'CareEdge BB-/Stable' rating assigned to Cloudcruze Aviation Leasing Services IFSC Pvt Ltd

USD 23.45 million foreign currency debt	**CareEdge BB-/Stable**

CareEdge Global Ratings has assigned a **'CareEdge BB-/Stable'** rating to Cloudcruze Aviation Leasing Services IFSC Pvt Ltd's (CALS) foreign currency debt of USD 23.45 million.

Rating rationale

The rating is primarily driven by strength and expected support of CALS's ultimate parent, Lloyds Metal & Energy Limited (LMEL). LMEL holds 72 % stake in CALS via its step-down subsidiary Thriveni Resomin Pte Ltd (TRPL) [wholly owned by Thriveni Earthmovers and Infra Pvt Ltd (TEIPL)]. LMEL has provided a corporate guarantee (CG) for the rated debt. The rating also derives comfort from strategic integration between CALS and LMEL, despite the former not being one of LMEL's core operations. CALS was established to support the mobility requirements of LMEL's senior management by providing charter aviation services. As per the current plan, assets owned by CALS are primarily expected to cater to the Lloyds Group entities. Although CALS is unlikely to contribute meaningfully to the group's asset base or profitability, the expectation of support is reinforced by an explicit CG, management oversight, and the fact that Lloyds Group entities are the end-users.

LMEL's credit profile is supported by its position as one of India's leading merchant iron ore producers. Acquisition of mine developer and operator (MDO) and foray into mining operations outside India have also expanded its scale. Its business profile is supported by higher profitability and moderate coverage metrics, leading to a comfortable financial risk profile. LMEL's stable credit profile provides comfort regarding its ability to support new ventures such as CALS. Notwithstanding these strengths, LMEL has undertaken a large debt-funded capital expenditure (capex) programme, exposing it to execution risks. Furthermore, LMEL's earnings are partly susceptible to volatility in iron ore and steel prices given their cyclical nature.

On a standalone level, CALS's credit profile is weak and is constrained by its nascent stage of operations and concentration risk owing to a single counterparty. Nonetheless, these factors are partially offset by the company's expected stable lease rental income driven by long-term take-or-pay contracts, a comfortable debt service coverage ratio (DSCR) and structural features of the facility agreement.

Outlook: Stable

The stable outlook reflects CareEdge Global's view that CALS will gradually scale up its operations with fixed lease rental income sufficient to comfortably service its debt obligations. It is also likely to receive adequate capital support from its ultimate parent.

Rating sensitivity factors

Upward

- Improvement in the credit profile of the ultimate parent (LMEL)
- Significant increase in scale of operations and diversification, leading to improvement in the business profile
- Improvement in the company's financial risk profile on a sustained basis

Downward

- The actual performance of the company remains significantly short of expectations
- Deterioration in the LMEL's credit profile or change in articulation of support or dilution of ownership below majority

Analytical approach

CareEdge Global has assessed CALS's credit profile and factored in the expected support from its ultimate parent, LMEL, to arrive at the overall rating in accordance with CareEdge Global's Group Rating Methodology. The parent has also extended a CG to the rated debt, implying a high likelihood of financial support on an ongoing basis and at times of distress.

Key rating drivers

Strengths

Articulation of support from the parent, with a comfortable credit profile

CALS benefits from its moderate integration with LMEL and the latter's strong articulation of support. CALS supports the mobility requirements of LMEL's senior management by providing charter aviation services. Assets owned by CALS are expected to cater primarily to Lloyds Group entities. The expectation of support is reinforced by an explicit CG, management oversight, and Lloyds Group entities being the end-users.

LMEL's credit profile is supported by its diversified business and comfortable financial metrics. Over time, it has evolved from a merchant iron ore miner into a fully integrated mining and metals company with operations across the steel value chain. The acquisition of stake in TEIPL, one of India's leading MDO players, has significantly enhanced LMEL's scale and mining capabilities. LMEL continues to demonstrate strong operational efficiency with EBITDA margin of 36% in FY26. Higher margins are driven by structural cost advantages (including low royalty iron ore access) and logistics efficiencies through slurry pipeline. Historically, the company operated with a near debt-free balance sheet. However, over the past two years, LMEL has leveraged its capital structure to finance capex programme, encompassing higher mining capacity, pellet and steel manufacturing, and international acquisitions. Nevertheless, the company's operating cash flows continue to support its credit metrics. However, the sizeable debt-funded capex programme exposes LMEL to execution risks and temporarily higher leverage, which is expected to moderate once the projects are commissioned.

Assured lease rental income from NSOP

CALS's long-term take-or-pay lease arrangement with Tara Aviation Private Limited (TAPL), a Directorate General of Civil Aviation (DGCA)-registered Non-Scheduled Operator's Permit (NSOP) holder, provides stable revenue visibility. Under the agreement, CALS will earn lease rentals as per pre-determined hourly rates for stipulated minimum guaranteed usage (flying hours) per annum. This will translate into a fixed monthly lease rental payable irrespective of actual aircraft utilisation, thereby insulating CALS from demand volatility and ensuring stable cash flows. CALS has entered into a 10-year agreement with TAPL, whereby it leases aircraft to it on a dry lease[1], which operates them on a wet lease[2]/charter basis to the end customers, further supporting steady cash flows for CALS.

Support from the structural features of the facility agreement

CALS has a well-defined escrow mechanism prioritising cash flow, first directed towards operating expenses, followed by debt servicing and maintenance of DSRA. The financial covenants stipulate a minimum DSCR of 1.15x and fixed asset coverage ratio (FACR) of 1.25x. The covenants are tested on an annual basis and surplus amount is to be released as per the escrow mechanism. CALS is also required to maintain a DSRA balance equivalent to the ensuing three months of debt obligations. The CG from LMEL on the rated debt provides additional comfort.

Weaknesses

Nascent stage of the business

CALS is currently in its nascent stage and has yet to establish a track record in aircraft leasing. While it has initiated acquisition of few assets and outlined a clear expansion roadmap, its ability to efficiently operationalise the fleet, establish stable revenue streams, and manage the availability of assets is yet to be demonstrated. The absence of historical performance limits visibility on operational resilience, particularly in managing lease structures and counterparty relationships in a cyclical aviation sector.

Single counterparty with limited track record and business concentration risks

CALS's revenue profile is concentrated as it leases most of its fleet to a single counterparty, TAPL, a DGCA-registered NSOP holder. One helicopter is expected to be leased to Thriveni Earthmovers Private Limited (TEMPL) for use under private category, providing flexibility of operations, including allowing pilots (who hold a flying licence) to operate in this category. While the lease agreements provide revenue visibility through take-or-pay arrangements, TAPL has a relatively limited track record in operating multiple aviation assets. This exposes CALS to counterparty credit and operational risks, as any stress in the lessee's financial or operational performance could impact its lease rentals and cash flow stability.

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1 Dry lease (or operating lease) is an agreement where the owner (lessor) rents only the bare equipment to the user (lessee)

2 Wet lease (often called an ACMI lease – aircraft, crew, maintenance, and insurance) is an agreement where the lessor provides an operational package

CALS's operations are concentrated with limited geographical diversification. Further, the underlying business model is dependent on providing assets on lease through NSOP to its end users i.e., group entities and promoter-linked businesses, which increases the exposure to Lloyds Group-driven demand dynamics.

Liquidity

CALS's liquidity profile is expected to be moderate based on predictable rental inflows under long-term lease agreements. It reported unencumbered cash and equivalents of Rs 0.54 billion as of March 31, 2026. Additionally, CALS is required to maintain a DSRA equivalent to one-quarter of scheduled principal and interest obligations, providing an additional cushion against temporary cash flow mismatches. This position is reinforced by the parent's adequate liquidity profile with unencumbered cash and equivalents of Rs 14.4 billion as of March 31, 2026. LMEL is expected to generate annual accruals of Rs 80-100 billion in the next two fiscals, which would be comfortable for servicing debt obligations and partial funding of capex.

Environmental, social, and governance (ESG) considerations

Since CALS is in the nascent stage of business, its ESG contribution is limited. However, since the rating derives support from its ultimate parent, LMEL, we have considered its ESG contribution.

Mining is inherently an environmentally intensive business, with significant implications for land use, waste management, and greenhouse gas emissions. As one of India's integrated iron ore miners and steel producers, LMEL is exposed to evolving environmental regulations. The company has strengthened its ESG framework by embedding environmental stewardship into its operating strategy through initiatives such as use of electrical equipment for mining, beneficiation of low-grade BHQ (banded hematite quartzite) ore, deployment of slurry pipelines to reduce road transportation, installation of pollution control equipment, and adoption of certified environmental and energy management systems. It has also outlined long-term sustainability targets with progressive utilisation of resources. The company also tying up for supply of power for solar and wind for 88 MW. These initiatives are expected to improve resource efficiency and support regulatory compliance.

Regarding social responsibility, beyond operational responsibilities, LMEL continues to invest in community development through education, healthcare, livelihood generation, infrastructure development, and skill enhancement programmes in its mining regions.

On the governance front, the board comprises an optimal mix of executive, non-executive, and independent directors. The company follows comprehensive policies on business ethics, anti-bribery, whistleblower protection, human rights, and sustainable sourcing. The company did not report any material stakeholder grievance or regulatory penalty relating to governance during FY26.

About the company

CALS is an aircraft leasing company incorporated in GIFT City, Gujarat. It is part of LMEL group (through intermediate subsidiaries), which indirectly holds 79.8% in CALS as of March 31, 2026. CALS acquires aircraft assets and leases them to TAPL, an NSOP holder.

About the parent

LMEL is an integrated metals and mining company with operations majorly in Maharashtra, India. The company operates the Surjagarh iron ore mine in Gadchiroli, which has an expanded Environmental Clearance (EC) capacity of 55 MTPA, including beneficiation of Banded Hematite Quartzite (BHQ), providing a strong resource base. As part of its value chain integration strategy, LMEL has direct reduced iron (DRI) facilities with installed capacity of 700,000 TPA, and an operational 85 Kms slurry pipeline from Hedri to Konsari. It has scaled up its pellet-making capacity to 8 MTPA at Konsari, significantly strengthening its logistics integration and downstream value addition. LMEL is in the process of becoming a fully integrated steel producer through a phased capacity expansion programme. Construction of a 1.2-MTPA long steel products plant is underway, and a 3.0-MTPA integrated flat steel project is expected to commence in FY29. The company has outlined an aggregate capex programme of ~Rs 290 billion to support its mining, beneficiation, pelletisation, steel, logistics, and capacity expansion plans through FY32.

LMEL acquired a 79.8% stake in TEIPL in July 2025, getting control of the MDO operations of TEPL. Further, LMEL has expanded its operations globally with strategic investments in copper mining assets in the Democratic Republic of Congo in FY26. The company is jointly promoted by the Gupta and Prabhakaran families, who together hold 61.64% stake as of March 31, 2026, with equal ownership between both the promoter groups.

Recent updates and financial summary

CALS reported negligible revenue and incurred a loss of Rs 8.4 million in FY26 as the operations are yet to commence. The company has, however, drawn external debt of USD 11.8 million as of March 31, 2026. Additionally, capital work-in-progress amounted to USD 29.1 million, reflecting the acquisition of aircraft that have not yet been deployed for operational use.

Key summary financial metrics: (Not meaningful)[3]

3 CALS's financial metrics are not meaningful owing to recent loan disbursements and no operation commencement

Solicitation status

These ratings are solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Details of lender and facility

Instrument	Name of lender	Issue size	Rating
Foreign currency debt	Export-Import Bank of India	USD 23.45 million	CareEdge BB-/Stable

Rating history

Instrument	Type	Rating	Date
Foreign currency debt	Long-term foreign currency	CareEdge BB-/Stable	July 31, 2026

Criteria applied

CareEdge Global’s Corporate Sector Rating Methodology
CareEdge Global's Group Rating Methodology
CareEdge Global’s Operating Leasing Methodology

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