Press Release

MUMBAI AVIATION FUEL FARM FACILITY PRIVATE LIMITED
October 03, 2024
Rating Reaffirmed,Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE AA | Stable | Upgraded | Positive to Stable	-
Bank Loan Ratings	103.62	Not Applicable | Withdrawn	-
Bank Loan Ratings	50.00	-	ACUITE A1+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	103.62	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE AA' (read as ACUITE double A)**from **'ACUITE AA-' (read as ACUITE double A minus)**and reaffirmed its short-term rating to **'ACUITE A1+' (read as ACUITE A one plus)** on the Rs.60.00 Cr. bank facilities of Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL). The outlook is revised from **'Positive' to 'Stable'**.

Further, Acuité has withdrawn its long-term rating on the bank loan facilities of Rs. 103.62 Cr. of Mumbai Aviation Fuel Farm Facility Private Limited (MAFFFL) without assigning any rating as the instrument is fully repaid. The rating is being withdrawn on account of the request received from the company, No Due Certificate received from the banker. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating as applicable to the respective facility / instrument.

Rationale for rating upgrade
The rating upgrade reflects the improvement in scale of the company's operation, profitability and strong financial risk profile, efficient working capital operations and significant competitive advantage. The EBITDA Margins of the company stood at 85.87% in FY24 against 76.50% in FY23 and the PAT Margins of the company stood at 41.87% in FY24 against 28.98% in FY23. The rating further takes support from strong parentage of the company. Also, the capital structure of the Company is comfortable, as the company become debt free from FY24. Furthermore, the working capital cycle of the company is efficient as reflected from GCA of 3 days as on March 31, 2024.

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).

Unsupported Rating
Not Applicable

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.

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) 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. Into- Plane (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.

Improvement in Scale of operations

The revenues has increased in FY2024 and stood at Rs. 151.44 Cr. as compared to Rs. 110.47 crore in FY2023. The company reported increase in revenues by 37.29 per cent in FY2024 as compared to FY23, because in the growth in the aviation sector. The operating margins improved to 85.87% in FY2024 from 76.50% in FY2023. The growth in EBITDA is mainly on account of better absorption of fixed cost due to higher throughput of 16.24 lakh KL in FY24 as compared to 12.12 Lakh KL in FY23. The PAT margin has improved, and stood at 41.87% in FY 2024 as against 28.98% in FY 2023.

Acuite believes that company may continue to report increase in scale of operations in near to medium term with stable operating margin and improvement in PAT margin on the account of reduction in the finance cost.

Strong Financial Risk Profile

MAFFFL has strong financial risk profile with strong net worth. The tangible net worth of the company has increased to Rs 430.13 Cr. in FY 2024 as against Rs 408.90 Cr. in FY 2023. The increase in networth is majorly due to accretion of profit to reserve. The leverage ratio became strong with increase in networth and absence of debt in the company. The company has fully repaid all of its obligations and become debt free in FY 2024. TOL/TNW of the company stood at 0.25 times in FY 2024 as against 0.40 times in FY 2023. The interest coverage ratio improved and stood at 15.65 times in FY 2024 as against 5.88 times in FY 2023 and debt service coverage ratio (DSCR) improved and stood at 2.48 times in FY2024 as compared to 1.78 times in FY2023. However, going forward financial risk profile is expected to remain healthy with no further debt-funded capex plan and improvement in revenues and profitability.

Efficient Working Capital operations

The working capital operations of the company is efficiently marked by GCA days which stood constant at 3 days as on 31st March 2024 against 10 days as on 31st March 2023. There is an improvement in the GCA days due to the debtor days of the company which stood at 1 days in FY24 against 3 days in FY23 and creditor days of the company stood at 12 days in FY24 against 139 days in FY23.

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

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. 102.29 crore in FY24, while its maturing debt obligations is Rs. 36.13 crore over the same period. Going forward, the company is expected to generate net cash accruals under the range of below ~Rs. 150 Cr. against the no debt repayment obligation in near to medium term. The company has cash & bank position of Rs. 0.23 Cr. The current ratio has been weak at 0.26 times in FY24. The company has made Rs. 23.87 Cr investment in liquid funds which is entirely unencumbered.
Acuite believes that liquidity position of MAFFFL will remain strong in near to medium term.

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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	151.44	110.47
PAT	Rs. Cr.	63.41	32.01
PAT Margin	(%)	41.87	28.98
Total Debt/Tangible Net Worth	Times	0.00	0.16
PBDIT/Interest	Times	15.65	5.88

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

Not Applicable

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
07 Jul 2023	Term Loan	Long Term	57.07	ACUITE AA- | Positive (Reaffirmed)
	Term Loan	Long Term	46.55	ACUITE AA- | Positive (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE AA- | Positive (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1+ (Reaffirmed)
16 Nov 2022	Term Loan	Long Term	202.88	ACUITE AA- (Reaffirmed & Withdrawn)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	57.07	ACUITE AA- | Stable (Reaffirmed)
	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 (BLR)	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A1+ | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1+ | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE AA | Stable | Upgraded | Positive to Stable (from ACUITE AA-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2023	57.07	Simple	Not Applicable|Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2023	46.55	Simple	Not Applicable|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.