February 15, 2024

Madurai Trans Carrier Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	27.95	9.55	[ICRA]A- (Stable); reaffirmed
Total	**27.95**	**9.55**	

**Instrument details are provided in Annexure-I*

Rationale

The rating for the bank lines of Madurai Trans Carrier Limited (MTCL/the company) remains supported by its strong parentage—The Ramco Cements Limited (TRCL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), Ramco Industries Limited (RIL; rated [ICRA]AA- (Stable)/[ICRA]A1+) and TVS Mobility Private Limited and Sundram Fasteners Limited (SFL). MTCL owns and operates an aircraft for exclusive use by the key management personnel of the promoter groups. The company used to own two aircraft and one helicopter as of end of FY2022 out of which one aircraft and the helicopter were sold in June 2022. Currently, the company operates only one aircraft. The rating is supported by the expected financial support from MTCL's promoter groups in meeting its obligations on term loans, availed for aircraft purchase, in case of a shortfall in MTCL's cash flows. The rating also considers the regulation related risks, given the inherently regulated nature of the aviation sector.

Key rating drivers and their description

Credit strengths

Strong parentage – MTCL is held by TVS Mobility (33.2%), SFL (19.5%), TRCL (29.9%) and RIL (17.2%). The promoter groups have a strong brand position, a healthy financial profile and an established track record in their respective areas of operations. The company's board comprises the CEO of TRCL and a Director of TVS Mobility, apart from other key management personnel of both groups. MTCL was floated for facilitating the captive use of corporate aircraft/helicopters by MTCL's promoters, and currently operates one aircraft. Given the strong financial profile of its promoters, and as MTCL was exclusively floated to facilitate the usage of corporate jets, the promoter groups remain committed to providing financial support to MTCL in a timely manner, whenever there is a requirement.

Expense sharing mechanism ensures timely cash flows – The company's revenues are entirely dependent on the usage of corporate jets by the promoter entities. The total flying hours in FY2023 stood at 782 hours and in 9M FY2024 at 478 hours. The company used to own two aircraft and one helicopter as of end of FY2022 out of which one aircraft and the helicopter were sold in June 2022. Currently, the company operates only one aircraft and this is likely to be the case in the near term. MTCL reported cash profits of Rs. 9.2 crore in FY2023 and Rs. 4.5 crore in 9M FY2024. The company's aircraft is operated on the cost-sharing model, wherein the variable expenses (fuel, repairs, airport handling, etc.) are billed based on the actual usage by the promoters. The fixed expenses, like employee costs, depreciation, interest and principal repayments on the term loans, etc, are billed and collected a month in advance based on an agreed cost-sharing ratio between the promoter groups. MTCL's cash flows are monitored by the Ramco Group and there is a formal system of upfront invoicing of bills and dues falling in the subsequent month, which ensures there is no slippage in any payments. Also, the promoter entities have supported MTCL through short-term loans in the past, whenever there was a requirement.

Credit challenges

Regulatory risks – MTCL is licensed to operate its aircraft only for non-commercial purposes and the business is exposed to regulatory requirements with prescribed safety standards and mandatory training requirements for flight operators. Any changes in regulations and MTCL's ability to adapt to the same remain to be seen.

Liquidity position: Adequate

MTCL's cash flows are monitored by TRCL and there is a formal system of upfront invoicing of fixed cost bills and dues falling on the subsequent month, which ensures there is no slippage in any payments. Also, the promoter groups remain committed to providing financial support to MTCL in a timely manner, whenever there is a requirement. MTCL had unencumbered cash and liquid balances of Rs. 0.6 crore as on December 31, 2023. As against these sources of cash, it has debt repayment obligations of Rs. 1.4 crore in Q4 FY2024, Rs. 5.4 crore in FY2025 and Rs. 2.8 crore on existing loans; and the company currently envisages only maintenance capex.

Rating sensitivities

Positive factors – Sharp improvement in the standalone credit profile could accelerate the transition towards a higher rating for MTCL.

Negative factors – Deterioration in credit profile of support providers and/or weakening in the credit profile and liquidity position of MTCL or weakening of linkages between MTCL and its promoters could exert pressure on its rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Implicit support drawn from the promoter group entities, namely The Ramco Cements Limited (rated [ICRA]AA+ (Stable)/[ICRA]A1+)), TVS Mobility Private Limited and Ramco Industries Limited (rated [ICRA]AA- (Stable)/[ICRA]A1+)).
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

MTCL was incorporated in 2013 for facilitating the captive use of corporate jets by the promoters of TVS Sons, RCL, SFL and RIL. TVS Sons had 33.19% stake in MTCL earlier. After the restructuring of the TVS Group, TVS Sons' stake was transferred to TVS Mobility Private Limited. TVS Mobility holds 33.19% stake, SFL holds 19.50% and the Ramco Group holds 47.2% stake via TRCL and RIL (TRCL holds 29.86% stake and RIL holds 17.17% stake). All costs pertaining to the operations of the aircraft are billed to the promoter companies. The company used to own two aircraft and one helicopter as of end of FY2022 out of which one aircraft and the helicopter were sold in June 2022. Currently, the company operates only one aircraft.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	50.6	35.9
PAT	0.0	-0.04
OPBDIT/OI	55.6%	27.2%
PAT/OI	0.0%	-0.1%
Total outside liabilities/Tangible net worth (times)	14.6	2.1
Total debt/OPBDIT (times)	6.1	1.4
Interest coverage (times)	2.3	1.8

Source: Company, ICRA Research; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in this document is ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
					Feb 15, 2024	Jan 02, 2023	May 30, 2022	-	Feb 01, 2021
1	Term loan	Long term	9.55	9.55	[ICRA]A- (Stable)	[ICRA]A+ (CE) (Stable) withdrawn; [ICRA]A- (Stable) assigned simultaneously	[ICRA]A+ (CE) (Stable)	-	[ICRA]A+ CE (Stable)
2	Term loan	Long term	-	--	-	[ICRA]A- (Stable); Withdrawn	[ICRA]A (Stable)	-	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2021	9.25%	FY2026	9.55	[ICRA]A- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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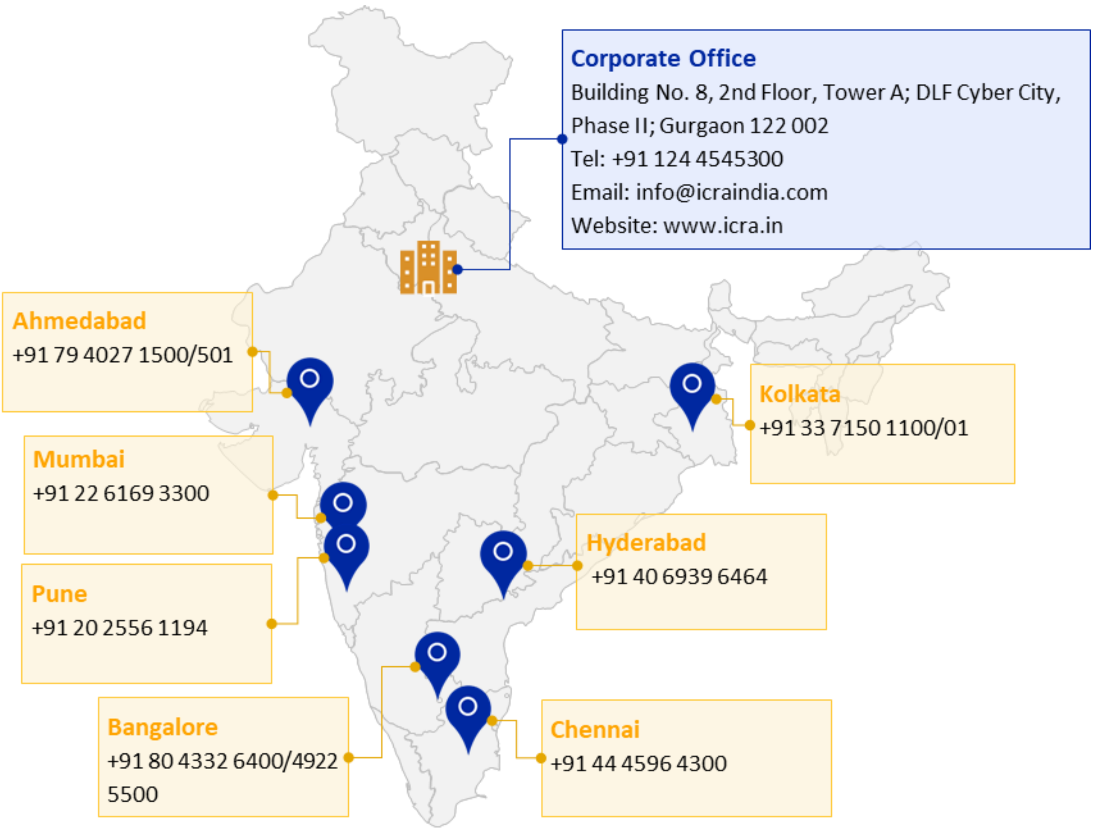

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