



Shell MRPL Aviation Fuels and Services Limited

Instrument	Amount	Rating Action
Long-Term Fund-Based Limits	Rs. 115.0 crore	[ICRA]AA- (Stable) revised from [ICRA] A+ (Stable)
Short-Term Non-Fund-Based Limits	Rs. 15.0 crore	[ICRA]A1+ reaffirmed

ICRA has upgraded the long-term rating assigned to the fund-based bank facilities of Rs. 115.0 crore* of Shell MRPL Aviation Fuels and Services Pvt. Limited (SMRPL/"the company")† from [ICRA]A+ (pronounced as ICRA A plus) to [ICRA]AA- (pronounced as ICRA double A minus). The outlook on the long term ratings is 'Stable'. ICRA has reaffirmed the short-term rating at [ICRA]A1+ (pronounced as ICRA A one plus) for the non-fund-based bank facilities of Rs. 15.0 crore of the company.

The rating revision takes into account the demonstrated track record of operations, also aided by robust risk management systems & significant marketing synergy benefits arising from its strong parentage of the company by virtue of being a JV between Shell Gas B.V. (Shell) (a step down subsidiary of Royal Dutch Shell Plc, Netherlands which is rated Aa1 with a 'Stable outlook' by Moody's) and Mangalore Refinery and Petrochemicals Limited (MRPL), rated at [ICRA]AAA and [ICRA]A1+.

The ratings continue to factor the company's comfortable financial risk profile & favourable domestic business growth prospects in the long term. While the marketing margins in domestic operations continue to remain thin, the company's profitability so far is aided by the commission earned on fuel services provided to domestic airlines for their international flights at airports outside India through SAV's network, the hedging gains and the interest income arising on surplus cash balances. The ratings are constrained, however, by continued loss in the domestic marketing operations at operating profit level due to highly competitive market dominated by established oil marketing PSUs; commodity price risk by virtue of ATF being a derivative of crude oil; and the susceptibility to forex risk. Besides, the company is exposed to weak credit quality of domestic airline customers, although the risk is partially mitigated through credit risk mitigation processes and high priority accorded by the domestic airlines for timely payment in overseas operations.

Company Profile

Shell-MRPL Aviation Fuels and Services Private Limited (SMRPL) is a 50:50 joint venture between Shell Gas B.V. (Shell), a step down subsidiary of Royal Dutch Shell Plc, Netherlands and Mangalore Refinery and Petrochemicals Limited (MRPL). The company was incorporated in March 2008 and its primary business is marketing of aviation turbine fuel (ATF) to airlines. The company started its operations in August 2008. By virtue of the agreement with Shell Aviation Limited (SAV), the company also acts as Contracting Company (CONCO) wherein it provides fuelling services to the domestic airlines for their international flights at the airports outside India. Similarly as delivery company (DELCO), the company sells ATF to the international airlines for their operations at Indian Airports. SMRPL currently procures ATF mainly from MRPL, while re-fuelling services are provided to various domestic and international airlines at the Bangalore and Hyderabad

airports. In addition to this, the company over the last two-three year period has gradually expanded its ATF marketing services at other airports, namely Calicut, Madurai, Mangalore, Goa, etc.

* 1 crore = 10 million = 100 lakh

† For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications



For FY2013-14, the company has reported an Operating Income (OI) of Rs. 651 crore and Profit after Tax (PAT) of Rs. 12.3 crore.

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