Press Release

MUMBAI AVIATION FUEL FARM FACILITY PRIVATE LIMITED

July 07, 2023

Rating Reaffirmed

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

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 is revised from 'Stable' to 'Positive'.

Rationale for outlook change

The change in outlook considers that the company has prepaid Rs. 45 Cr. in FY23 and Q1FY24 resulting into lower debt and better leverage position further the company is targeting to pay entire debt by FY24. With the recovery in the aviation sector the demand for aviation fuels also recovered, hence the revenues of the company has improved to Rs 110.47 Cr in FY 2023 i.e. almost close to pre-Covid levels. Acuite expects continuation of the robust operating environment and elevated demand levels over the medium terms.

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). The company is currently managed Mr. Jagdish Gupta, Mr. Sanjay Sahay, Mr. Abhishek
Chhajer, Mr. Srinivas Kanuru, Mr. Manoj Heda, Pankaj Agrawal, Mr. Thotapalayam Vedanarayanan Pandiyan and Mr. Krushna Mahapatra. MIAL, the airport operator, has granted License to MAFFFL for developing an integrated fuel farm facility project at Chhatrapati Shivaji Maharaj International Airport (CSIA), Mumbai. The company operate & maintain the new Integrated Fuel farm Facility on Open access basis. The fuel storage capacity is 47500 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. 910/KL (kilo litre) lately from Rs. 890/KL 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 110.47 Cr as on FY 2023 as against Rs. 62.95 Cr as on FY 2022 due to relaxation of Covid restrictions and recovery in air traffic. The company has recorded 12.12 lac KL in FY23 as compared to 7.47 KL in FY2022. 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 408.90 Cr in FY 2023 as against Rs 376.87 Cr in FY 2022. The increase in networth is majorly due to accretion of profit to reserves. The gearing ratio stood comfortable at 0.16 times as on 31 March, 2023 as against 0.33 times as on 31 March, 2022; debt service coverage ratio (DSCR) stood at 1.78 times in FY2023 as compared to 1.29 times in FY2022. The debt coverage ratios improved on account of better revenues in FY2023 and prepayment of debt in FY23. Going forward financial risk profile is expected to remain healthy with no further debt-funded capex plan and the prepayments planned to make the company debt free in FY24.

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

Strong

MAFFFL's liquidity is strong, marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 70.89 crore in FY23, while its maturing debt obligations is 33.27 crore over the same period. Further, the company is expected to generate sufficient net cash accruals in the range of Rs 72.21-91.87 Cr over the medium term against the maturing debt obligation of Rs 36.13 Cr during the same tenure.

Outlook: Positive

Acuité believes that MAFFFL will continue to benefit from the recovery of aviation sector, support from its strong promoters and will maintain its growth and hence the outlook is revised to 'Positive'. The rating can be upgraded in case the company shows sustained growth in revenue alongwith improved profitability margin and achieves it's target of becoming a debt free company. Conversely, the outlook can be revised to stable in case of a sharp decline in net cash accruals and revenues and/or profitability or a significant revision in the existing tariff determination mechanism which leads to reduction in the stability of profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	110.47	62.95
PAT	Rs. Cr.	32.02	9.58
PAT Margin	(%)	28.99	15.21
Total Debt/Tangible Net Worth	Times	0.16	0.33
PBDIT/Interest	Times	5.88	11.58

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 t o 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
16 Nov 2022	Term Loan	Long Term	57.07	ACUITE AA- | Stable (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	202.88	ACUITE AA- (Withdrawn)
	Term Loan	Long Term	46.55	ACUITE AA- | Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE AA- | Stable (Reaffirmed)

14 Sep 2021	Bank Guarantee	Short Term	49.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	101.00	ACUITE AA- | Stable (Assigned)
	Term Loan	Long Term	216.50	ACUITE AA- | Stable (Reaffirmed)
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.)	Ra
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	AC A Rea
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	AC A Posi Rea | Sta Po
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	57.07	AC A Posi Rea | Sta Po
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	46.55	AC A Posi Rea | Sta Po

Contacts

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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.