

Bird Worldwide Flight Services India Private Limited

January 06, 2023

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	96.78 (Reduced from 102.36)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	96.78 (₹ Ninety-Six Crore and Seventy-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Bird Worldwide Flight Services India Private Limited (BWFSIPL) factors in healthy recovery in air traffic levels on month-on-month and year-on-year basis mainly due to resumption of international commercial passenger flights in March 2022. The same has resulted in improvement in operational and financial risk profile of the company during current fiscal as its revenue depends majorly on international flight operations. The rating continues to derive strength from the experienced promoters and management team, group's presence at all major airports in India which is supported by the oligopolistic nature of the industry and limited competition. The ratings also continue to take comfort from the company's comfortable capital structure and sustenance of adequate liquidity position. These rating strengths, however, continue to remain constrained by exposure of BWFSIPL towards group entities, regulatory risks and business risks related to the renewal of the contracts and revenue being susceptible to aircraft traffic coupled with geographical concentration risks.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Faster than envisaged improvement in the total operating income reaching to pre-COVID levels with sustained profitability margins above 15% and debt coverage indicators.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Depletion of liquidity buffer of the company on account of higher than envisaged investment, loans & advances into group companies resulting in stretched liquidity position of the company.
- Any adverse impact on the company's cash flows due to uncertainty caused by COVID-19 pandemic
- Any adverse announcement or regulatory directives with regard to the ground handling policy by the government that may impact the financial profile of BWFSIPL adversely
- Higher than envisaged exposure in subsidiary company Bird Worldwide Services Mumbai Private Ltd or any other group company
- Any higher than envisaged debt funded capital expenditure resulting in deterioration in capital structure and stretched liquidity position of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters

BWFSIPL is promoted by the Bird group, with the companies in various verticals, viz, travel technology, airline representation, aviation services and ground handling, hospitality, auto etc. Globe Ground India Pvt Ltd, a Bird group company, is also engaged in the ground handling business for over a decade and is currently operating at Bangalore and Hyderabad airport along with Bird Catering and Lounges Pvt Ltd which is engaged in construction, maintenance and operation of lounges at 5 different

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

airports. The Bird group has received various awards and accolades from customers and airport operator for its ground handling services over time. Mrs. Radha Bhatia, Chairperson of the group has experience of more than 4 decades in various industries like travel and tourism, aviation etc. The Executive Director Mr. Gaurav Bhatia and the management team consist of experienced personnel who have been associated with the aviation industry and have worked at various airports for about for more than 3 decades.

Group presence at major airports in India

Bird group provides services comprising of ground handling, customer management, logistics, ticketing, cargo management, baggage handling, meet and greet facilities with presence at Six major airports in India - Delhi, Cochin, Bangalore, Ahmedabad, Hyderabad, and Mumbai. Bird group has also gained substantial ground handling experience through its group company Globe Ground India Private Limited, providing ground handling services in Bangalore and Hyderabad airport to provide various handling services to several International & Domestic Airlines. Bird Worldwide Flight Services India Private Limited (BWFSIPL), Bird Worldwide Flight Service Mumbai Private Limited (BWFSMPL), Globe Ground India Private Limited (GGIPL), Bird Catering & Lounges (P) Ltd (BCLPL), Bird Air Services and Bird Travels, are Aviation Services Verticals of Bird Group of Companies. Bird group is also awarded with the concession for providing ground handling services at 9 new airports through competitive bidding process which includes Ahmedabad, Lucknow, Mangalore, Mohali, Goa, Imphal, Agartala, Coimbatore, and Trichy. Going forward, any higher-than-expected debt funded capital expenditure for the newly awarded airports thereby impacting the capital structure of the company shall remain key monitorable.

Limited competition: Oligopolistic nature of industry

The ground handling operations at Delhi airport has limited competition with two other operating players i.e Celebi Ground handling Delhi Pvt Ltd and Air India SATS Airport services Pvt Ltd. As per the Aviation Policy 2016, the Ground Handling guidelines, competition is not expected to increase for the existing Ground handlers' (GHs) as it continues with the guidelines of 3 GHs per airport.

Comfortable financial risk profile

The capital structure of the company has undergone change with inclusion of lease liability obligations in the debt as the company adopted Ind-AS for preparing audited financials from FY22. The overall gearing of the company however, remained comfortable at 0.48x as on March 31, 2022 (PY: 0.42x). The total debt of the company stood at Rs. 134.53 crores majorly comprising of finance lease of Rs. 62.26 crores and term loans of Rs. 34.64 crores as on March 31, 2022. The company has satisfactory debt coverage indicators marked by interest coverage of 2.37x in FY22 and average DSCR above 1.3x for the next three years.

Reputed clientele with geographical concentration

The top 10 airlines have contributed only 61.14% in FY22 (PY: 48.99%) to the total operating income of the company. The major contributing airlines includes United Airlines, Air Arabia, Spice jet etc. The annual tariffs are determined by Airports Economic Regulatory Authority of India (AERA) which stipulates the maximum tariff to be paid by airlines in respect of ground handling services based on aircraft type. However, the actual tariff charged to airlines generally varies across ground handling players owing to a host of service-related factors which include on-time performance, manpower management, type and brand of machines, provision of workshop/maintenance services, etc. as well as bundling of various services. The total income of company comprises income from Delhi Airport & Cochin Airport. Delhi airport contributed 76% (PY: 70%) to total sales in FY22 & Cochin airport contributed around 23% (PY: 27%). BWFSIPL derives the benefits from operating at Delhi airport, which is the

busiest airport in India. During the period 7MFY23, the contribution of Delhi airport to the topline of the company stood at around 81% while the rest is from Cochin airport.

Key Rating Weaknesses

Moderation in profitability albeit increasing air traffic movements

The operations of the company are susceptible to regulations surrounding the impact of COVID-19 and the recovery of air traffic movement to pre-COVID levels. CareEdge expects the air traffic movement to reach ~93% of pre-COVID levels in FY22 and 1.12x in FY24. The total operating income of the company witnessed a y-o-y growth of 32% in FY22 to Rs. 159.69 crore vis-à-vis Rs. 121.07 crore in FY22 on the back of increasing traffic at airport; though the same remained below pre-COVID levels. The International airlines contributed around 88% (PY: 87%) to the total sales while domestic airlines contributed around 7% (PY: 9%) in FY22.

The PBILDT margin of the company, moderated to 9.97% during FY22 from 14.35% in FY21 mainly due to increase in concession fee as against relief provided by the authorities in FY21 on account of COVID. The concession fee, freight expenses and cabin cleaning charges are the second highest cost for the company after employee expenses which increased by 43% during FY22. The company generated PAT and Gross Cash Accruals (GCA) of Rs. 1.37 crores and Rs. 14.14 crores respectively during FY22.

The operations have shown improvement in H1FY23 wherein the company reported total income of Rs. 119.78 crores with PBILDT margin of 9.49%. The recurrence of Covid-19 and its impact on air travel shall remain monitorable going forward.

Exposure towards group companies

The company has provided support to group companies in the form of loans and advances and corporate guarantees to support the operations and the working capital requirements of the group companies. The total investments including loans & advances, investments in the form of equity and preference shares amounted to Rs 119.46 crore as on March 31, 2022 as against Rs. 112.23 crore as on March 31, 2022 which constituted around 49% of the total net worth of the company. Further, the company has also provided corporate guarantees on behalf of its group companies and the same stood at Rs 203.34 crore (PY: Rs 150.59 crore) as on March 31, 2022. The adjusted overall gearing after considering the exposure towards group companies and investment made in group companies stands at 2.56x as on March 31, 2022 (PY: 1.92x). Going forward, any higher than envisaged exposure towards group companies shall remain a key rating monitorable.

Regulatory risks persist; however, uncertainty reduces in light of the aviation policy 2016

As per the ground Handling (GH) guidelines under the new policy of 2016, competition is not expected to increase for the existing GHAs as it continues with the guidelines of around 3 GHA per airport and while self-handling for domestic airlines has been continued. Also, it doesn't allow for ground handling by airlines for other airlines. However, being part of the regulated industry, the company's revenues are susceptible to changes in government policies.

Liquidity: Adequate

The liquidity position of the company is adequate backed by moderate cash and bank balance of Rs. 23.97 crore as on March 31, 2022. The company's current ratio stood comfortable at 1.68x as on March 31, 2022. The total debt repayment obligation of the company during FY22 stands at Rs 14.17 crore out of which the company has already repaid around Rs 8.45 crore till December 2022, while the remaining will be paid during Q4FY23. The gross cash accruals for FY23 are projected to be around Rs. ~18 crore. The average working capital utilization remains low at 46.77% over the last 12 months ended November 2022. The company has FDs of around Rs. 55 crore as on December 2022 including free FD of Rs. ~10 crore.

Analytical approach: Standalone, however factoring support provided to group companies in terms of investment, loans & advances and corporate guarantee

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company

Bird Worldwide Flight Services (India) Pvt Ltd (BWFSIPL) is a part of Bird group of companies and is engaged in providing ground handling services to airlines. BWFSIPL started operations in January 2009 and currently operates at the Delhi International Airport and Cochin International airport under concession agreement with the said airport authorities. BWFSIPL had entered into concession agreement with Delhi International Airport Ltd (DIAL) to provide ground handling services for 10 years from Jan 2009 till Jan 2019. The same has been renewed for a period of 10 years w.e.f January 01, 2020 (December 31, 2029). The agreement with Cochin International Airport Ltd (CIAL) has been renewed for 7 years from June 2017 to June 2024. As per the agreement, BWFS is required to pay 18% and 46% of gross turnover each month as royalty charges to DIAL and CIAL, respectively, apart from the charges for the utilities consumed.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)	9MFY23 (UA)
Total operating income	121.07	159.69	119.78	NA
PBILDT	17.37	15.93	11.36	NA
PAT	5.26	1.37	5.97	NA
Overall gearing (times)	0.42	0.48	0.51	NA
Interest coverage (times)	1.87	2.37	6.61	NA

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	15.00	CARE A-; Stable
Non-fund-based-Long Term		-	-	-	35.00	CARE A-; Stable
Term Loan-Long Term		-	-	30/11/2026	46.78	CARE A-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	15.00	CARE A-; Stable	-	1)CARE A-; Stable (03-Mar-22) 2)CARE A-; Stable (18-Feb-22)	1)CARE A-; Negative (31-Mar-21) 2)CARE A- (CW with Negative Implications) (05-Jun-20)	1)CARE A (CW with Negative Implications) (31-Mar-20)
2	Term Loan-Long Term	LT	46.78	CARE A-; Stable	-	1)CARE A-; Stable (03-Mar-22) 2)CARE A-; Stable (18-Feb-22)	1)CARE A-; Negative (31-Mar-21) 2)CARE A- (CW with Negative Implications) (05-Jun-20)	1)CARE A (CW with Negative Implications) (31-Mar-20)
3	Non-fund-based-Long Term	LT	35.00	CARE A-; Stable	-	1)CARE A-; Stable (03-Mar-22) 2)CARE A-; Stable (18-Feb-22)	1)CARE A-; Negative (31-Mar-21) 2)CARE A- (CW with Negative Implications) (05-Jun-20)	1)CARE A (CW with Negative Implications) (31-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Non-fund-based-Long Term	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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