

Airport & Airport services

Industry Code (as per CMIE Prowess): 0101040503020000'

June 2022

Overall Industry Risk Score: 12/20 Marginally Favourable

Sample Size: 4 Companies

Median Rating Value of sample size: A+

Individual Parameters Contributing to the Score

Demand & Supply Balance  **8/20**

Moderate Over Supply

The air traffic volumes were impacted severely during FY21 due to the lockdowns and restrictions on travel. The airports across the country have faced huge overall losses due to contraction in traffic during FY21. Though the volumes have steadily improved in the second half, a sustainable revival in utilisation rates is dependent on the trajectory of economic recovery. The Indian Airline operators are expected to add 100-110 aircrafts every year from FY22 in order to connect several global points. The airport connectivity is expected to improve over the medium term, albeit in a gradual manner.

Extent of Competition  **16/20**

Low competition/ Entry Barriers

Since almost all cities have a single airport as of now, competition is limited at present. The entry of new players like Akasa and privatisation of Air India is expected to intensify the competitive pressures in the sector. The possibility of resumption of services by Jet Airways will change the competitive landscape. The initiatives to develop alternative airports in certain major cities such as Mumbai, NCR augur well for the sector. The increasing presence of private players is a major development which is expected to improve the investment in the airport segment.

Regulatory Risk 12/20

Predictable Regulatory environment

Since airports come under the control of government agencies (Ministry of Civil Aviation and Airports Authority of India), there is a strong regulatory framework; the tariff mechanism is well laid out for the private sector operators. Initiatives like UDAN will support the growth of the sector.

Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources of Raw Materials with rare, occasional disruptions/ fairly predictable price band

No major challenges in respect of existing airports. For new projects, the land acquisition could be a challenge.