



Press Release
Sapphire Airlines Private Limited
December 24, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) of the Rs.65.00 Cr. bank facilities of Sapphire Airlines Private Limited (SAPL). The outlook is '**Stable**'.

Rationale for rating

The rating reflects the strength of the Take or Pay Agreement (ToPA) which provides revenue certainty for SAPL for the life of the acquired asset. Under the key terms of ToPA the charterers (which includes JSW Group Companies) pay for minimum guaranteed hours, and exit of charterers requires a prior written consent from lender of SAPL. The rating also draws comfort from being part of the JSW Group which translates into robust financial flexibility for the company. Further, the rating draws comfort from the escrow mechanism. However, the rating remains constrained by the moderate earning profile.

About the Company

Mumbai based Sapphire Airlines Private Limited was incorporated in 2007. The company main line of business is to provide Aircraft Chartering Service. The directors of the company are Mr. Sadashiv Mahadeo Patil, Mr. Sreenivas Krishnan and Mr. Manoj Kumar Mohta. Sajjan Jindal Family Trust owns the Everbest Consultancy Services Private Limited, which is a 100% shareholder of the SAPL. Sapphire Airlines Private Limited (SAPL) has entered into a take or pay agreement with JSW Group companies namely, JSW Steel Limited, JSW Energy Limited, JSW Cement Limited and JSW Jaigarh Port Limited for providing chartering services of the helicopter as well as aircrafts for their business travel requirements.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of SAPL to arrive at the rating.

Key Rating Drivers

Strengths

Strength derived from Agreement with JSW Group

SAPL has entered into a Take or Pay Agreement with JSW Group companies for providing chartering services of the helicopter and aircraft for their business travel requirements for a period of 12 years with an option of extension for additional 3 years. The helicopter, AW169 is operational from April 2022. The company has also added two new aircrafts to its fleet namely, Challenger 3500 and Global 7500 in FY2025 and the company has entered into take or pay agreement for the aforesaid aircrafts. Further, the charterer under the term of the agreement are expected to pay for actual flight expenses and taxes as per the extant regulations, if any. In addition to the same, all the charterers in proportion to their usage will share overhauling /maintenance expenses. The risk for termination of agreement and the uncertainty on the revenue stream is mitigated partly under the terms of the

agreement. A termination notice by either party can only be sent post a written consent from the lender. Further, the company has received the interest bearing security deposit of Rs.30 Cr. for helicopter as well as Rs.816.57 Cr. for the two aircrafts from charterers. The company plans to purchase a new aircraft which is expected to be imported in FY2027. The company has received security deposit worth Rs.52.85 Cr. from JSW Group companies for the advance payment. Acuite notes that given the strong parentage of the company, the resource mobilization ability of the company remains robust. Acuite believes that company is likely to record a stable revenue in medium term with the assured minimum hours as per the agreement.

Strong Credit Profile of JSW Group

The counterparties to the agreement are JSW Group Listed Companies, wherein JSW Steel Ltd and JSW Energy Ltd are constituting more than 80% of minimum guaranteed income out of the total guaranteed annual income and remaining is contributed by JSW Cement Ltd and JSW Jaigarh Port Ltd. JSW Steel Ltd is among the leading manufacturer of diverse range of steel products with an export presence in over 100 countries and the operating income of the company on a standalone basis stood at Rs 1,35,180 Cr. in FY2024, PAT margins at 5.87 percent and net cash accruals at Rs 13,386 Cr. in FY2024. JSW Energy Ltd is India's leading private sector power producing with presence across power sectors including generation, power transmission, mining, power plant equipment manufacturing and power trading and the company has recorded an operating income of Rs.5,129.09 Cr. in FY2024, PAT margins at 17.80 percent and net cash accruals at Rs.1219.76 Cr. in FY2024. The remaining two companies JSW Cement Ltd and JSW Jaigarh Port Ltd have reported an operating income of Rs.5794.8 Cr. and Rs.1298.55 Cr. in FY2024.

Waterfall mechanism in ESCROW Account

SAPL has escrow mechanism through which cash flows from take or pay agreement are routed through the designated current account and charterers to provide confirmation for the deposit of all cash flows. The cash flows will be used for payment as per the defined payment waterfall. Only surplus cash flow after meeting operating and statutory expenses, overdue recovery (if any), schedule interest payments and principal repayments can be utilised as per borrower's discretion. Further, the undertaking has also been obtained by the banker that 51% shareholding and management control of SAPL directly or indirectly will remain with the JSW Group.

Weaknesses

Scale of operations

The operating income of SAPL stood at Rs.22.19 Cr. in FY24 as against Rs.21.12 Cr. in FY23. However, the EBITDA and PAT Margin declined and stood at 46.52% and (8.82%) respectively. The decrease is on an account of incremental operating expenses and high finance as well as depreciation costs. SAPL has clocked operating income of Rs.79.22 Cr. as on 30th November, 2024 and Going forward, the company is expecting increase in revenue and profitability from FY2025 on an account of addition of the new aircrafts to the fleet. Acuite notes that any significant increase in operating and fixed cost of the company is likely to impact the operating and profitability margins and will remain a key monitorable in near to medium term.

Rating Sensitivities

- Change in cost estimates
- Non-compliance or adverse revision in the terms of ToPA
- Any material changes in the credit profile of the charterers
- Any regulatory changes which materially impacts the operations of SAPL

Liquidity Position

Adequate

SAPL has an adequate liquidity as debt-tie up with Axis Finance of Rs.65.00 Cr. already in place which was disbursed in December 2021 upto Rs 63.46 Cr. In addition, the liquidity position is expected to support debt servicing in the near-to-medium term on account of presence of escrow accounts to ensure timely repayment. In addition, the company has also received interest bearing security deposit of approx. Rs.30 Cr. on helicopter as well as Rs.816.57 Cr. on the two aircrafts from JSW Group along with Rs.52.85 Cr. for the new aircraft expected in FY2027. Further, the net cash accruals of the company stood at Rs.2.33 Cr. in FY2024 with an average DSCR of 1.41 times.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	22.19	21.12
PAT	Rs. Cr.	(1.96)	0.13
PAT Margin	(%)	(8.82)	0.60
Total Debt/Tangible Net Worth	Times	22.79	13.82
PBDIT/Interest	Times	1.19	1.51

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. Acuité'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
28 Sep 2023	Term Loan	Long Term	65.00	ACUITE A Stable (Reaffirmed)
07 Jul 2022	Term Loan	Long Term	65.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Finance Limited	Not avl. / Not appl.	Term Loan	30 Dec 2021	Not avl. / Not appl.	30 Jun 2030	65.00	Simple	ACUITE A Stable Reaffirmed

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