



INDIAN AIRPORT INFRASTRUCTURE

Indian airports lag significantly when compared to their international counterparts on non-aero yields

SEPTEMBER 2021



Average non-aero yield per pax for major private airports in India stood at US\$ 3.8 during FY2018 – FY2020 compared to yield per pax ranging between US\$ 5.7 to US\$ 16.4 for major airports across the world. Given the limited history of airport privatisation in India and evolving customer spending behavior, Indian airports still have a significant room for improvement to maximise commercial revenues



- Increasing trend in share of non-aero revenues has been witnessed at major private airports in India. Aero to non-aero mix at private airports changed from 67:33 in FY2017 to 49:51 in FY2020. Non-aero revenue share further increased to 57% in FY2021 due to higher impact of pandemic on aero revenues.
- The share of aero revenues is higher for AAI-operated airports at 78% in FY2021 as focus is less on non-aero yield due to low passenger throughput at majority of tier II and tier III airports, lower international traffic, passenger profile travelling through these airports and relatively low spend by the travellers.



- Average non-aero yields per pax across major PPP airports during FY2018 – FY2020 stood at US\$ 3.8. Aeronautical revenues are regulated in nature, where returns are capped. To enhance returns, airport operators need to improvise their non-aero revenue segments and real estate revenues. Non-aero yield per pax at private airports in India is low as compared to major airports across the world.



- Aircraft and passenger traffic witnessed 54% and 66% YoY decline respectively in FY2021 due to Covid-19 pandemic. Further, the second wave of pandemic is expected to result in delayed recovery. With expected ramp-up in traffic in FY2022, aero-revenues are likely to increase by 68% and non-aero revenues by around 67% with an overall revenue growth of 67% in FY2022 at major private airports and AAI operated airports.



- 45% increase in capacity is planned at major existing private airports by CY2023 at a total project cost of Rs. 30,000 crore. Two new greenfield airports – Noida International airport and Navi Mumbai - are under-construction in close proximity of existing private airports – Delhi and Mumbai. The phase 1 of the both the projects is expected to be operational by FY2025-FY2026 with total capacity of 22 million pax. No major impact is expected on the existing airports as the passenger traffic is expected to reach near peak utilisation levels at MIAL and DIAL by FY2026.



- The outlook on the airport infrastructure sector is Negative. The Covid-19 pandemic has impacted the sector adversely during FY2021. Further, the second wave of pandemic in Q1 FY2022 has resulted in delayed recovery in traffic. Domestic passenger traffic is expected to return to pre-Covid levels in FY2023 and international traffic in FY2024. Passenger traffic is expected to witness ~72% YoY growth in FY2022 as per ICRA's base case scenario. The growth drivers for the sector in medium term are - improvement in pace of vaccination, resumption of international commercial operations, improvement in business and leisure travel, ramp-up of non-aero revenues and real estate commercialisation at major private airports.

1 Industry Outlook



2 Impact of Covid-19 on traffic and revenues



3 Revenue Mix of Major Airports in India



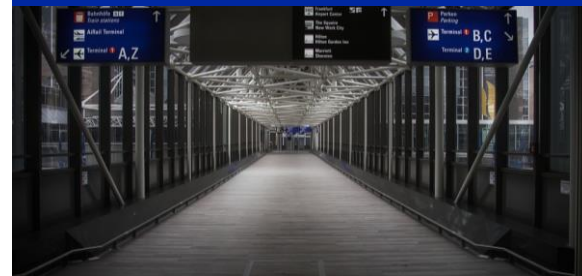
4 Aeronautical Revenues – Regulated in Nature



5 Non-Aeronautical Revenue – An Untapped Potential



6 Capacity Addition at Private Airports



7 | ICRA Ratings in the Sector





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