

PRESS RELEASE

April 14, 2021

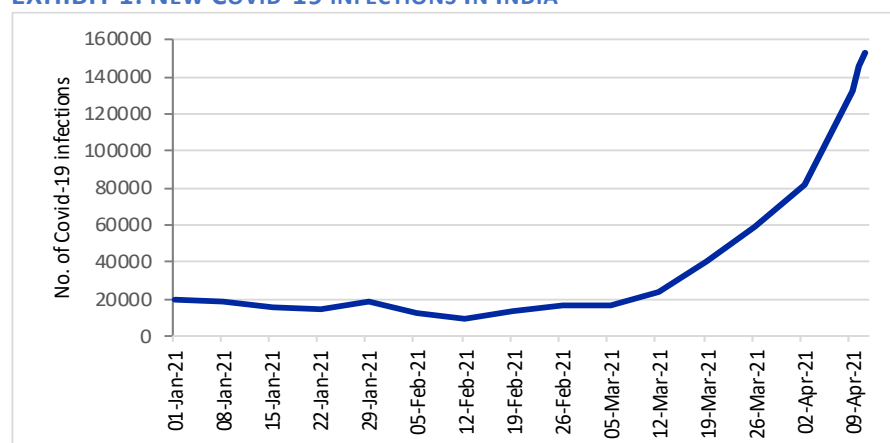
Spike in Covid-19 infections and fresh restrictions imposed by states would delay the recovery of domestic passenger traffic at Indian airports: ICRA

- Domestic passenger traffic is likely to witness M-o-M de-growth of 15%-17% in April 2021
- Strong on-balance sheet liquidity of airport operators is expected to support the sector in near-term

Post resumption of airport operations from May 25, 2020, the ramp up in domestic passenger traffic had been steadily reaching 64% of previous year levels in February 2021. Considering similar trend, domestic traffic was expected to grow at 125% in FY2022 after an estimated de-growth of 61% in FY2021. However, the recent spike in the Covid-19 cases towards March end and early April 2021 has resulted in several state governments implementing fresh restrictions. In addition to the passengers being apprehensive for air travel, domestic airports are mandating negative covid-19 test reports for travel and imposing mandatory home quarantine measures, which will adversely impact the passenger traffic in April 2021. The fresh restrictions in turn will have an adverse bearing on airport operators cash flows and debt coverage metrics.

Mr. Shubham Jain, Senior Vice President, Corporate Ratings, ICRA, said, "The average daily number of departing passengers during March 2021 stood at 2.49 lakh. During April 6, 2021 to April 11, 2021 there has been dip of 11%-12% in domestic passenger traffic as compared to the average of March 2021. With the rising cases and the fresh restrictions imposed in many states till April 30, 2021, the air travel is likely to be curtailed to an extent and the domestic passenger traffic is expected be lower by 15%-17% M-o-M in April 2021."

EXHIBIT 1: NEW COVID-19 INFECTIONS IN INDIA



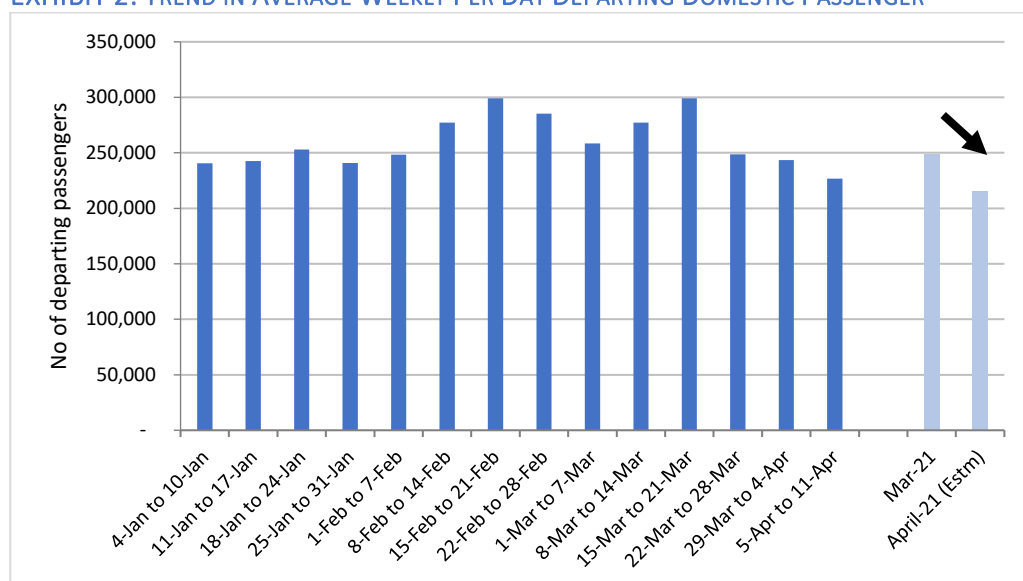
Source: WHO (covid19.who.int)

The average new covid-19 cases per day were at around 17,500 in January 2021, declining to around 12,700 in February 2021. However, the infections have been on an increasing trend since March third week with average cases per day around 34,000. This has spiked up significantly in first eleven days of April 2021 with average of

1.10 lakh cases per day and highest number of covid-19 cases has been reported in India on April 11, 2021 at 1.53 lakh.

The increase in infections forced many state governments to implement fresh covid-19 restrictions during last two-three weeks including air travel for the passengers. Around 15 states have mandated a negative RT-PCR test report from all or some arriving passengers, few states have imposed mandatory home quarantine for seven days, couple of states require mandatory E-pass and all the states have compulsory thermal screening to be done at airports. With the rise in the cases across metros, new restrictions cannot be ruled out, which could further impact the traffic movement.

EXHIBIT 2: TREND IN AVERAGE WEEKLY PER DAY DEPARTING DOMESTIC PASSENGER



Source: MOCA, ICRA research

“Assuming Covid-19 infection rate subsides over the next few weeks with the support of mass vaccination programme and the restrictions by various states are lifted from May 2021, domestic passenger traffic growth is expected to be lower by 4%-6% during FY2022 than ICRA’s earlier estimates. The prolonged delay in recovery of second wave of Covid-19 could result in higher than expected decline in traffic estimates which in turn will have an adverse impact on cash flows and coverage metrics of the airport operators. However, the airport operators¹ are sitting pretty on huge cash balances estimated at around Rs. 5,700 crore as on March 31, 2021. This would support the credit profile of the operators in the near-term,” **Mr. Jain** added.

¹ Aggregate data for four major private airports and 126 public funded airports

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