

INDIAN AIRPORT INFRASTRUCTURE

West Asia crisis will impact international passenger traffic growth; domestic demand likely to be impacted by sharp spike in aviation fuel price

MARCH 2026





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The overall passenger traffic growth is expected to moderate to 1.8-2.5% in FY2026 to reach 419-422 million, lower than ICRA's earlier estimate of 430-440 million. However, the passenger traffic growth is likely to rebound to 4-6% in FY2027 to reach 435-445 million. Steady demand for domestic travel in leisure and business segments and long-term demand potential for international travel is expected to support the passenger traffic growth. Nevertheless, speedy resolution of West Asian crisis remains key.



- Passenger traffic[@] for 11M FY2026 witnessed a moderate growth of 2.9% to 386 million over 376 million in 11M FY2025, lower than ICRA's earlier estimates of 5-7%, on the back of geopolitical tensions, lower availability of aircrafts, supply disruptions caused by flight duty time limitations (FDTL) restrictions and cross-border tensions. Given the escalating tensions in West Asia, overall passenger traffic in FY2026 is likely to grow by around 1.8-2.5% to reach 419-422 million. Nevertheless, as per ICRA's estimates, passenger traffic growth is likely to rebound to 4-6% in FY2027 to reach 435-445 million. However, the on going West Asian crisis is likely impact the passenger traffic growth and will pose a threat to our estimates.



- Since the start of the West Asian crisis, international traffic volumes at Indian airports dropped sharply from March 1, 2026, with passenger and aircraft traffic falling nearly 30% MoM, driven by airspace closures and temporary suspension of key airports across the Gulf, leading to flight cancellations, re-routings, and lower capacity deployments. While near-term cash inflows may moderate, overall financial impact on airports is likely to remain limited, supported by tariff true-up mechanisms and healthy coverage metrics.



- Revenues for ICRA's sample set* are likely to grow by 7-9% in FY2027, supported by moderate growth in passenger traffic, increase in aeronautical revenues amid implementation of new tariff orders for the control period (CP), and ramp-up of non-aeronautical and real estate revenues. The operating margins are likely to remain stable at around 50-51% in FY2026 and 49-50% during FY2027.



- Aircraft traffic[#] growth is likely to remain muted at 0-1% in FY2026, on the back of lower growth in domestic aircraft volumes amid supply side constraints, FDTL restrictions, and the West Asian crisis. Nevertheless, ICRA expects aircraft traffic growth to improve to 2.5-3.5% in FY2027, supported by higher growth in domestic aircraft movements, albeit to be impacted by high ATF prices. International aircraft traffic growth is likely to be impacted partly by West Asian crisis and ensuing global economic activity.



- Capex investments in airport infrastructure are likely to remain high with more than Rs. 1,00,000 crore of expected capex over the next 4-5 years, including new greenfield airports, brownfield expansions and expansion of airports under the Airports Authority of India (AAI).

[@] Passenger traffic at airports including domestic, international and transit passengers; ^{*}ICRA's sample set includes Delhi International Airport, Bangalore International Airport, GMR Hyderabad International Airport, Cochin International Airport and Airports Authority of India; ATF: Aviation turbine fuel

[#]Aircraft traffic refers to the movement of aircraft across airports in the country

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