

**PRESS RELEASE**  
**November 24, 2021**

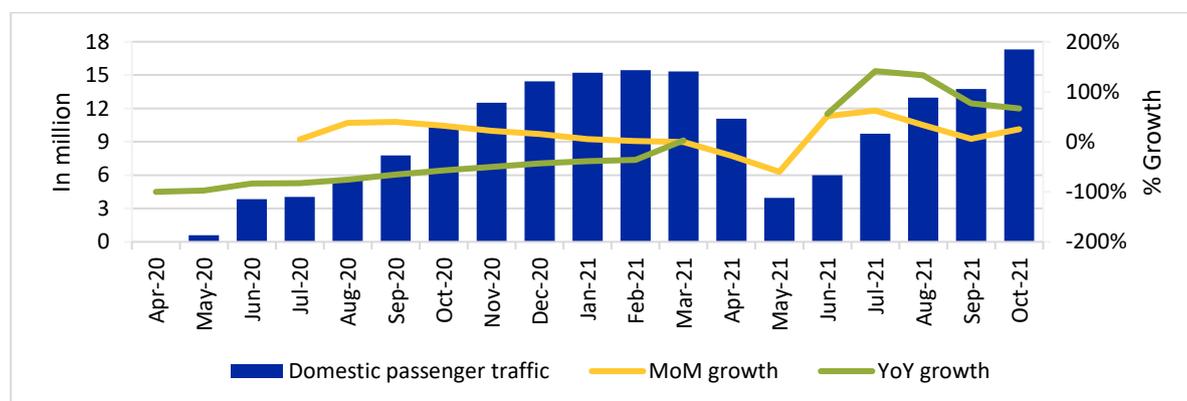
**After reporting operating loss last year, airport infrastructure sector to turnaround with operating profits of Rs. 3200 crs in FY2022: ICRA**

- **Domestic traffic has witnessed healthy M-o-M growth since June 2021 with traffic reaching 72% of pre-Covid levels in October 2021, highest since start of pandemic. The passenger traffic is expected to witness 82%-84% Y-o-Y in FY2022**
- **The outlook on the airport infrastructure continues to remain Negative**

Domestic passenger traffic has increased consecutively for five months after the slowdown witnessed in April and May 2021 due to second wave of pandemic. The easing of Covid-19 restrictions by state governments, dip in new covid infections, healthy pace of vaccination and pickup in leisure travel has resulted in sequential domestic passenger traffic growth during June 2021 – October 2021 with the same reaching 17.3 million in October 2021 (highest since the start of pandemic in March 2020). The significant ramp up in vaccination, decline in Covid-19 cases and pick up in revenge leisure travel are supporting the growth in domestic passenger traffic. This is further supported by the recent decision of the Ministry of Civil Aviation (MoCA) to increase the domestic capacity deployment to 100% of pre-Covid levels with effect from October 18, 2021.

**Giving more insights, Mr. Rajeshwar Burla, Group Head, Corporate Ratings, ICRA, says, “As per ICRA’s base case scenario, the passenger traffic growth is now estimated at 82%-84% Y-o-Y in FY2022 as against earlier projection of 71%-73% Y-o-Y. This is factoring in the assumption that impact of third wave (if any) to be low due to mass vaccination. In the recently released tariff orders for some of the major private airports, Airports Economic Regulatory Authority (AERA) has acknowledged the adverse impact of Covid-19 pandemic on the airport operators. The true-up of traffic for FY2021 has been considered in current control period. Further, considering the impact of second wave of pandemic on air traffic in Q1 FY2022, the regulator has decided not to increase the tariff for FY2022 as the sector is in the recovery phase and increase in tariffs had made with effect from April 1, 2022. Given the low traffic on one side and ongoing/upcoming capacity expansion plans at major private airports on the other side, the decision to continue with same tariff for FY2022 is expected to impact the airport operators temporarily.”**

**EXHIBIT 1: MOM GROWTH IN DOMESTIC PASSENGER TRAFFIC**



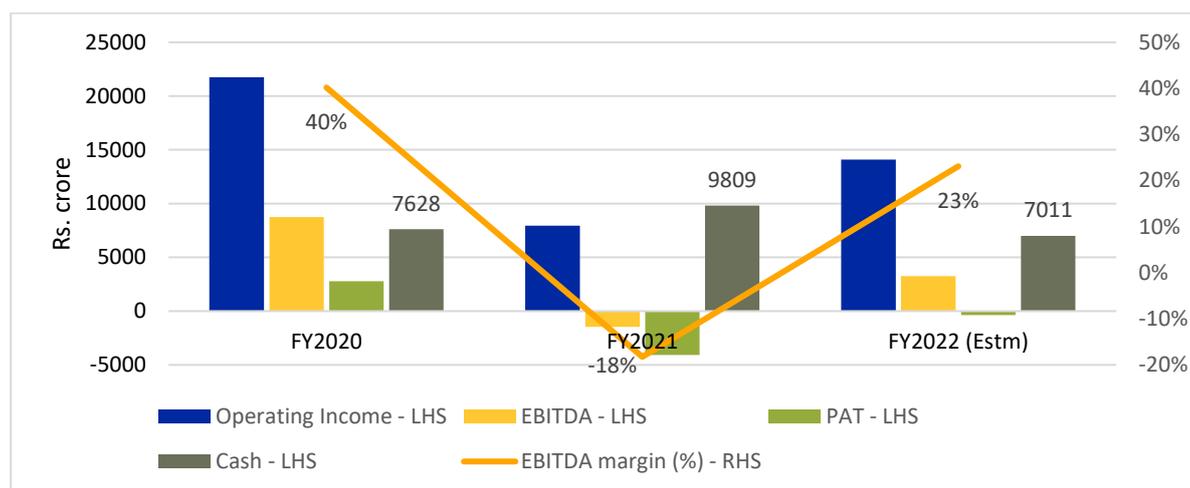
Source: AAI, ICRA research; \*domestic operations were closed from March 25, 2020 - May 24, 2020

ICRA notes that due to Covid-19 pandemic, the ongoing capacity expansion plans at the major airports are expected to be delayed by 12 to 18 months. The completion cost is expected to increase due to increase in interest during

construction (IDC) as some of the airports have funded capex with bullet bonds which have been drawn down at once.

Although the ramp-up in domestic passenger traffic has been steady since second wave of pandemic, ban on international commercial operations since March 2020 and the rise in Covid infections again in Europe and other international regions is expected to delay the recovery of international traffic. However, the same is expected to recover back to pre-Covid levels by FY2024

#### EXHIBIT 2: TRENDS IN OPERATING INCOME, PROFITS AND CASH BALANCE FOR THE SECTOR



Source: ICRA Research; aggregate data for four major private airports and AAI operated airports; \*cash includes amount earmarked for capex

“The sector’s operating income (OI) and operating profits are estimated at Rs. 14,000 crores and Rs. 3,250 crores (operating loss of Rs.1450 crores in FY2021) respectively in FY2022. With the improvement in the operating margins and the consequent cash flows in FY2022, the interest coverage and DSCR are expected to improve to 1.8x and 1.2x respectively. The strong on balance-sheet liquidity is expected to support the sector in the near term. The airport infrastructure industry was one the worst hit sectors due to covid-19 pandemic. The outlook on the airport infrastructure continues to remain Negative. ICRA expects domestic air travel to recover back to pre-Covid levels by FY2023 and the international sector by FY2024,” **Mr. Burla added.**

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