CareEdge Global assigns a 'CareEdge BBB+/Stable' rating to the dollar bonds of Mumbai International Airport Ltd

USD 750 million Foreign Currency Bonds	CareEdge BBB+/ Stable

CareEdge Global has assigned a Long-Term Foreign Currency rating of **'CareEdge BBB+/Stable'** to the USD 750 million bonds of Mumbai International Airport Limited (MIAL).

Rationale

The rating is driven by established market position as operator of India's second busiest airport - Chhatrapati Shivaji Maharaj International Airport (CSMIA), high predictability of regulated returns from the aeronautical (aero) segment, and healthy growth in non-aeronautical (non-aero) revenues given the demographics of the catchment area. The financial profile also remains adequate with comfortable leverage and debt coverage metrics, significant improvement in the capital structure post completion of the rights issue of Rs 3,240 crore[1] (~USD 370 million) in June 2025, and a sufficient liquidity position (of Rs 1,041 crore [~USD 119 million] as of July 23, 2025). The rating is further supported by a well-defined cashflow waterfall structure, which prioritises bond servicing coupled with a distribution lock-up mechanism.

These strengths are partially offset by large capital expenditure (capex) of ~Rs 6,263 crore (~USD 715 million) already approved by the regulator plus Rs 3,500 crore (~USD 400 million) on incurrence basis, planned for the fourth control period (FY25-FY29). This capex is projected to be largely funded from internal accruals based on certain assumptions pertaining to passenger traffic and their spending on airport services. Risk to cash flow would arise in interim if actual passenger traffic during the period is lower-than-projected. Nonetheless, the capex, being part of a regulated business, is fully recoverable in subsequent years by way of tariff adjustments. MIAL is also exposed to a) foreign exchange (forex) risk since hedging of the USD 750 million foreign currency debt maturing in 2029 is rolled over on an annual basis (as per the board approved hedging policy), and b) refinancing risk owing to this debt being non-amortising with a bullet repayment. The refinancing risk is mitigated to some extent by the long tail available till concession expiry.

Further, MIAL also remains exposed to potential contagion risk of Adani Group-related matters

[1] USD-INR exchange rate of 87.59 as of August 12, 2025

primarily for funding, and the same shall be monitorable. However, this risk is mitigated to some extent with the Airports Authority of India (AAI; a statutory body of the Government of India) being a 26% shareholder in MIAL and having three nominee directors on the board. As per the Operations, Management and Development Agreement (OMDA) signed with AAI for 30 years till April 2036, MIAL shares 38.7% of its gross revenue with AAI annually resulting in a high economic incentive for the latter as it contributes a sizeable share of AAI's total revenue, holds the balance 26% shareholding. The OMDA is extendable by another 30 years till 2066. AAI remains an active shareholder in MIAL, having three nominee directors on the board, and has a high economic incentive with a 38.7% revenue share.

Outlook

The stable outlook reflects CareEdge Global's expectation that MIAL's business and financial profile would continue to be driven by its strong market position and cash flows in the near to medium term.

Rating Sensitivities

Upward factors

- Higher-than-projected revenues from the non-aero segment
- Significant improvement in FFO to Debt to above 22% on a sustained basis
- As well as an upward revision in India's credit rating (rated, 'CareEdge BBB+/ Stable Unsolicited') or rating outlook

Downward factors

- Significant decline in passenger traffic/ share of non-aero revenue impacting MIAL's cash flows, or higher than expected debt-funded capex impacting MIAL's financial metrics
- Non-maintenance of adequate liquidity position and/ or forex risk arising on account of unfavorable market rates during roll-over at expiry of hedge instruments
- Downward revision in India's credit rating or rating outlook

Analytical Approach

CareEdge Global has analysed the business and financial risk profiles of MIAL on a standalone basis owing to the regulated nature of its business and ring-fenced cash flows.

The debt and financials of its 74% subsidiary, Navi Mumbai International Airport Ltd (NMIAL), have not been consolidated since its funding requirements are expected to be directly supported by Adani Airport Holdings Limited (AAHL)/ Adani Enterprises Ltd (AEL), and management has articulated that no funding/ financial support will be provided by MIAL. This analytical treatment is also in line with MIAL's bond documents.

Inter-corporate loan from AAHL/ promoters to MIAL amounting to Rs 2,181 crore (~USD 249 million) as on March 31, 2025 (nil* as on date), have been treated as 'neither debt nor equity' (NDNE) given that it is sub-ordinated to the rated bonds, there is no fixed repayment schedule, interest payments are deferrable, and any payment is subject to availability of distributable surplus as per cashflow waterfall structure defined in bond documents.

*MIAL completed rights issue of Rs 3,240 crore (~USD 370 million) in June 2025. From the proceeds, ~Rs 2,200 crore (~USD 251 million) was utilised to repay the entire inter-corporate loan from AAHL.

Key Rating Drivers

Strengths

Robust market position and strong passenger traffic as the operator of India's 2nd busiest airport

MIAL operates India's second busiest airport, CSMIA, handling around 55 million passengers in fiscal 2025. Strategically located in Mumbai - one of the world's most densely populated cities and India's financial capital – the airport benefits from strong demand with limited competition for international travel within its catchment area.

While MIAL's traffic was impacted due to pandemic-induced disruptions resulting in lower traffic during FY21-FY23, it fully recovered by FY24 and posted ~3% growth in FY25, constrained by its airside capacity owing to a single runway infrastructure. CSMIA, India's 2nd busiest airport, 14th busiest in Asia and 31st in the world, is a leading international gateway to India, accounting for 13.4% of India's air passenger traffic. Further, MIAL handled 889,900 MT of cargo in fiscal 2025 (24% of India's total air cargo), underscoring its significance as a major logistics hub.

However, going forward, MIAL's business interests would be intertwined with those of its subsidiary NMIAL, which is expected to commission a 20 million passenger per annum (mppa) capacity airport in September 2025 under phase-1 of its project. NMIAL's airport would be at a distance of only ~35 km from that of MIAL and thus would cater to the same populace to a large extent. While common ownership (to the extent of 74%) shall ensure synergy benefits and optimal coordination, the ability of MIAL to minimise operational disruptions and align stakeholders, such as airlines, cargo operators, employees, etc., would be crucial.

These airports may not face demand risk since the market is in short supply. Airside capacity constraints at MIAL resulted in slower growth in passenger traffic during past ten years as compared to the growth in the country resulting in potential pent-up demand. Therefore, MIAL and NMIAL shall be able to cater to the robust demand in Mumbai Metropolitan Region (MMR) while maintaining healthy levels of traffic and capacity utilisation.

Regulated business ensuring a fair rate of return

MIAL's aeronautical (aero) revenue is regulated by the Airport Economic Regulatory Authority of India (AERA). Being a regulated business, MIAL is entitled to a fair rate of return (FRoR) on the incurred capital, computed for a control period (CP) of five years, along with the provision of true-up/ true-down post the CP to compensate for deviation from FRoR. The current CP, i.e., fourth CP, is valid from April 2024 till March 2029 and assures an FRoR of 12.74% to MIAL as per the tariff order of May 2025.

While actual cash flows during a control period could be lesser in case of lower-than-projected passenger traffic, this is fully compensated by way of tariff revision in the subsequent CP by the regulator. This framework ensures the FRoR is realised over a longer period notwithstanding interim periods of lower cash flows or capital return.

MIAL operates on a hybrid till model, wherein 30% of the non-aero revenue (duty-free, cargo, retail space, food & beverages, etc.) is also considered in the computation of FRoR besides the aero revenue. The share of the non-aero segment has remained around 60% over the last four years (FY25: 62%). This diversified revenue mix and cross-subsidy reduce aero charges, making it more competitive. Generally, the returns on the non-aero segment are higher than the aero segment, incentivising the operators to optimise the airport operations and increase efficiency. MIAL's emphasis on increasing non-aero and city-side development (CSD) revenue is expected to strengthen its revenue mix further.

Well-defined cashflow waterfall mechanism; cash flows ring-fenced from NMIAL

MIAL has a well-defined 16-step cashflow waterfall and protection mechanism for the foreign currency bondholders in the form of a graded distribution linked to DSCR and maintenance of financial covenants.

The rated bond has covenants of capping net debt to EBITDA at 5.0x and a minimum DSCR of 1.10x. As per bond documents, testing is done every six months, and 100% of distributable surplus is available for distribution only if DSCR exceeds 1.55x. In case of DSCR falling below 1.55x, the maximum distribution allowed is restricted to 75% of funds in the distribution account, further declining to 50% at DSCR below 1.40x and nil if DSCR goes below 1.20x. Also, bond documents stipulate maintenance of the DSRA equivalent of six months of ensuing debt obligations and six months of capex reserve along with a provision to maintain hedge reserve.

The credit profile of bonds benefits on account of these structural features. MIAL's cash flows are ring-fenced from NMIAL, and any support to NMIAL is expected to be provided by AAHL / AEL. We have provided a one-notch uplift to the core credit profile on account of these legal and structural features.

Improving financial risk profile post full recovery from Covid-19

MIAL's debt has reduced to Rs 6,587 crore (~USD 752 million) as of March 31, 2025, from ~Rs 8,500 crore (~USD 970 million) as of March 31, 2022, resulting from higher EBITDA and accruals. As of date, MIAL's external debt comprises of notes of USD 750 million with bullet repayment in June 2029. The company's coverage and leverage metrics have improved in the past three years. Interest cover on the senior debt stood at 2.5x in fiscal 2025 (FY22: 1.9x) and is expected to improve to over 3.0x by fiscal 2029. Net debt to EBITDA was comfortable at 3.6x in fiscal 2025 (FY22: 5.9x). While the rated bonds have a covenant to cap net debt to EBITDA at 5.0x, CareEdge Global expects it to remain within 3.5-4.0x over FY26-FY29.

MIAL completed the rights issue of Rs 3,240 crore (~USD 370 million) in June 2025, in which AAI also participated and infused Rs 840 crore (~USD 96 million) of fresh capital. Of the total Rs 3,240 crore raised, ~Rs 2,200 crore (~USD 251 million) was utilised to repay the inter-corporate loans from AAHL. In comparison, the remaining Rs 1,040 crore (~USD 119 million) is expected to be utilised for capital expenditure. MIAL's financial risk profile and capital structure have improved significantly post the rights issuance.

MIAL reported contingent liabilities of Rs 1,621 crore (~USD 185 million) as of March 31, 2025, mostly related to income / indirect tax disputes, matter relating to capex out of passenger service fee, claims towards water resource development charges and other operational disputes. The company's financial position may get impacted in case of crystallisation of these liabilities.

Weaknesses

Exposure to refinancing and forex risk

MIAL's rated external debt has a bullet repayment in July 2029 and hence remains exposed to refinancing risk. There exists a tail period of around seven years, considering the expiry of OMDA in 2036, which is further extendable by another 30 years till 2066. However, the risk of non-extension of OMDA is limited, considering the company's consistent operating metrics and high economic incentive to AAI.

MIAL is also exposed to forex risk as most of its revenue is in Indian rupee while debt is USD-denominated. The company has entered into one-year cross-currency swaps for hedging the entire debt.

Typically, hedge instruments in India are available for up to 5 years and need to be rolled over. The hedge roll-over premiums and availability are market-linked. We have factored in the annual hedging cost of up to 2.15% as part of interest cost. In our stress case, we have assumed an annual hedging cost of 2.5%. CareEdge Global expects the coverage ratios to remain within the tolerance level of 'BBB+' in the stress case as well.

CareEdge Global views forex risk at moderate level and has accorded a negative modifier of 1 notch on account of currency risk, given the operational intensity and risks related to ensure fully hedged protection over the entire tenure of the instrument.

Sizeable capex plans exposing MIAL to cashflow risk associated with passenger traffic

MIAL has planned significant capital expenditure during the fourth control period (FY25–FY29), which is largely dependent on internal cash flows, exposing the company to risks associated with lower-than-projected passenger traffic.

AERA has approved a capex of ~Rs 6,263 crore (~USD 715 million) for the 4th control period plus a capex of ~Rs 3,500 crore (~USD 400 million) on an incurrence basis. This capex is expected to be funded with a mix of equity / internal accruals and debt.

As per current plans, MIAL is likely to experience a temporary decline in passenger volumes due to the planned closure in a phased and sequential manner for refurbishment of Terminal 1 (subject to necessary approvals from regulator/stakeholders), which has a capacity of 15 million passengers per annum (mppa). During this period, Terminal 2 of MIAL is expected to absorb only five mppa of additional traffic. During this period, the volume of international traffic is expected to be impacted, which in turn could affect MIAL's cash flows in the aero as well as non-aero segments. Large debt-funded capex, coupled with lower-than-expected accruals during the CP, could adversely impact MIAL's financial risk profile in the interim and till the time such impact is addressed by the regulator by way of revised tariff order in the next control period. The company mitigates such risk by maintaining liquidity buffer and the same shall be a monitorable for us.

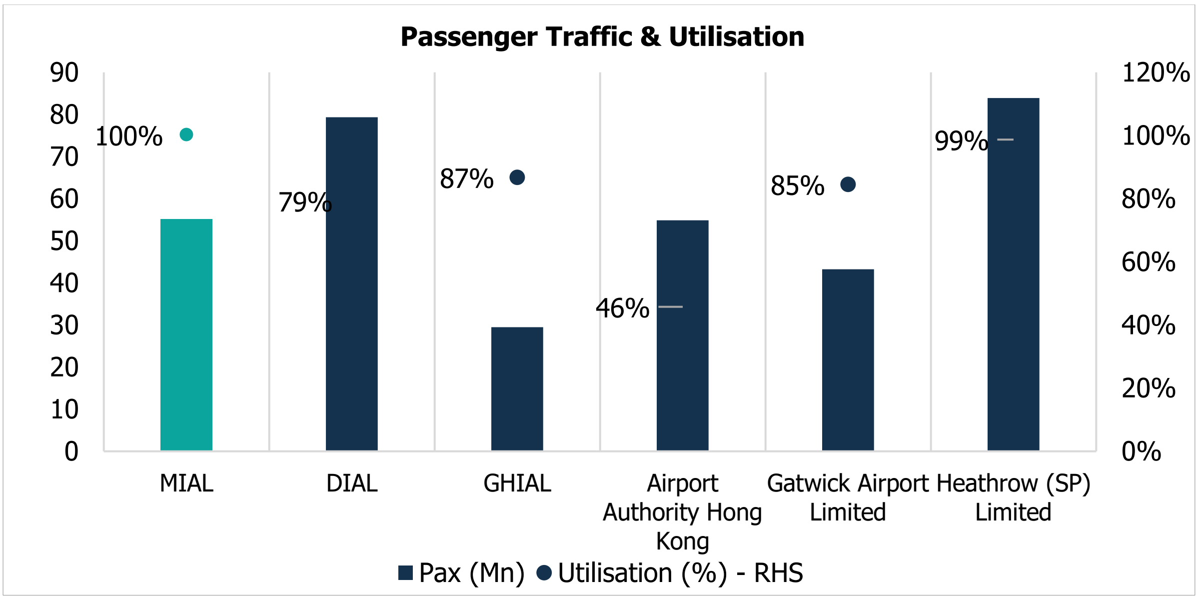
Exposure to regulatory risk

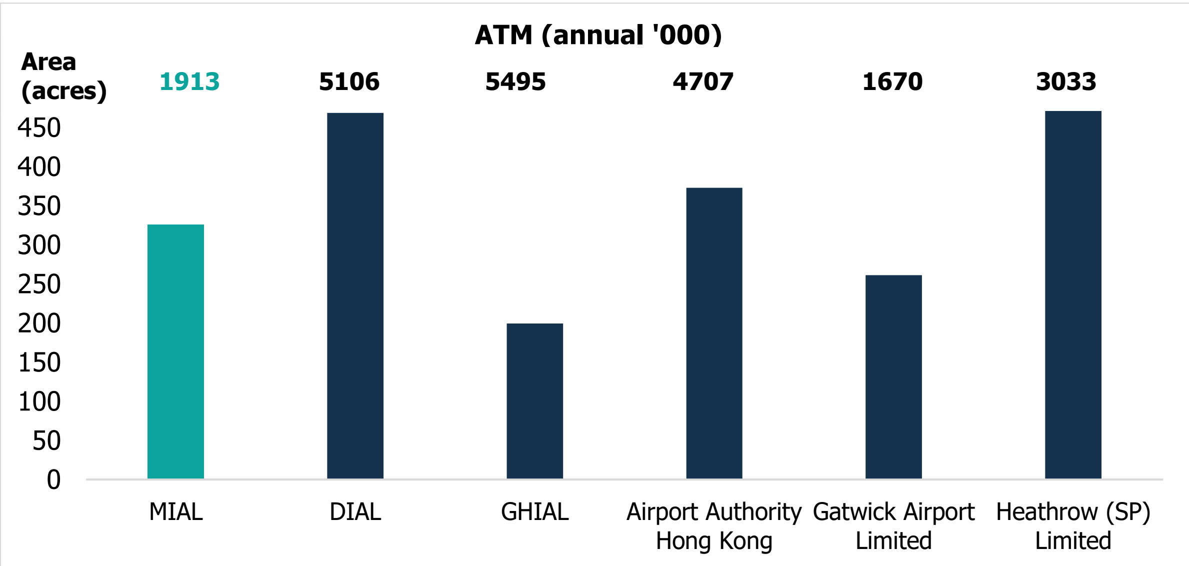
While India has a well-balanced regulatory framework for airport operators, it has not fully evolved compared to global standards. MIAL therefore remains exposed to regulatory risks – primarily pertaining to delays in the issuance of tariff orders and variations in admissibility of capex under the aero classification. Airport operators in India have seen the introduction of the Hybrid-Till model for tariff calculation during their concession period, underscoring the regulatory risk. Similarly, issue pertaining to authority of regulator over the imposition of tariff for non-aero services are currently sub-judice, indicating uncertainty on this matter. Therefore, Indian airport operators remain exposed to any major regulatory changes in the policy or approach.

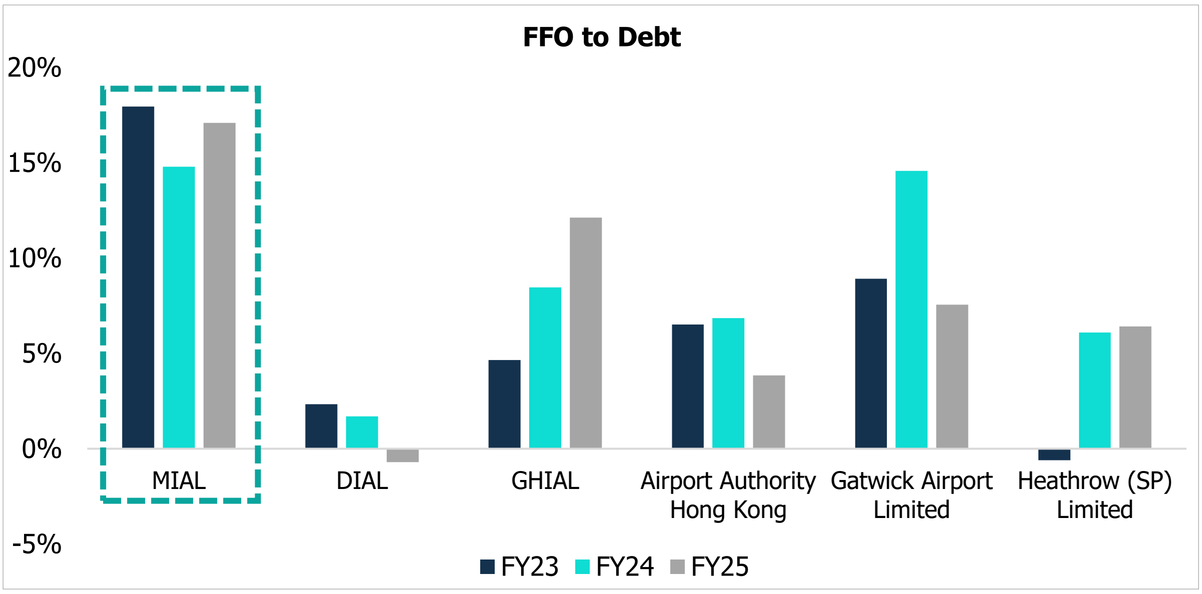
Liquidity

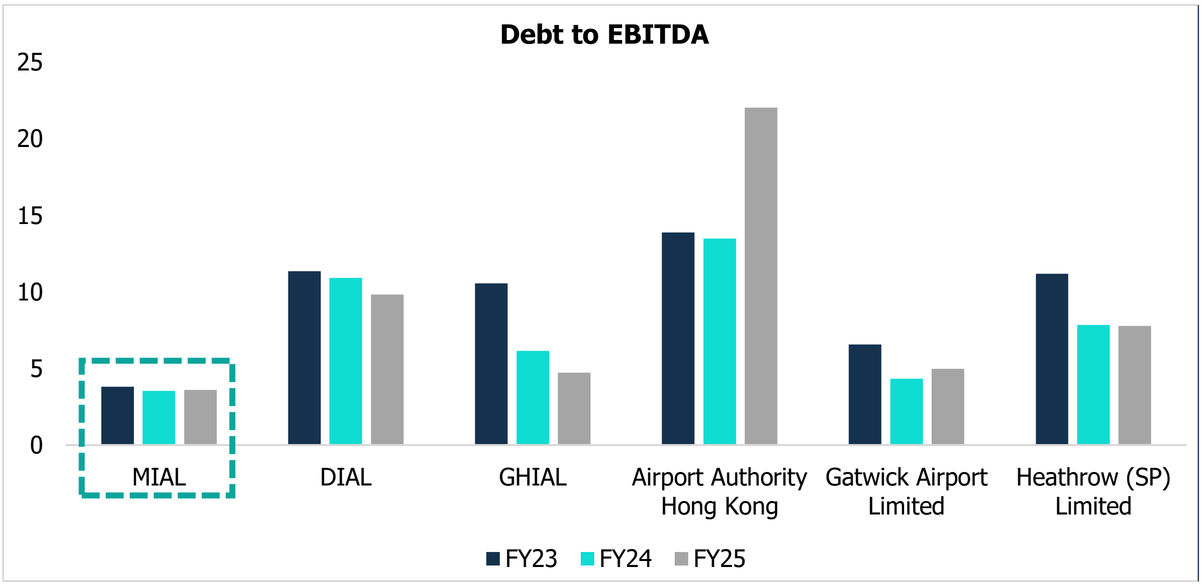
MIAL's liquidity position is adequate with total cash and cash equivalents of Rs 1,041 crore (~USD 119 million) as of July 23, 2025, against no major principal payments (bonds have a bullet payment with only interest servicing in the interim). The unencumbered cash and bank balances stood at Rs 446 crore (~USD 51 million) as of July 23, 2025. The company has created interest servicing reserve and capex reserve of six months each as per the bond documents. Maintaining adequate liquidity going forward would be important from a credit perspective owing to the risk associated with non-aero revenues, a large part of the cost structure being fixed in nature and a sizeable capex planned over the 4th CP to be largely funded by internal accruals.

Comparison with other airports









DIAL: Delhi International Airport Ltd

GHIAL: GMR Hyderabad International Airport Ltd

Airport Authority Hong Kong manages the Hong Kong International Airport

FY represents period ending in December of previous calendar year for Gatwick Airport Ltd & Heathrow (SP) Ltd.

Environmental, Social and Governance (ESG) considerations

CSMIA has established a robust ESG framework centred on sustainability, governance, and social impact. Terminal 2 is certified Platinum by the Indian Green Building Council, reflecting its commitment to green infrastructure. The airport currently sources 5% of its energy from rooftop solar, with plans to further expand renewable energy usage.

CSMIA enforces a 100% single-use plastic-free policy and achieves zero water discharge by recycling treated water for non-potable uses. Energy efficiency measures include LED lighting, HVAC system optimisation, and the use of smart sensors. Waste is systemically segregated, composted, and managed through initiatives such as reverse vending machines for plastic recycling.

Governance is upheld through a well-structured board comprising independent and AAI-nominated directors. On the social front, CSMIA actively supports initiatives in education, healthcare, and environmental conservation programmes, with a strong emphasis on gender equality and cultural preservation.

About the company

MIAL was established in 2006 as a public-private partnership (PPP) between AAI and GVK Group. In 2021, AAHL acquired a 74% stake in MIAL from GVK Group and other shareholders, with AAI retaining the remaining 26% stake.

MIAL operates under the regulatory oversight of the Airport Economic Regulatory Authority (AERA). MIAL has been granted rights to operate, manage and develop the airport under the OMDA, which was signed with AAI. Under OMDA, MIAL shares 38.7% of its gross revenue with AAI annually.

MIAL is the 2nd busiest airport in India, 14th in Asia & 31st globally by passenger tariff. It serves more than 65 domestic and international airlines. AAHL, as India's largest airport operator, manages eight airports and handles 23% of the country's passenger traffic and 29% of its cargo volume.

Solicitation Status

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

Details of Instruments

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Issue Size	Rating
Foreign Currency Bonds	XS3088218469	June 20, 2025	6.95%	July 30, 2029	USD 750 million	CareEdge BBB+/Stable

Rating History

Instrument	Type	Rating	Date
Foreign Currency Bonds	Long-Term Foreign Currency (Solicited)	CareEdge BBB+/ Stable	August 13, 2025

Criteria Applied

CareEdge Global's Corporate Sector Rating Methodology

Analytical Contacts
Ankit Kedia
ankit.kedia@careedgeglobal.com

Abhilash Dash
abhilash.dash@careedgeglobal.com

Siddhi Jain
siddhi.jain@careedgeglobal.com

Media Contact
Mradul Mishra
mradul.mishra@careedge.in

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CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
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