

PRESS RELEASE

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Indian airport passenger traffic growth in FY2026 likely to mark post-Covid low: ICRA

- Grounding of airlines as well as cross border tension during Q1 FY2026 dampen full year growth prospects
- Capex of more than Rs. 1,00,000 crore are expected over the next 4-5 years

Rating agency ICRA has revised its projection for the growth of overall airport passenger traffic¹ in FY2026 to around 5-7% YoY to reach 430-440 million from its earlier estimate of 7-9%, marking a moderation from the expansion of ~9% to reach 412 million in FY2025. The downward revision is a result of the cross-border tensions and lower aircraft availability owing to fleet inspections, post the fatal aircraft crash in June 2025, that compressed passenger traffic growth during 5M FY2026. The 5-7% growth in FY2026 is likely to be the lowest post-Covid.

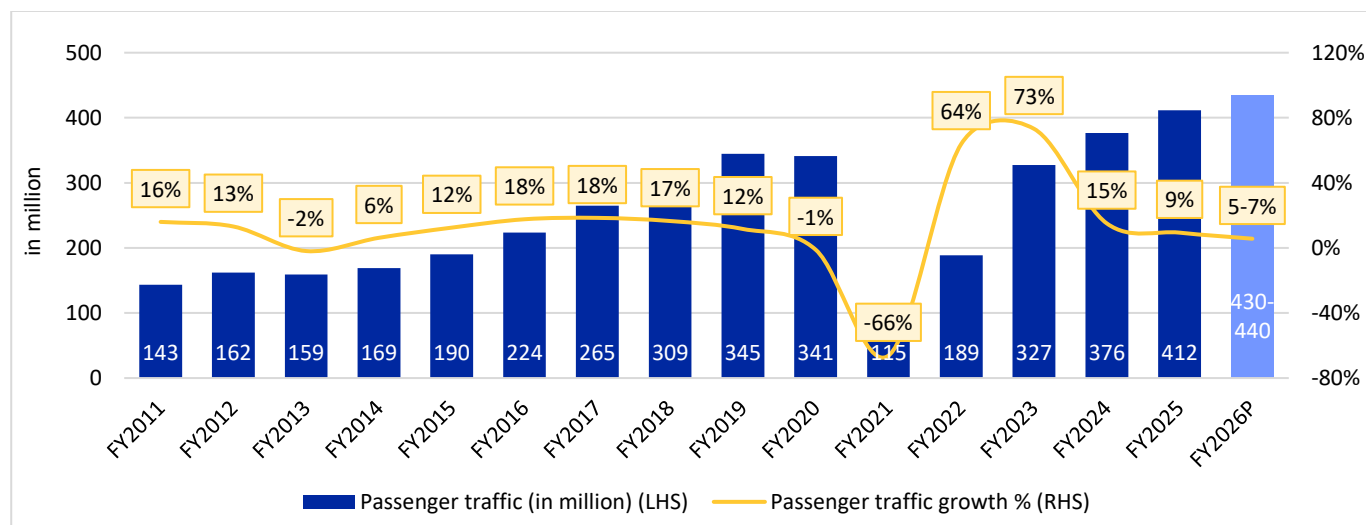
The moderate growth in FY2026 will be supported by strong expansion in international travel amid improving connectivity to newer destinations, continued uptick in leisure and business travel in the domestic segment and start of operations of new greenfield airports in H2 FY2026. Nevertheless, geopolitical tensions and US trade wars are likely to pose a threat to these estimates.

The passenger traffic for 5M FY2026 recorded a modest rise of 3% to 170 million compared to 165 million in 5M FY2025, lower than ICRA's earlier estimates. The domestic passenger traffic growth is expected to moderate to 4%-6% to reach 348-355 million in FY2026, amid lower growth of 2.6% registered during 5M FY2026. However, international passenger traffic is likely to see a better growth of 7-10% in FY2026 to reach around 82-85 million in FY2026.

Giving more insights, **Vinay Kumar G, Sector Head, Corporate Ratings, ICRA**, said: *"International traffic continues to outpace domestic traffic growth, driven by healthy international tourism activity, along with improved connectivity to newer destinations. The healthy rise in international traffic will augur well for the airport sector, given that it is relatively more remunerative than domestic traffic. The revenues of ICRA's sample set companies are likely to increase by 7-8% in FY2026, and adjusted for one-time income in FY2025, the same is higher at 15-16% in FY2026, driven by substantial increase in aeronautical tariffs at Delhi International airport, increase in passenger traffic and ramp-up in non-aeronautical revenues."*

¹ Refers to both domestic and international passengers across all airports in India

EXHIBIT 1: TREND IN PASSENGER TRAFFIC (IN MILLION)



Source: AAI, ICRA Research; Includes both domestic as well as international traffic

The overall air cargo volume growth is likely to ease to 4-6% in FY2026 from 10% in FY2025, on the back of expectation of lower growth in international cargo volumes amid the US trade war and high base effect of last fiscal (the Red sea crisis had led to a surge in air cargo volumes from Q4 FY2024 to Q3 FY2025). During FY2024, international cargo volumes saw a higher growth of 9% compared to 2% in domestic cargo volumes during the height of the Red Sea crisis. Further, the positive impact of the Red Sea crisis on cargo traffic continued in FY2025, with the international cargo volumes expanding by 13.6%. However, domestic cargo volumes are likely to increase by 5-7% compared to 2-4% growth in international volumes, supporting the overall volumes in FY2026. The international cargo volume growth moderated to 4% during 5M FY2026, while the domestic cargo volume saw a growth of 6%.

The sector will continue to record substantial capex. Investments of more than Rs. 1,00,000 crore are expected over the next 4-5 years, including greenfield airports in Jewar (Noida), Navi Mumbai, Bhogapuram, Parandur (Chennai), Purandar (Pune), brownfield expansions in Bangalore, Hyderabad, Cochin, Mumbai and Nagpur and upgradation of airports under the Airports Authority of India (AAI).

Commenting on the airport operators' financial performance, **Kumar** said: "The operating margins are likely to remain healthy at around 51-52% during FY2026-FY2027. After completion of capex at some of the key airports, the interest expense is expected to increase (which were earlier capitalised), resulting in some moderation in interest coverage during FY2026. However, given the healthy profitability margins, the debt coverage metrics are expected to remain comfortable over FY2026-FY2027. The credit profile of airport operators is projected to remain stable, supported by healthy accruals and comfortable liquidity."

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