



## Swajas Air Charters Limited

ICRA has assigned an "ICRA IPO Grade 2", indicating below average fundamentals to the proposed Initial Public Offering (IPO) of Swajas Air Charters Limited ("SACL" / "the Company"). ICRA assigns IPO grading on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

The grading considers the experience of promoters in the business, SACL's established relationships with customers in South India and the proposed broadening of service offerings which is likely to support business growth. The Company, which presently derives a major portion of its revenues from general air charter and off-shore transportation, intends to enhance its services to include air-ambulance and maintenance services.

Owing to capital intensive nature of the business, the Company's ability to achieve high fleet utilization would be critical in improving profitability. Similarly, compliance with regulatory requirements including safety will be critical to ensure smooth operations. SACL's profits are also exposed to volatility in fuel prices and wage inflation, although price variability clauses with some of its customers mitigate the risk to an extent. The grading also considers the small scale of SACL's operations, which limits scale economies and financial flexibility to an extent.

### Company Profile

Incorporated in July 2008 as a private limited company, SACL (promoted by Mr. R. Jayakumar and Mr. Christopher Ian Want) is a non-scheduled airline operator offering services such as general air charter, off-shore transportation, medical evacuation and maintenance, repair and overhauling (MRO). On June 26, 2009, SACL was converted in a public limited company. The Company predominantly operates in South India and intends to expand its operations subsequent to the proposed IPO.

The Company proposes to issue equity shares (through an IPO), aggregating to Rs.37.5 crore. The proceeds of the IPO are proposed to be primarily utilised towards part funding the acquisition of a helicopter and an aircraft (to offer air ambulance services), setting up of a hangar facility to broaden its MRO services and purchasing an office facility, besides funding its working capital and general corporate requirements.

### Recent Results

The Company reported net profit of Rs 1.1 crore on operating income of Rs.23.3 crore during the nine months ended December 31, 2010. SACL reported net profit of Rs.0.8 crore on operating income of Rs.29.2 crore for 2009-10.

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