced limited aircraft traffic in FY2021 and FY 2022 along with debt addition due to the ongoing capex. However, going forward financial risk profile is expected to remain healthy with no further debt-funded capex plan and the expected improvement in revenues.

Weaknesses

Regulatory risks associated with the pricing mechanism

The tariffs levied by the company for the use of their storage facilities are subject to regulations which are governed by AERA (Airports Economic Regulatory Authority of India) through a five-year control period and yearly modifications thereof on the basis of throughput volume. As a result, the tariff rates are also subject to revisions (upward/downward) if the actual costs incurred varies than the estimated costs. The revenue requirements are fulfilled through the price modifications by AERA based on volumes. A higher-than-expected volume is likely to attract a lower tariff and vice versa, thereby precluding any significant increase in the profitability levels. The tariff rates are likely to continue to remain a key rating sensitivity factor as any downward revision in rates by the regulatory body could impact MAFFFL's operations.

Rating Sensitivities

- Significant decline in operating performance leading to stretched liquidity
- Any material downward revision in tariff by AERA

Material covenants

No major covenants apart from financial covenants.

Liquidity Position: Adequate

MAFFFL's liquidity remains adequate, marked by healthy net cash accruals as against its maturing debt obligations. The company generated cash accruals in the range of Rs.34.8-27.8 Cr during the last two years through 2021-22, while its maturing debt obligations were in the range of Rs.20.6-26.3 Cr over the same period. The company is expected to deliver healthy net cash accruals in the range of Rs 54-60 Cr over the medium term against the maturing debt obligation of Rs 32-33 Cr during the same tenure.

Outlook: Stable

Acuité believes that MAFFFL will maintain a 'stable' outlook in the medium term on the back of the support from its strong promoters. The outlook may be revised to 'Positive' in case of significant and sustainable growth in revenue while maintaining operating margins. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in net cash accruals and revenues or a significant downward revision in the existing tariff mechanism.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	62.95	48.82
PAT	Rs. Cr.	9.58	1.56
PAT Margin	(%)	15.21	3.20
Total Debt/Tangible Net Worth	Times	0.33	0.36
PBDIT/Interest	Times	11.58	10.54

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

None

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
• 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, Acuité 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Sep 2021	Term Loan	Long Term	216.50	ACUITE AA- | Stable (Reaffirmed)
	Bank Guarantee	Short Term	49.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	101.00	ACUITE AA- | Stable (Assigned)
02 Jul 2020	Proposed Term Loan	Long Term	101.00	ACUITE AA- | Stable (Assigned)
	Term Loan	Long Term	216.50	ACUITE AA- | Stable (Assigned)
	Bank Guarantee	Short Term	49.00	ACUITE A1+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1+ | Reaffirmed
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE AA- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	57.07	ACUITE AA- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	46.55	ACUITE AA- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	202.88	ACUITE AA- | Reaffirmed & Withdrawn

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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.