February 19, 2025

Rithwik Green Power and Aviation Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	59.00	[ICRA]BBB- (Stable); assigned
Long-term – Fund-based working capital facilities	2.00	[ICRA]BBB- (Stable); assigned
Long-term/Short-term – Non-fund based – Bank guarantee	9.00	[ICRA]BBB- (Stable)/[ICRA] A3; assigned
Total	**70.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned to Rithwik Green Power and Aviation Private Limited (RGPAPL) considers the assured offtake arrangement with Rithwik Projects Private Limited (RPPL, rated at [ICRA] A-(Stable)/A2+), wherein RPPL has entered into a take-or-pay agreement with a minimum guaranteed usage of 30 flying hours per month, at a fixed rate, covering the entire monthly fixed operating expenses including debt obligations on an advance basis. The ratings are supported by the demonstrated track record of funding support from the promoters in the past, which is expected to continue. The promoters have infused unsecured loans to the extent of around Rs. 16 crore in FY2023 for purchasing the existing aircraft. Additionally, the promoters infused fresh equity of Rs. 4.14 crore in 9M FY2025 for making advance payment for purchasing new aircraft and the balance contribution of around Rs. 19.42 crore is estimated to be infused in a timely manner. The rating also favourably factors in the likely increase in topline with expected utilisation from the new bigger aircraft, which is projected to support the credit profile going forward.

The ratings, however, remain constrained by the modest scale of operations, with limited experience of the promoters in the aircraft charter business and exposure to market risk in terms of optimal utilisation of the current as well as newer bigger aircraft, for which the commercial operations is likely to be start from H1 FY2026. The risk, nevertheless, is partially mitigated by the minimum guaranteed flying hours by RPPL covering the fixed expenses. RGPAPL is in the process of purchasing a newer bigger aircraft at a cost of Rs. 82.6 crore, which is expected to be funded by promoter contribution of Rs. 23.6 crore and long-term debt of Rs. 59 crore. The ratings are constrained by risk related to fleet utilisation for aircraft, regular maintenance requirements and regulatory risks in operation of charter aircrafts.

The Stable outlook on the long-term rating reflects ICRA's expectation that the credit profile is supported by the presence of minimum offtake agreement with RPPL, coupled with commitment as well as resourcefulness of the promoters towards this aviation charter business.

Key rating drivers and their description

Credit strengths

Guaranteed offtake agreement with RPPL provides revenue visibility – The company has entered into 'take or pay' agreement with RPPL with a minimum guaranteed usage of 30 flying hours per month at a fixed rate and is expected to be paid in advance, which is sufficient to cover the monthly fixed operating expenses and debt servicing commitments for the proposed aircraft acquisition loan. In addition, the company has signed memorandum of understanding (MOUs) with few corporate entities for minimum guaranteed flying hours, aiding the revenue visibility to an extent. Nevertheless, the company is dependent on third parties for effective utilisation of its fleet, exposing its revenues to market risk.

Demonstrated track record of funding support from promoters – The promoters have infused funds in a timely manner to support its operations and funding requirements in the past. The promoters infused unsecured loans of around Rs. 16 crore in FY2023 for purchasing the existing aircraft. Additionally, the promoters have infused fresh equity of Rs. 4.14 crore in 9M FY2025 and the balance contribution of around Rs. 19.42 crore for the purchase of new aircraft is expected to be infused in a timely manner. In addition to this, RPPL is committed to infuse any additional funds required by RGAPPL in a timely manner in case of any unforeseen requirement.

Credit challenges

Modest scale of operations – The company's scale of operation is modest, as reflected in revenues of Rs. 15.3 crore in FY2024 which is expected to improve to around Rs. 17-18 crore in FY2025. However, with the addition of new aircraft in the near term, the revenues are projected to increase to more than Rs. 40 crore in FY2026. The fleet utilisation is moderate at around 40%. Given this, timely commencement of operations of the new aircraft and improvement in utilisation levels would be a key rating monitorable from the credit perspective.

Limited experience of management in operating charter flights – The company's management has limited experience of around 2 years in the aviation industry. However, the management has recruited professionals including pilots, engineers and marketing team to support the business operations mitigating the risk to an extent.

Volatility in revenues, cash flows and coverage indicators due to ad-hoc business and regular maintenance requirements – The contractual agreement with RPPL accounts for only 19% of the available flying hours for the new aircraft and the company is exposed to market risk for the balance for the new aircraft and the entire flying hours of the existing one. In addition, it is required to undertake regular maintenance of its fleet, which besides affecting revenue potential, also involves sizeable expenditure, thereby exposing the cash flows and coverage indicators to optimum fleet availability. Nevertheless, major checks for both the aircrafts are not due in the medium term mitigating the risk of fleet availability to a certain extent.

Liquidity position: Adequate

The external operational funding requirements for the company are limited as it receives payments in a timely manner and is able to meet the expenses from operational cash flows. The capex of Rs. 82.6 crore for the purchase of new aircraft is expected to be funded through promoter contribution of Rs. 23.6 crore and long-term debt of Rs. 59 crore. The promoters have already infused unsecured loans to the extent of Rs. 16.9 crore as on December 31, 2024 to support the acquisition of the earlier aircraft, which has supported the liquidity profile. Also, the promoter group is committed to provide financial support to RGPAPL in a timely manner, whenever there is a requirement, supporting its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade RGPAPL's ratings upon substantial increase in earnings, supported by improvement in utilisation levels resulting in improved leverage and coverage metrics on a sustained basis.

Negative factors – The ratings could be downgraded if there is pressure on earnings or weakening of coverage metrics on a sustained basis. Higher-than-estimated debt-funded acquisition of aircraft resulting in weakening of leverage and coverage metrics can also lead to a negative rating action. Further, non-adherence to the take or pay arrangement with RPPL can also lead to a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Rithwik Green Power and Aviation Private Limited (RGPAPL) was incorporated in 2005 and is involved in providing charter flights as a non-scheduled air service both in India and abroad for passenger transport. The entity is promoted by Mr. CR Rithwik, along with his brother CR Rithwin. At present, the company owns a B-200 GT aircraft, which has a seating capacity of 2+9 and a range of 900 nautical miles. It has been operating charter services since November 2022. Further, the company is currently in the process of purchasing another aircraft - Embraer legacy 600, which has a seating capacity of 2+14 and a range of 3,800 nautical miles.

Key financial indicators (audited)

Rithwik Green Power and Aviation Private Limited	FY2023	FY2024
Operating income	3.6	15.3
PAT	-2.7	0.9
OPBDIT/OI	-52.0%	12.4%
PAT/OI	-72.6%	5.8%
Total outside liabilities/Tangible net worth (times)	-37.9	75.7
Total debt/OPBDIT (times)	-9.3	8.5
Interest coverage (times)	-1,826.8	80.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Feb 19, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long Term	59.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-	-	-
Working capital facilities	Long Term	2.00	[ICRA]BBB- (Stable)	-	-	-	-	-	-	-	-
Bank guarantee	Long Term Short term	9.00	[ICRA]BBB- (Stable)/ [ICRA] A3	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Working capital facilities	Simple
Long-term/Short-term – Non-fund based – Bank guarantee	Very 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**	NA	NA	NA	59.00	[ICRA]BBB- (Stable)
NA	**Working capital facilities**	NA	NA	NA	2.00	[ICRA]BBB- (Stable)
NA	**Bank guarantee**	NA	NA	NA	9.00	[ICRA]BBB- (Stable)/[ICRA]A3

*Source: Company; * The facilities are yet to be sanctioned*

Please click here to view details of lender-wise facilities rated by ICRA

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

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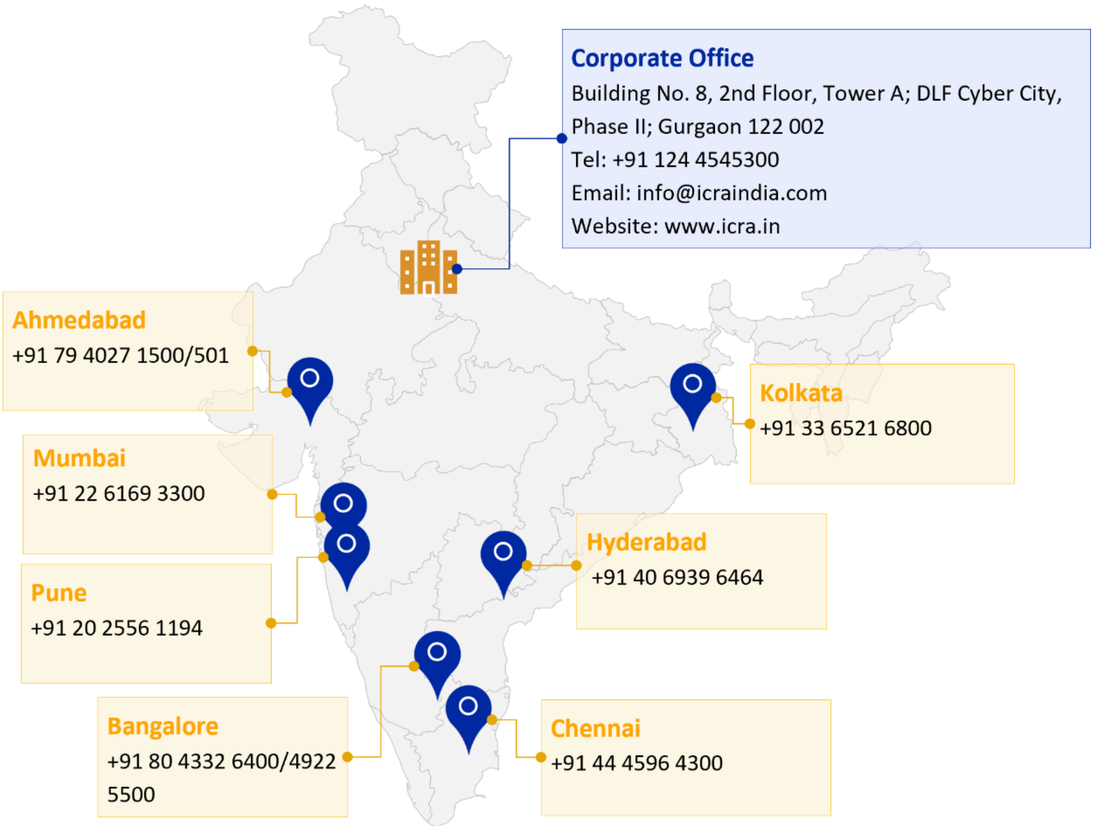

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