Bird Worldwide Flight Services India Private Limited

February 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	84.29 (Reduced from 96.78)	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating of bank facilities of Bird Worldwide Flight Services India Private Limited (BWFSIPL) are reaffirmed, deriving strength from experienced promoters and management team, group's presence across major airports in India, supported by the oligopolistic industry and limited competition. The rating also takes comfort from the company's comfortable capital structure and adequate liquidity position. It also takes cognisance of the improving business profile of BWFSMPL in FY23 (FY refers to April 01 to March 31) and 9MFY24, backed by revival in the airline sector post the COVID-impaced turbulence in the aviation industry.

However, the rating is constrained by regulatory risks and business risks related to contract renewals and revenue susceptible to aircraft traffic with geographical concentration risks. It is also constrained by BWFSIPL's exposure to group entities through investments, loans and advances, and corporate guarantees (CGs), which significantly increased in FY23 due to additional ground-handling of new airports in the portfolio under GSEC Bird Airport Services Private Limited.

Rating sensitivities: Factors likely to lead to rating actions

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

- Growing total operating income (TOI) above ₹400 crore with improving profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 15% on a sustained basis.
- Significantly reducing exposure towards subsidiaries and group companies.

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

- Liquidity buffer of the company depleting due to higher-than-envisaged investment and loans and advances into group companies, resulting in stretched liquidity position.
- Adverse government announcements or regulatory directives regarding ground-handling policy, impacting BWFSIPL's financial profile adversely.
- Higher-than-envisaged exposure in subsidiaries or group companies through investments, loans and advances or CGs, resulting in adjusted overall gearing above 2.25x.

Analytical approach

Standalone, factoring support provided to group companies through investments, loans and advances, and CGs.

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') opinion that company will continue benefitting from growing air passenger traffic to reach 1.09x of pre-pandemic levels in FY24 post the V-shaped traffic recovery in FY23 and continue through FY25 at an estimated compounded annual growth rate (CAGR) of 14% over FY23-FY25.

Detailed description of the key rating drivers

Key strengths

Group presence at major airports in India

The Bird group provides services comprising ground-handling, customer management, logistics, ticketing, cargo management, baggage handling, and meet-and-greet facilities at six major airports in India – Delhi, Kochi, Bengaluru, Ahmedabad, Hyderabad, and Mumbai. The group has also gained substantial ground-handling experience through its group company, Globe Ground India Private Limited (GGIPL), providing ground-handling services to international and domestic airlines at Bengaluru and Hyderabad airports. BWFSIPL, BWFSMPL, GGIPL, Bird Catering & Lounges (P) Ltd (BCLPL), Bird Air Services and Bird Travels, are aviation services verticals of the Bird Group of Companies. The group, through competitive bidding process, is also awarded with the concession for providing ground-handling services at 10 new airports – Ahmedabad, Lucknow, Mangaluru, Mohali, Goa, Imphal,

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

Agartala, Coimbatore, Trichy, and Konkan. Going forward, higher-than-expected debt-funded capex for the newly awarded airports impacting the company's capital structure will be key monitorable.

Limited competition; oligopolistic industry

Ground-handling operations at Delhi airport has limited competition with two other operating players – Celebi Ground Handling Delhi Private Limited and Air India SATS Airport services Private Limited. Per Ground Handling guidelines of the Aviation Policy 2016, competition is not expected to increase for existing ground-handlers as it continues with guidelines of three ground-handlers at each airport. Two ground-handling agencies are currently operating at the Cochin International Airport – Air India SATS Airport services Private Limited and Bird Worldwide Flight Services India Private Limited.

Comfortable financial risk profile

The company's capital structure has undergone change with inclusion of lease liability obligations in debt as it adopted Ind-AS for preparing audited financials from FY22. However, overall gearing remained comfortable at 0.58x as on March 31, 2023 (PY: 0.55x). Total debt (TD) stood at ₹148.79 crore, mainly comprising lease liability of ₹77.80 (PY: ₹81.56 crore), term loans of ₹41.65 crore (PY: ₹35.97 crore), working capital borrowings of ₹29.34 crore (PY: ₹19.94 crore) as on March 31, 2023. The company has satisfactory debt coverage indicators, marked by interest coverage of 2.24x in FY23 and average debt service coverage ratio (DSCR) above 1.70x for next three years.

Reputed clientele with geographical concentration

Top 10 airlines have contributed only 56.18% in FY23 (PY: 61.14%) to the company's TOI. Major contributing airlines includes United Airlines, Air Arabia, and Spice Jet, among others. Annual tariffs are determined by the Airports Economic Regulatory Authority of India (AERA), which stipulates the maximum tariff to be paid by airlines for ground-handling services basis aircraft type. However, the actual tariff charged to airlines generally varies across ground-handling players owing to a host of service-related factors, including on-time performance, manpower management, type and brand of machines, provision of workshop or maintenance services, among others, and bundling of various services. The company's total income comprises income from Delhi airport and Cochin airport. Delhi airport contributed 82.84% (PY: 76%) to total sales in FY23 and Cochin airport contributed about 17.16% (PY: 23%). BWFSIPL derives benefits from operating at the Delhi airport, the busiest airport in India. In 9MFY24, Delhi airport contributed about 78.56% (PY: 81%) to the top-line of the company, while the rest is from Cochin airport.

Experienced promoters and management team

BWFSIPL is promoted by the Bird group, with companies in verticals such as travel technology, airline representation, aviation services and ground-handling, hospitality, and auto among others. GGIPL, a Bird group company, is also engaged in ground-handling business for more than a decade and is currently operating at Bengaluru and Hyderabad airports with BCLPL, which is engaged in constructing, maintaining, and operating lounges at different airports. The Bird group has received awards and accolades from customers and airport operators for ground-handling services over time. Radha Bhatia, Chairperson of the group, has more than four decades of experience in industries such as travel and tourism and aviation, among others. Gaurav Bhatia is the Executive Director, and the management team consists of experienced personnel who have been associated with the aviation industry, having worked at airports for about for more than three decades.

Key weaknesses

Moderate profitability margins, although increasing air traffic movements in FY23 and 9MFY24

The company's operations are susceptible to changing government regulations around COVID-19 and the pace of recovery towards pre-COVID levels. CARE Ratings expects air passenger traffic to reach 1.09x of pre-pandemic levels in FY24 post V-shaped traffic recovery in FY23 and continue through FY25 at an estimated compounded annual growth rate (CAGR) of 14% over FY23-FY25. The company's TOI grew by 73.20% y-o-y in FY23 to ₹276.58 crore as against ₹159.69 crore in FY22 on back of increasing traffic at airports, although the same remained below pre-COVID levels. International airlines contributed about 86% (PY: 88%) to total sales while domestic airlines contributed about 12.05% (PY: 7%) in FY23.

PBILDT margin remained stable at 9.98% in FY23 from 9.21% in FY22, which moderated from earlier years mainly due to increasing concession fees as against relief provided by authorities in FY21 due to COVID. Concession fees, freight expenses, and cabin cleaning charges are the second-highest cost for the company after employee expenses, which increased by 31.45% in FY23. The company generated profit-after-tax (PAT) and gross cash accruals (GCA) of ₹3.17 crore and ₹23.04 crore, respectively, in FY23.

With improving operations in 9MFY24, the company reported a total income of ₹256.54 crore with a PBILDT margin of 13.67%. COVID-19 recurrence and its impact on air travel will remain monitorable, going forward.

Exposure towards group companies

The company has provided support to group companies through loans and advances and CGs for supporting operations and working capital requirements of group companies. Total investments, including loans and advances and investments through equity and preference shares amounted to ₹122.55 crore as on March 31, 2023, as against ₹119.45 crore as on March 31, 2022, which constituted about 48% of the company's total net worth. The company has also provided CGs on behalf of its group companies, which increased to ₹132.75 crore as on March 31, 2023, as against ₹87.81 crore as on March 31, 2022. Adjusted overall gearing after considering the exposure towards group companies and investments made in them stood at 2.16x as on March 31, 2023 (PY: 2.31x). Going forward, higher-than-envisaged exposure towards group companies will remain key rating monitorable.

Regulatory risks; however, uncertainty reducing doe to Aviation Policy 2016

Per the ground-handling (GH) guidelines under the new policy of 2016, CARE Ratings does not expect competition to increase for existing ground-handling agents (GHAs) as it continues with guidelines of about three GHAs per airport, while self-handling for domestic airlines has been continued. It also does not allow ground-handling by one airline for another. However, as part of a regulated industry, the company's revenues are susceptible to changes in government policies

Liquidity: Adequate

The company's liquidity position is adequate, backed by moderate cash and bank balance of ₹24.92 crore as on March 31, 2023. TD repayment obligation in FY24 stands at ₹11.55 crore, against which the company has already repaid about ₹9.38 crore up to December 2023, while the remaining will be paid in Q4FY24. GCA for FY25 is projected to be about ₹31.01 crore, against which repayment obligations will be ₹12.51 crore. Average working capital utilisation is low at 25.38% over last 12 months ended December 31, 2023. The company has fixed deposits (FDs) of about ₹57 crore as on December 31, 2023, including free FD of about ₹14 crore.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport services	Transport-related services

BWFSIPL is part of the Bird group of companies and is engaged in providing ground-handling services to airlines. It commenced operations in January 2009 and currently operates at the Delhi International Airport and Cochin International Airport under concession agreement (CA) with airport authorities. BWFSIPL had signed a CA with Delhi International Airport Limited (DIAL) for providing ground-handling services for 10 years from January 2009 to January 2019. The same has been renewed for 10 years from January 01, 2020, to December 31, 2029. The agreement with Cochin International Airport Limited (CIAL) has been renewed for seven years from June 2017 to June 2024 and renewed again for five years to June 2029. Per the agreement, BWFSIPL is required to pay 18% and 46% of gross turnover each month as royalty charges to DIAL and CIAL, respectively, apart from charges for utilities consumed.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	159.69	276.58	256.54
PBILDT	14.71	27.60	35.00
PAT	-5.60	3.17	17.00
Overall gearing (times)	0.55	0.58	NA
Interest coverage (times)	1.27	2.24	NA

A: Audited; UA: Unaudited. Note: The above are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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	34.29	CARE A-; Stable

Annexure-2: Rating history for 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 2023-2024	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
1	Fund-based-Long term	LT	15.00	CARE A-; Stable	-	1)CARE A-; Stable (06-Jan-23)	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)
2	Term loan-Long term	LT	34.29	CARE A-; Stable	-	1)CARE A-; Stable (06-Jan-23)	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)
3	Non-fund-based-Long term	LT	35.00	CARE A-; Stable	-	1)CARE A-; Stable (06-Jan-23)	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)

*LT: Long Term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of 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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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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