

August 05, 2025

Menzies Aviation (Bengaluru) Private Limited: Rating upgraded to [ICRA]A+(Stable)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loan	86.00	86.00	[ICRA]A+(Stable); Upgraded from [ICRA]A(Stable)
Unallocated	39.00	-	-
Total	125.00	86.00	

*Instrument details are provided in Annexure I

Rationale

The rating upgrade for Menzies Aviation (Bengaluru) Private Limited (MABPL) favourably factors in the stabilisation of cargo operations with healthy growth in volumes and operating revenues in FY2025, aided by strong growth in international cargo volumes and tariff hikes. The company has registered a healthy year-on-year growth in cargo volumes of around 16% (adjusted for operational days in FY2024). Given the healthy growth in international cargo volumes and tariff hike, the operating margins improved to 25.0% in FY2025 from 10.4% in FY2024. Although the cargo volume growth is likely to moderate in FY2026 amid higher base in FY2025 and disruptions expected due to geopolitical tensions, the operating income (OI) is projected to increase to more than Rs. 290 crore in FY2026 against Rs. 267 crore in FY2025, supported by the healthy tariff hike.

The rating factors in the company's strong market position in cargo handling operations at Bangalore International Airport Limited (BIAL), along with the established track record of the sponsor, Menzies Aviation Limited (MAL), in undertaking cargo operations with global presence across more than 360 airports in 65 countries. MABPL is promoted by MAL, which holds 74% of the shareholding with the remaining 26% held by BIAL. MABPL has successfully taken over the cargo terminal operations from May 24, 2023 at Bangalore International Airport, which was earlier operated by Menzies Aviation Bobba (Bangalore) Private Limited (Menzies Bobba). At present, MABPL is the sole operator of domestic cargo services and one of the two operators of international cargo operations at BIAL. Further, the rating derives comfort from the presence of BIAL as a joint venture partner, which is expected to result in operational synergies.

The rating is, however, constrained by the inherent vulnerability of MABPL's business operations to the cargo traffic at the Bangalore International Airport, which is susceptible to geopolitical tensions and adverse economic developments in India or globally. Additionally, the company faces competition from the other cargo operator at the Bangalore International Airport for its international operations. Further, stiff competition from the other operator may impact the tariffs charged by MABPL from its airline customers. Any significant migration of customers or loss of market share, going forward, will be a credit negative. Nevertheless, given the long-term contracts with major airlines and global arrangements with Menzies Aviation Limited, the risk of airlines shifting to the competitor is mitigated to a large extent. The company is undertaking capex of Rs. 228.1 crore, which was approved by the regulator as a part of the tariff regulation. MABPL had completed the construction of a newly domestic cargo terminal and the same was put to commercial use from February 17, 2025. The company incurred Rs. 122 crore for the domestic cargo terminal and expects to incur Rs. 100 crore for the refurbishment of the existing international terminal, which is likely to be completed by Q1 FY2027. Nevertheless, successful completion of capex within the budgeted costs and timelines and no major disallowance from AERA remains a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that MABPL's credit profile will be supported by healthy growth in revenues, driven by tariff hikes as per the regulatory framework, which is expected to result in adequate debt coverage metrics, commensurate with the rating level.

Key rating drivers and their description

Credit strengths

Healthy growth in volumes and tariff hike resulted in improvement in earnings – The company has recorded cargo volumes of around 2.97 lakh MT in FY2025 from 2.19 lakh MT in FY2024 (May 24, 2023 - March 31, 2024) and has registered a healthy year-on-year growth of around 16% (adjusted for operational days in FY2024). The international cargo volumes have seen a significant growth of 31% amid the Red Sea crisis. Given the healthy growth in international cargo volumes and tariff hike as per the first control period (CP1, FY2024-FY2028, effective from November 20, 2023 to March 31, 2028) tariff order, the operating income increased by 72% to Rs. 267 crore in FY2025 from Rs. 155 crore in FY2024. The operating margins have improved to 25.0% in FY2025 against 10.4% in FY2024. Although the cargo volume growth is expected to moderate in FY2026 amid higher base in FY2025 and disruptions in cargo volumes on account of geopolitical tensions, the operating income (OI) is projected to increase to more than Rs. 290 crore in FY2026, supported by the healthy tariff hike. The tariffs have been increased by 27% and 17% on domestic and international terminal, storage and processing (TSP) charges, respectively. Additionally, there has been 12% and 10% hike on domestic and international airline fee in FY2026.

Established track record of sponsor in undertaking cargo operations and presence of BIAL as a sponsor – MABPL is promoted by MAL and holds 74% of the shareholding with the remaining 26% held by BIAL. MAL has an established track record in undertaking cargo operations, fuel, and ground handling services with global presence across more than 360 airports in 65 countries. MAL had earlier held 49% shareholding in Menzies Bobba, which was operating the cargo terminal at Bangalore International Airport. The presence of MAL as the sponsor in the earlier entity has helped MABPL in the smooth takeover of operations from Menzies Bobba from May 24, 2023, and helped it in retaining majority of the customers. Further, the presence of BIAL as a joint venture partner is expected to result in operational synergies.

Adequate coverage metrics – Given the stabilisation of operations, improved cargo volumes and presence of tariff order for the next three years, the operating revenues are expected to improve resulting in improvement in the debt service coverage ratio (DSCR). The company was sanctioned an external term loan of Rs. 85 crore for undertaking the capex, out of which Rs. 45 crore was drawn down and the balance loan is likely to be drawn down in FY2026 for the refurbishment of the international cargo terminal. The company has also availed promoter loan of Rs. 93 crore from Menzies Aviation Limited and is subordinated to the external term loan. Adjusted for the debt obligations of promoter debt, the DSCR is estimated to remain above 3.0 times in the medium term (FY2026 – FY2028).

Credit challenges

Exposed to residual project completion risk – The company has completed the construction of the new domestic cargo terminal and the same was put to commercial use from February 17, 2025. Further, it is currently undertaking the refurbishment of the existing international terminal, which are likely to be completed by Q1 FY2027. It is incurring a total capex of around Rs. 100 crore for the refurbishment of the existing terminal. This capex is likely to be funded through the balance term loan draw down of Rs. 40 crore, balance equity infusion of Rs. 13 crore from Menzies Aviation Limited and the balance through the existing cash balances. The balance equity infusion from Menzies is expected to come by September 2025 and the company has free cash balance of around Rs. 65 crore as on June 30, 2025. Nevertheless, successful completion of capex within the budgeted costs and timelines and no major disallowance from AERA remains a key monitorable.

Potential risk of client loss and pricing pressure due to competition – MABPL faces competition from the other cargo operator at the Bangalore International Airport. Any significant migration of customers or loss of market share, going forward, will be a

credit negative. Nevertheless, given the long-term contracts with major airlines and global arrangements with Menzies Aviation Limited, the risk of airlines shifting to competitor operator is mitigated to a large extent. Further, the competition from the other operator may impact the tariffs charged by MABPL from its airline customers, notwithstanding the tariff hikes approved by the AERA.

Vulnerability of revenues to fluctuations in cargo volumes at Bangalore International airport – MABPL’s cargo operations remain inherently vulnerable to the cargo traffic at the Bangalore International Airport, which is susceptible to geopolitical tensions and adverse economic developments in India or globally.

Liquidity position: Adequate

MABPL’s liquidity position is adequate. The company has cash balances of around Rs. 65 crore as on June 30, 2025. The balance capex of Rs. 100 crore is expected to be met by undrawn debt of Rs. 40 crore, equity infusion of Rs. 13 crore, and internal cash accruals. The company has external debt repayments of Rs. 6.8 crore and Rs. 15.5 crore in FY2026 and FY2027, which can be serviced comfortably from its estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA may upgrade MABPL’s rating upon significant increase in cargo volumes resulting in improvement in earnings, debt coverage metrics and liquidity position on a sustained basis.

Negative factors – The rating could be downgraded if there is a material decline in earnings, thereby adversely impacting its debt coverage metrics and liquidity position on a sustained basis. Further, significant increase in indebtedness of the company or dilution in debt structure will be credit negative. Specific triggers for a rating downgrade include decline in adjusted DSCR to less than 1.8 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Menzies Aviation (Bengaluru) Private Limited (MABPL) was incorporated in August 2022 and has won the service provider rights for the cargo operations at Bangalore International Airport for 15 years. MABPL is a joint venture between Menzies Aviation Limited (MAL) holding 76% and Bangalore International Airport Limited (BIAL) holding 26% of equity in the company. MABPL will operate, maintain and upgrade the cargo terminal at the Bangalore International Airport. It will provide domestic and international cargo handling and warehousing services to various airlines as well as carrying and forwarding (C&F) agents at the airport. The new concession period shall be for a period of 15 years and MABPL has commenced operations from May 24, 2023.

Key financial indicators (audited)

As per IGAAP accounting	FY2024	FY2025
Operating income	155.1	267.3
PAT	8.9	47.3
OPBDIT/OI	10.4%	24.9%
PAT/OI	5.7%	17.7%
Total outside liabilities/Tangible net worth (times)	4.2	2.4
Total debt/OPBDIT (times)	5.1	2.0
Interest coverage (times)	3.5	9.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 05, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	86.00	[ICRA]A+ (Stable)	Jun-17-2024	[ICRA]A (Stable)	-	-	Mar-07-2023	[ICRA]A (Stable)
Unallocated limits	Long-term	-	-	Jun-17-2024	[ICRA]A (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term Loan	NA	NA	Jun 30, 2030	86.00	[ICRA]A+(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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