

CAE Simulation Training Private Limited

Instrument	Amount	Rating Action (December 2016)
Foreign Currency Term Loan	USD 9.32 million (Rs. ~63 crore)	[ICRA] A (stable); assigned

ICRA has assigned [ICRA]A (pronounced ICRA A) rating to USD 9.32 million (Rs. 63 crore) bank lines of CAE Simulation Training Private Limited (CSTPL). The rating carries a stable outlook.

The rating takes into account long and successful track record of CSTPL's promoters, CAE Inc. (CAE) and Interglobe Enterprises Limited (IGE), in flight simulation and aviation businesses respectively. CAE is a leader in global flight simulation market with 70 years of experience in the industry and IGE is the promoter and one of the largest shareholders in Interglobe Aviation Limited, owner of Indigo (India's largest airline).

The rating also factors CSTPL's strong market position in Indian flight simulation market for Airbus A320 family of planes - there are seven third-party (excluding those for captive use by some airlines) simulators in India for Airbus A320 family of planes, out of which four (expected to increase to five in March 2017) are with CSTPL. Limited availability of simulators in the country significantly improves the company's ability to secure business. The rating also draws comfort from high visibility of cash flows due to regulatory requirement for all aspiring and active pilots to undergo simulation training and healthy utilisation rate (~100% in H1FY2017) of all its simulators since inception. ICRA expect the healthy utilisation to continue going forward, which is likely to result in comfortable debt protection indicators.

The rating is, however, constrained by high dependence on Indigo Aviation Limited (accounting for 95% of CSTPL's revenues) and susceptibility of revenues to changes in regulatory requirement for pilots to undergo mandatory training on simulators. Rating is also constrained by significant fixed costs in the operating structure (including lease payments for first two simulators) and capital intensive nature of the business due to high cost of simulators; the large lease/debt payments for the simulators may severely impact the cash flows in case asset utilisation falls. The rating is also constrained by inherently high operating leverage of the aviation industry and cyclical nature of revenue generation owing to economic or seasonal cycles. Any significant capacity addition by competitors, adverse fleet rationalisation or changes in fleet mix of customers may impact the revenues of the company.

Going forward, maintaining the current utilisation rate of the simulators, timely and adequate payments from its customers and extent of debt-funded expansion will be the key rating sensitivities.

Company's Profile

CAE Simulation Training Private Limited (CSTPL) is a joint venture between Interglobe Enterprises Limited and CAE, engaged in simulation, modelling and training for civil aviation. CSTPL provides facilities in the form of pilot training, pilot selection tools and renewal of license for existing pilot. CSTPL has four Level "D" full flight simulators for Airbus A320 family of planes for airline training and 5th simulator is likely to be operational in Q4FY2017. Its main customers are Indigo, Go Air, Air Asia, Airbus and Vistara. The facility is located in Greater Noida and has been operational since July 2013.

Recent Results

CAE Simulation Training Private Limited (CSTPL) reported operating income of Rs. 52.77 crore and net profit of Rs. 5.65 crore in FY2016 as against operating income of Rs. 28.14 crore and net profit of Rs. 1.93 crore in FY2015.

December 2016



For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)

ravichandran@icraindia.com

Mr. Kapil Banga (Tel. No. +91-124-4545391)

kapil.banga@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)

jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500