

August 13, 2025

CAE Simulation Training Private Limited: Long-term rating reaffirmed and assigned for enhanced amount; short-term rating assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Fund Based-Term Loan	619.12	786.08	[ICRA]A (Stable); reaffirmed/assigned for enhanced amount
Short Term-Interchangeable-Buyers Credit	0.00	(786.08)	[ICRA]A2+; assigned
Total	619.12	786.08	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for CAE Simulation Training Private Limited (CSTPL) factors in its steady operational performance, aided by its leadership position in the Indian flight simulation market for the Airbus A320 family of planes and established relationships with key airlines. The ratings continue to favourably factor in CSTPL's promoters (50% ownership each with Interglobe Group and CAE Inc.), having a long and successful track record in flight simulation and aviation businesses. While CAE Inc. provides requisite technological capabilities, the Interglobe Group offers healthy financial flexibility and strengthens its association with InterGlobe Aviation Limited (IAL; operator of IndiGo Airline). The regulatory requirements for all pilots to mandatorily undergo periodic simulation training provide the entity with recurring businesses and aids in revenue visibility. Further, the company has tie-ups with IndiGo and Akasa airlines to meet a significant portion of their pilot training requirements, which provides comfort.

The company recorded healthy capacity utilisation of 112% in FY2025 despite an increase in capacity (two simulators added in FY2025, bringing the total simulator count to 16 as of the fiscal end). This led to an increase in the company's scale of operations, with a 37.5% YoY increase in revenues to Rs. 344.0 crore in FY2025 and an improvement in the operating profit margin to 77.6% in FY2025 (up from 75.4% in FY2024). In April 2025, one simulator was added, however, two leased simulators were returned, which resulted in a net total of 15 simulators by June 2025. Even as the demand for pilot training could witness some moderation in the near term (on account of sufficient pilots with leading airlines), the capacity utilisation is expected to remain comfortable, helping the entity generate healthy cash flows. The favourable demand outlook for the domestic aviation sector along with fleet expansion plans of most airlines is expected to support a gradual ramp-up in cash flows over the medium term.

ICRA notes that the company's upcoming Mumbai facility is expected to be operational in January 2026 and the first simulator would be installed during the same month. Out of the total capex requirement of Rs. 50-60 crore for this new facility (to be funded by a mix of debt and equity), Rs. 10-20 crore has already been spent, and the remaining funds are expected to be incurred in FY2026. The new facility would enhance the company's capacity and provide some geographical diversification.

The ratings remain constrained by the company's moderate debt coverage metrics, with its ongoing debt-funded capex plans (three new simulators are likely to be added in Mumbai during Q4 FY2026-FY2027) expected to increase its debt level. The ratings continue to factor in the company's high client concentration risk and susceptibility of its revenues to changes in regulatory requirement for pilots to undergo mandatory training on simulators. While capital-intensive nature and technical knowhow result in high entry barriers, the return indicators are closely linked to asset utilisation and the pricing arrangement with its customer. Thus, any adverse fleet rationalisation by airlines, shift to other models of aircraft, expansion in capacity by any existing competitor, or entry of a new player in the Indian simulation market may affect its revenues

The Stable outlook on the long-term rating reflects ICRA's opinion that the capacity utilisation of simulators would remain healthy over the medium term, aided by favourable trend for the domestic aviation sector. Further, the outlook underlines ICRA's expectations that CSTPL's debt requirements would be funded in a manner that it is able to durably sustain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

High degree of recurring business; association with leading airline provides healthy revenue visibility – As per the regulatory guidelines by the Directorate General of Civil Aviation (DGCA), Government of India, pilots must undergo 200 hours of simulator training to obtain a commercial pilot licence. Moreover, pilots with active licences need 20 hours of simulator training annually to maintain the validity of the licence. This ensures a high degree of recurring business for the entity. Its key client, IndiGo Airlines, is a domestic market leader with nearly 63% share of the domestic passenger traffic in FY2025. The company has an arrangement with IndiGo for dedicated usage of its five simulators, leading to committed payment from IndiGo, irrespective of the actual usage. Further, at least 75% of IndiGo's pilots are to be trained on CSTPL's simulators. Going forward, healthy demand outlook for the domestic aviation sector and continued fleet expansion plans by IndiGo are expected to support revenue visibility over the medium term.

Healthy profitability, aided by high capacity utilisation level – CSTPL's leadership position in the Indian flight simulation market, limited number of players in this business and high capacity utilisation of simulators at 104% in FY2024 and 112% in FY2025, support sustenance of a healthy OPM (77.6% in FY2025). Going forward, a moderation in pilots' training demand along with the fixed costs associated with the upcoming facility in Mumbai in the initial years (as simulators are gradually added over 4-5 years), are likely to slightly constrain the OPM to an extent in FY2026. Nevertheless, availability of limited number of flight simulators against the demand in India and the operating efficiencies would continue to support capacity utilisation, and in turn, its profitability level.

Strong promoter group provides operational and financial flexibility – CSTPL is a joint venture (JV) between InterGlobe Enterprises and CAE, holding a 50% stake each. CAE is one of the key players in global modelling, simulating, and training for civil aviation. CAE delivers simulators, softwares and training for civil aviation in over 40 countries (including CSTPL). All the simulators and associated technology are procured from CAE Inc, which is a global leader in simulator manufacturing as well as training. Additionally, the major part of CSTPL's business is derived from the long-term MoU signed with IndiGo for training its pilots. Backed by the strong promoter profile and close operational linkages, the company enjoys strong financial flexibility, which is also reflected in its ability to tie up for fresh loans at favourable terms.

Credit challenges

Significant debt-funded capacity expansion plans to result in moderation of debt coverage metrics – Simulation training is a capital intensive business, with cost of around \$11-12 million for an Airbus simulator and \$16-17 million for Boeing Max. Given the sizeable orders by domestic airlines for their fleet addition, the company added three simulators over FY2025-Q1 FY2026. It plans to add another 2-3 simulators by FY2027. It has also been sanctioned term debt of Rs. 53 crore in Q1 FY2026 (Rs. 24 crore disbursed as of July 31, 2025) to fund the capex towards the Mumbai facility. Given that the proposed capex towards simulators is largely debt funded (in the debt-to-equity ratio of 80:20), CSTPL's debt coverage metrics are expected to moderate in FY2026. The company's DSCR is likely to moderate in the near term and is expected to improve post returns from the capex and phasing out of the capex.

Exposed to high client concentration risk; strong market position of key customer and improving customer diversification provides comfort – CSTPL derived a major part of its revenues from IndiGo, leading to high client concentration risk. The airline accounted for ~64% of the capacity utilisation in FY2025 (91% in FY2021) and 62% of its revenues in FY2025. Revenues from IndiGo are a part of a long-term arrangement (15 years till FY2028) with the airline for dedicated usage of its five simulators, leading to committed payment from IndiGo, irrespective of its actual usage. ICRA notes that the company onboarded a number

of new customers over the last few years. Further, CSTPL has tied up with Akasa Airlines for providing its 90% pilot training requirements for 15 years. While this is expected to support a gradual improvement in customer and revenue diversification, the concentration on IAL is likely to continue to remain high over the medium term, which exposes its revenues to the performance of its client.

Exposure to regulatory changes in the civil aviation sector – Any adverse fleet rationalisation by the airlines, shift to other models of aircraft, expansion by any existing competitor, or entry of a new competitor in the Indian simulation market may affect the company’s revenues. Further, the revenues are mainly driven by the regulatory requirement to provide simulation training to all pilots. As such, any adverse change in regulation may impact its cash flows.

Liquidity position: Adequate

CSTPL’s liquidity position is expected to remain adequate, aided by strong cash flows from operations (Rs. 180-200 crore in FY2026) and unencumbered cash and liquid balances of ~Rs.152 crore as on March 31, 2025. Against the same, the company has an estimated repayment obligation of Rs. 130-135 crore in FY2026. It is likely to incur an overall capex of ~Rs. 400 crore over FY2026-FY2027 towards three simulators and the Mumbai facility, which is likely to be funded through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade CSTPL’s ratings if there is a steady increase in scale of operations, while maintaining healthy profitability, leading to a sustained improvement in debt protection metrics.

Negative factors – Pressure on the ratings could arise in case of a prolonged decrease in capacity utilisation or sizeable debt-funded capex undertaken by CSTPL, which results in weakening of its debt protection metrics on a sustained basis. Specific credit metrics for ratings downgrade include DSCR below 1.25 times on a sustained basis, along with a material depletion of cash and cash equivalents. Weakening of financial flexibility (enjoyed on account of the parent group) could also exert pressure on the ratings.

Analytical approach

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

About the company

CAE Simulation Training Private Limited (CSTPL) is a 50:50 joint venture between InterGlobe Enterprises and CAE, engaged in modelling, simulation and training for civil aviation and defence. CSTPL provides facilities in the form of pilot training, pilot selection tools and renewal of licence for existing pilots. The company has 15 level “D” full flight simulators approved by DGCA for pilot training, with the latest one becoming operational in April 2025. All its simulators are owned by the company. Its main customers are Indigo (five dedicated simulators), Air India Group and Akasa Airlines. The company derived around 62% of its revenues from IndiGo in FY2025.

CTSP started its operations by setting up two leased simulators in July 2013 at the Greater Noida facility. At present, six full flight simulators are operational at the company’s facility in Greater Noida, six in Bangalore and three in Gurugram facility. The company has been regularly expanding its capacity of the simulators with two simulators added in FY2025 and one in Q1 FY2026.

Key financial indicators

CSTPL (standalone)	FY2024	FY2025*
Operating income	250.2	344.0
PAT	54.7	81.2
OPBDIT/OI	75.4%	77.6%
PAT/OI	21.9%	23.6%
Total outside liabilities/Tangible net worth (times)	1.7	1.9
Total debt/OPBDIT (times)	2.8	2.7
Interest coverage (times)	5.1	5.6

Source: Company's annual reports, ICRA Research; all ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current year (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan	Long Term	786.08	Aug 13, 2025	[ICRA]A (Stable)	Oct 29, 2024	[ICRA]A (Stable)	Nov 28, 2023	[ICRA]A (Stable)	Aug 10, 2022	[ICRA]A (Stable)
					-	-	-	-	Aug 05, 2022	[ICRA]A (Stable)
Interchangeable -Buyers Credit	Short Term	(786.08)	Aug 13, 2025	[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loans	Simple
Short term – Interchangeable – Buyers Credit	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	FY2018-FY2026	NA	FY2026-FY2033	786.08	[ICRA] A (Stable)
NA	Buyers Credit	NA	NA	NA	(786.08)	[ICRA] A2+

Source: Company

[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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