



Rating Rationale

Airmid Aviation Services Ltd

28 Feb 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 243.57 Crores of Airmid Aviation Services Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2018)	Present
Fund based Term Loan Buyer's Credit	36.00 235.00	- 243.57	Long Term	BWR BBB (SO) (Pronounced as BWR Triple B) (Structured Obligation) Outlook: (Stable)	BWR BBB (SO) (Pronounced as BWR Triple B) (Structured Obligation) Outlook: (Stable)
Total	271.00	243.57	INR Two Hundred Forty Three Crore & Fifty Seven Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of Airmid Aviation Services Limited (AASL) up to FY18, projected financials and information/clarifications provided by the Company.

The ratings reflect the promoters' experience, long standing relations with reputed customer base and ability to infuse funds as per business requirement. The rating has derived credit enhancement based on letter of comfort from India Bulls Real Estate Limited (IREL [rated BWR AA- (Stable)]) for timely repayment of debt obligations of the Company, and this is reflected in the 'Structured Obligation' rating assigned.



The ratings are, however, constrained by current low fleet size, reduced revenues, negative networth, losses, and dependence on the promoters for funds to meet the repayment obligations.

Description of Key Rating Drivers

- **Credit Strengths:**
- **Experienced management-** The company has established track record in non-scheduled chartered aviation industry. The company over the years has developed strong relationship with its customers.
- **Revenue visibility in the near future-** The company has lease rental agreements with reputed clients which gives revenue visibility in near future, though the amount has now reduced due to depleted fleet strength..
- **Credit enhancement-** The bank borrowings of the company are backed by letter of comfort issued by Indiabulls Real Estate Limited [Rated BWR AA-(Stable)] in favour of Airmid Aviation Services Ltd. As of 31st March, the promoters' funding in the company by way of interest free loans amounted to Rs. 246.91 Crores.

- **Credit Risks:**
- **Depleted fleet strength:** Previously the company had 4 aircrafts and 1 helicopter. The company, in the last year, has sold 3 aircrafts, and hence currently has only 1 aircraft and 1 helicopter. As a consequence, their revenues will decline, and the balance sheet size will shrink.
- **Losses and Negative Networth:** The company is incurring continuous losses due to high operating costs and interest expenses. With depleted fleet strength, this issue is expected to continue. Losses in FY18 were reduced, mainly due to advisory services rendered to group companies, which is unlikely to be repetitive. As a consequence, the company has a negative networth. However, promoters have infused funds periodically to the company.
- **Dependence on group entities:** The rated facility is 'Buyers Credit' wherein the payment is deferred, and will start from June 2020. Given the current position of operations of the company, its ability to repay debt is significantly dependent on infusion of funds from promoters or group entities. Letter of Comfort is provided by India Bulls Real Estate Ltd., a large, listed company of the group.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). Credit enhancement is derived based on the Letter of Comfort issued by India Bulls Real Estate Ltd, and hence, this is a 'Structured Obligation' rating.



Rating Outlook: *Stable*

BWR believes the **Airmid Aviation Services Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Any change in the financial position and risk profile of the LOC provider, viz., India Bulls Real Estate Ltd., will also affect the SO Rating, and hence, a key monitorable.

About the Company

AASL, incorporated on July 20, 2007, is a 100% subsidiary of Albasta Wholesale Services Limited, a part of Indiabulls group having interests in Real Estate, Infrastructure, Financial Services, Securities, Retail, Multiplex and Power sectors. AASL is in the business of rendering non-scheduled aircraft transportation services on request.

The Company's fleet currently includes one jet viz. Bombardier Global 5000 and one helicopter Viz. Eurocopter EC-135.

AASL has in place the relevant certification of Directorate General Civil Aviation (DGCA), India, to operate as a non-scheduled Operator (NSOP). AASL has a dedicated team of professional administrators, pilots and air-hostesses.

Company Financial Performance

In FY18, the company achieved total operating income of Rs. 71.85 Cr as against Rs. 34.11 Cr in FY17. The company earned Rs. 21.60 Cr from Air transportation services, Rs. 50.00 Cr from advisory services. The operating profit margin rose to 41.64% in FY18 from 0.08% in FY17 on account of increased revenue from advisory services. AASL reported a net loss of Rs. 0.41 Cr in FY18 as compared to a net loss of Rs. 45.25 Cr in FY17.

India Bulls Real Estate Ltd.- provider of Letter of Comfort

India Bulls Real Estate Ltd., (IBREL), established in 2006 is one amongst the top Real Estate companies in India, and listed in BSE/NSE. It is the flagship company of Indiabulls Real Estate vertical and engaged in real estate development, directly as well as through various subsidiaries and associate companies. The main focus of IBREL is construction and development of properties, project management, investment advisory and construction services.

Key Financials IBREL:



Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crore	5926.53	2320.34
EBITDA	Rs. Crore	2822.47	631.12
PAT	Rs. Crore	1980.20	356.67
Tangible Net worth	Rs. Crore	7089.10	4753.33
Debt/Equity Ratio	Times	0.93	1.98

As on 31st December 2018, the company achieved total operating income of Rs. 3182.32 Crores, EBITDA of Rs. 936.64 Crores & PAT of Rs. 395.71 Crores.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	March 2018	December 2016	January 2016
	Fund Based						
1.	Buyer's Credit	Long Term	243.57	BBB(SO) (Pronounced as BWR Triple B) (Structured Obligation) (Outlook: Stable)	BBB(SO) (Pronounced as BWR Triple B) (Structured Obligation) (Outlook: Stable)	BBB(SO) (Pronounced as BWR Triple B) (Structured Obligation) (Outlook: Stable)	BBB (SO) (Pronounced as BWR Triple B) (Structured Obligation) (Outlook:Stable)
	Total		243.57	₹ Two Hundred Forty Three Crore & Fifty Seven Crores Only			



Key Financial Indicators (AASL)

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crore	71.85	34.11
EBITDA	Rs. Crore	29.92	0.03
PAT	Rs. Crore	(0.41)	(45.25)
Tangible Net worth	Rs. Crore	(335.47)	(335.25)
Debt/Equity Ratio	Times	(1.46)	(1.41)

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)
- [Structured Obligation Ratings](#)

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For print and digital media

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.