Market Intelligence
& Analytics

CRISIL
An S&P Global Company

Assessment of Indian travel QSR and Global lounges industry

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Consulting

Contents

List of figures

List of tables

1. Macroeconomic assessment

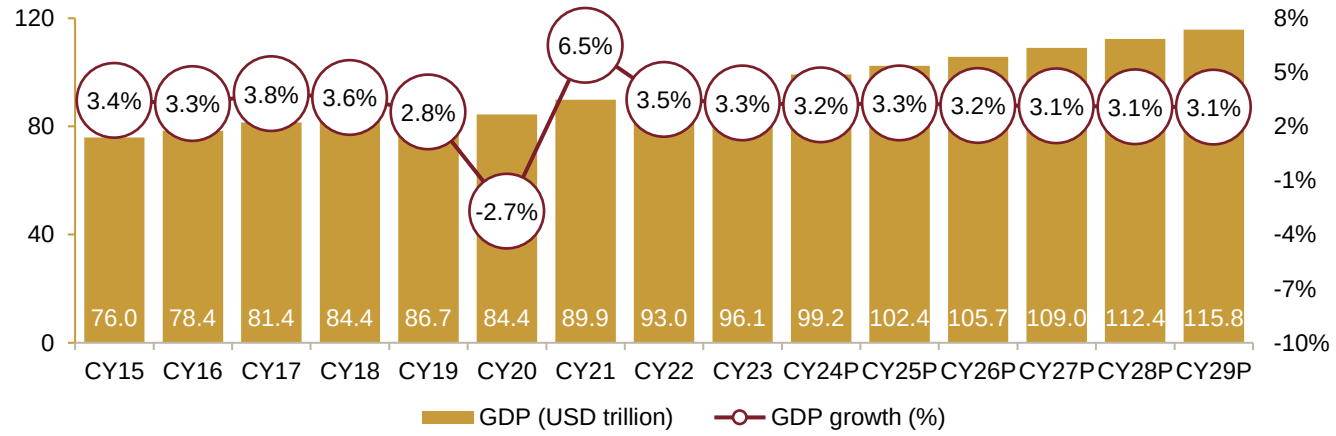
Global real GDP is estimated to grow at 3.2% in CY24 and 3.3% in CY25 amid moderating inflation and steady growth in key economies

As per the International Monetary Fund's (IMF) July 2024 update, global real gross domestic product (GDP) is projected to grow by ~3% over the next three years from CY24 to CY26, respectively. The latest estimate for CY24 is in line with IMF's previous forecast in April 2024, mainly due to stabilisation of economic activities and strong first quarter growth in many countries.

Disinflation and steady growth have broadly balanced the risks to growth and have helped improve the global macro environment. A favourable global supply environment and inflation declining faster than expected could lead to further easing of financial conditions. US Federal Reserve's rate cut in September 2024 is also expected to encourage spending. However, new commodity price spikes from geopolitical shocks and supply disruptions could prolong tight monetary conditions.

In the long term, global GDP is projected to grow at a Compounded annual growth rate (CAGR) of ~3.2% between CY23 and CY29 and reach USD 115.8 trillion in CY29.

Figure 1: Global GDP trend and outlook



Note: P - Projected

GDP growth included in the section above is real GDP growth and not nominal GDP growth

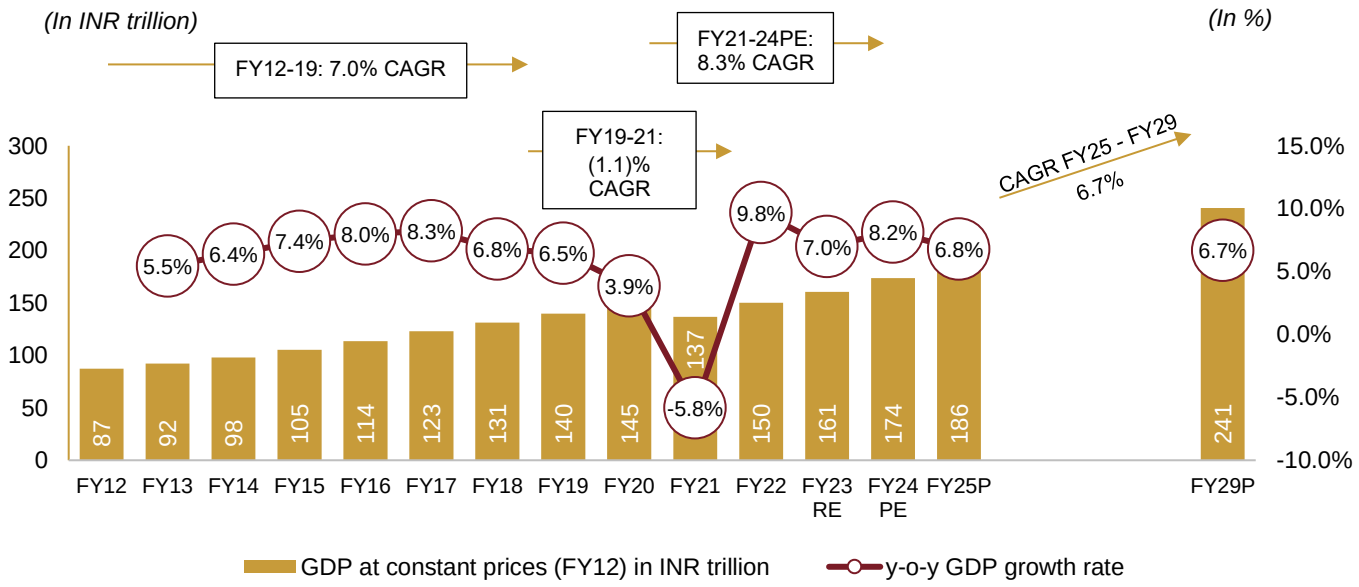
Source: IMF economic database, CRISIL Market Intelligence and Analytics (MI&A)

1.1 Assessment of India's macroeconomic scenario

India's real GDP grew at 8.3% CAGR between FY21 and FY24

India's real GDP at FY12 prices grew from INR 87 trillion in FY12 to INR 140 trillion in FY19, at a CAGR of 7.0%. However, in FY20 and FY21, the economy saw a lower growth rate because of challenges posed by the COVID-19 pandemic with a degrowth of 1.1% between FY19 and FY21. In FY22, the economy recovered as the impact of the pandemic subsided, which was complemented by subsequent easing of restrictions and resumption in economic activity. In FY23, GDP growth of 7% was propelled by investments (33.3% of GDP) and private consumption (58.0% of GDP).

Figure 2: India's real GDP growth at constant prices (new series)



Notes: RE - revised estimates, PE - Provision estimates, P - Projected

The values are reported by the government under various stages of estimates

Actuals, estimates and projected data of GDP are provided in the bar graph

Source: Ministry of Statistics and Programme Implementation (MoSPI), CRISIL MI&A

India is among the world's fastest-growing key economies

Post recovery from the pandemic, India's growth has surpassed both advanced as well as emerging and developing economies. This trend is expected to continue in the long term, with the Indian economy growing faster than its key counterparties. The comparison with a select few key economies and regions is detailed below.

Looking ahead India is expected to be the fastest growing country among key economies and is poised to outpace the growth of major economies such as the USA and China. As per International Energy projections, India is expected to become the third largest economy in the world by 2028.

Comparison with a select few key economies and regions is detailed below.

Table 1: Real GDP growth comparison: India vs. advanced and emerging economies

Real GDP growth (Annual % change)	CY18	CY19	CY20	CY21	CY22	CY23	CY24 P	CY25 P	CY26 P	CY27 P	CY28 P	CY29 P
India*	**6.5**	**3.9**	**(5.8)**	**9.8**	**7.0**	**8.2**	**7.0**	**6.8**	**6.7**	**6.7**	**6.7**	**6.7**
China	6.8	6.0	2.2	8.4	3.0	5.2	5.0	4.5	3.8	3.6	3.4	3.3
USA	3.0	2.5	(2.2)	5.8	1.9	2.5	2.6	1.9	2.0	2.1	2.1	2.1
Euro Zone	1.8	1.6	(6.1)	5.9	3.4	0.4	0.8	1.5	1.4	1.3	1.3	1.2
Advanced economies	2.3	1.8	(3.9)	5.7	2.6	1.6	1.7	1.8	1.8	1.7	1.7	1.7
Emerging & developing economies	4.7	3.6	(1.8)	7.0	4.1	4.3	4.3	4.3	4.1	4.0	3.9	3.9
World	**3.6**	**2.8**	**(2.7)**	**6.5**	**3.5**	**3.3**	**3.2**	**3.3**	**3.2**	**3.1**	**3.1**	**3.1**

Note: P - Projected. Numbers for India are for fiscal years (2020 is FY21 and so on) and as per the MoSPI. Projection as per CRISIL MI&A estimates.

Advanced economies consist of 41 economies including the seven largest in terms of GDP based on market exchange rates (the USA, Japan, Germany, France, Italy, the United Kingdom and Canada), 20 advanced economies in the euro area and 17 other advanced economies. The 155-group of emerging market and developing economies comprises all those that are not classified as advanced economies.

Source: IMF economic database, CRISIL MI&A

From FY25 to FY29, India's average annual GDP growth is expected to be ~6.7%, driven by capital investments, with an increasing share from the private sector. While manufacturing sector is set to grow faster compared to the FY11-20 period, services, which accounted for 54.7% of GDP in FY24, will remain the key contributor.

India witnessed robust growth in per capita income over FY12 to FY24

India's per capita income at constant prices, a key measure of living standards, increased from INR 63,462 in FY12 to INR 106,744 in FY24, growing at a CAGR of 5.5%. This growth was driven by improved job opportunities, supported by overall GDP expansion, while population growth remained stable with a ~1% CAGR.

With the economy rebounding and activities resuming post pandemic, per capita income registered a 7.5% CAGR between FY21 and FY24.

Table 2: Per capita net national income at constant prices

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21RE	FY22RE	FY23RE	FY24PE
Per capita NNI (INR)	63,462	65,538	68,572	72,805	77,659	83,003	87,586	92,133	94,270	86,054	94,054	99,404	106,744
Y-o-y growth (%)		3.3	4.6	6.2	6.7	6.9	5.5	5.2	2.3	-8.7	9.3	5.7	7.4

Note: RE - revised estimates, PE - Provisional estimates

Source: CSO, MoSPI, CRISIL MI&A

India's per capita GDP grew faster than the global average

Between CY18 and CY23, India's per capita GDP grew faster than the global average. During the period, global GDP per capita clocked a CAGR of 1.4%, whereas India witnessed a CAGR of 3.4% during the same period.

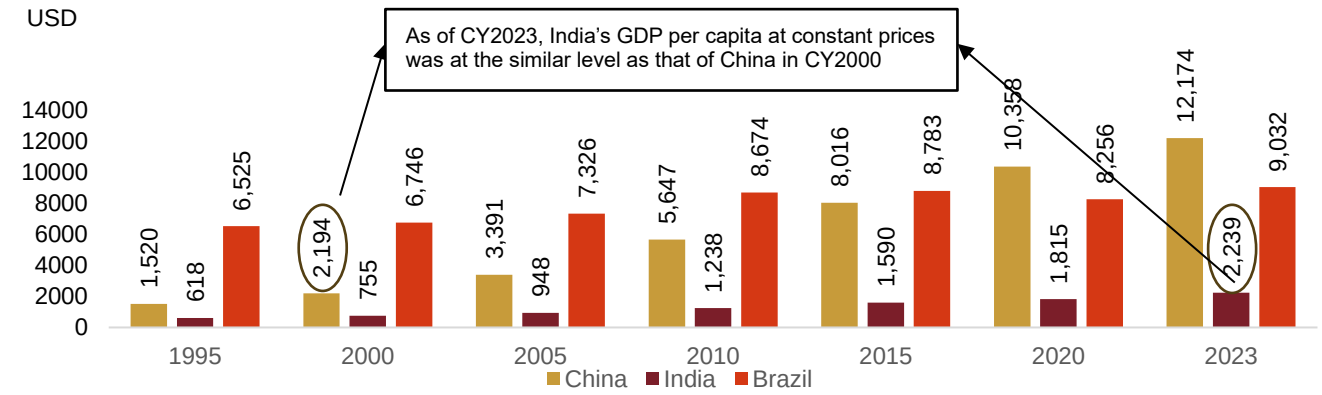
Table 3: GDP per capita, constant 2015 prices ($)

Regions	CY18	CY19	CY20	CY21	CY22	CY23	CAGR (CY18-CY23)
Brazil	8,554	8,592	8,256	8,603	8,822	9,032	1.09%
China	9,619	10,156	10,358	11,223	11,560	12,174	4.82%
Germany	42,929	43,293	41,602	42,900	43,361	42,879	-0.02%
India	**1,891**	**1,944**	**1,815**	**1,975**	**2,098**	**2,239**	**3.44%**
Singapore	61,216	61,334	59,144	67,639	67,949	65,422	1.34%
UAE	43,644	43,785	41,276	42,715	45,698	46,877	1.44%
UK	46,741	47,241	42,192	45,890	47,343	47,005	0.11%
USA	60,127	61,331	59,395	62,741	63,721	65,020	1.58%
World	10,808	10,977	10,548	11,112	11,365	11,567	1.37%

Source: World Bank, CRISIL MI&A

India's per capita GDP at constant prices as of CY23 is currently at the stage China was in 2000. India is at the same inflection point as China was two decades ago, indicating a strong future growth potential. In addition, India's GDP per capita has crossed the USD 2,000 mark which is generally considered as an inflection point for economic growth in many large economies, characterized by increased discretionary spending and higher consumer demand in categories such as apparel, packaged food and beverage, and personal care.

Figure 3: Per capita GDP, constant 2015 prices of select economies ($)

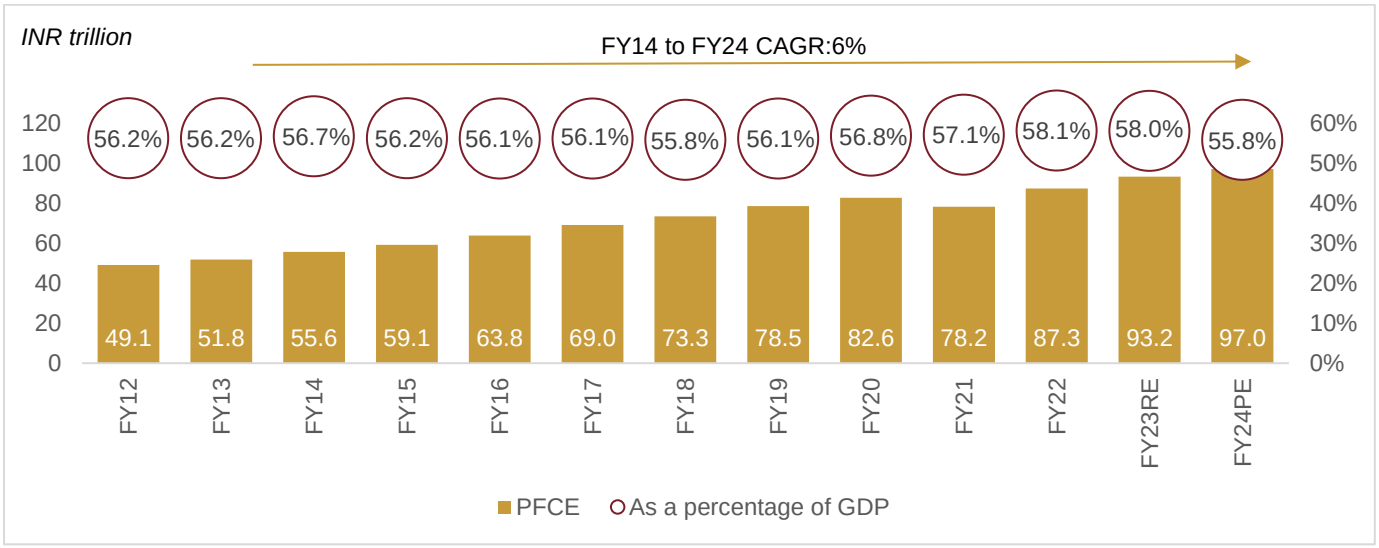


Source: World Bank, CRISIL MI&A

PFCE to maintain dominant share in India's GDP

Private final consumption expenditure (PFCE) at constant prices achieved 6% CAGR between FY14 and FY24, (despite COVID) maintaining its dominant share of ~56% in FY24. Growth was led by rising income levels, wage revisions owing to the implementation of the seventh Central Pay Commission's (CPC) recommendations, benign interest rates, growing middle age population and increased urbanisation.

Figure 4: PFCE at constant prices



Note: RE - Revised estimates; PE - Provisional estimates

Source: MoSPI, CRISIL MI&A

India's final consumption expenditure growth stands second among the top six key emerging and developing economies during CY13 and CY23

India's final consumption expenditure (defined as the sum of household final consumption expenditure and general government final consumption expenditure) in terms of constant 2015 USD prices has shown a robust growth compared to some of the key emerging and developing economies with a sizable population such as Brazil, China, Russia, Mexico and Indonesia. This indicates increased consumer spending in recent years, supported by macro factors such as growing population, younger demographics, rising disposable income, and rapid urbanisation.

Table 4: Final consumption expenditure at 2015 USD constant prices (USD trillion)

Country	CY13	CY23	CAGR CY13-23
China	5.1	9.4	6%
India	**1.3**	**2.2**	**6%**
Brazil	1.5	1.6	1%
Russia	1.0	1.2	1%
Mexico	0.9	1.1	2%
Indonesia	0.5	0.8	4%

Note: Top six key emerging and developing economies, as per CY23 GDP, has been considered for above table.

As per the World Bank, final consumption expenditure is the sum of household final consumption expenditure and general government final consumption expenditure.

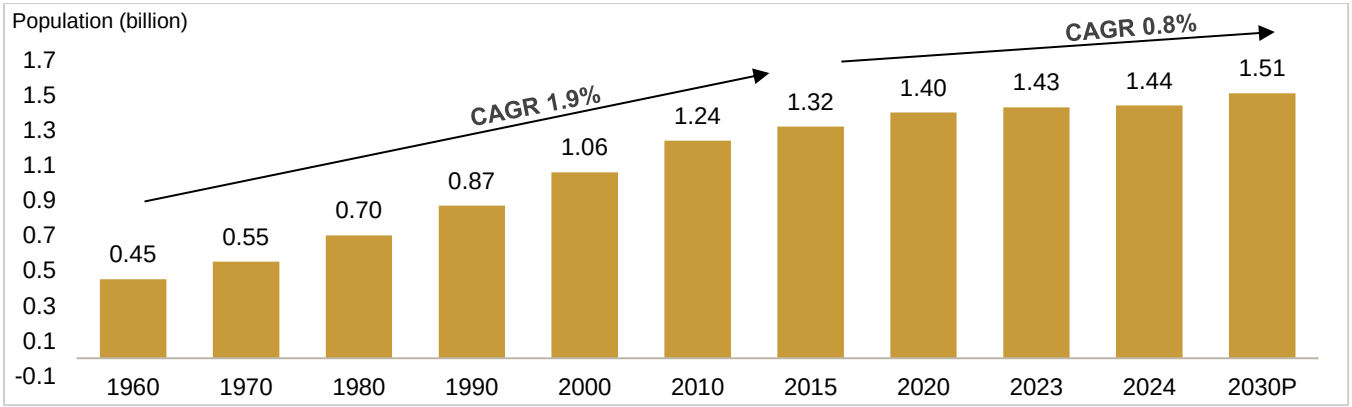
Source: World Bank, CRISIL MI&A

1.2 Demographic factors that support India's medium-term growth

India is now the world's most populated country

As per the United Nations Population Fund's State of World Population Report of 2023, India's population in mid-2023 was estimated to have surpassed China's by ~2.9 million.

Figure 5: India's population growth



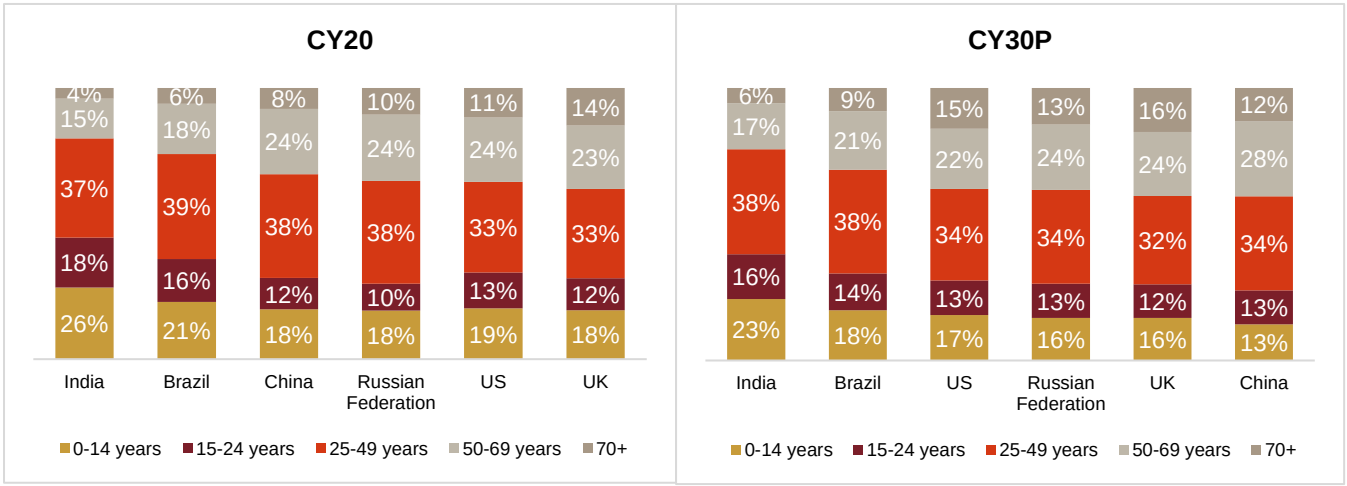
Note: P - Projected

Source: UN Department of Economic and Social Affairs, World Population Prospects 2022, CRISIL MI&A

India has the largest young population globally with 1.1bn (~81% of population) people below 49 years of age (as of CY2020)

As per United Nations, World Population Prospects 2022 estimates, as of CY2023, India has the largest estimated population of Gen Alpha (0-14 years), Gen Z (15-29 years), Millennial (30-44 years) in the world.

Figure 6: Age-wise population break-up (%)



Note: P - Projected

Source: United Nations, Department of Economic and Social Affairs, Population Division (2022); World Population Prospects 2022, CRISIL MI&A

According to the UN, in 2020, the global median age increased to ~30 years from ~20 years in 1970. Developed countries such as the USA (37.5 years) and the UK (39.5 years) have a higher median age compared to the global average (29.7 years), whereas India's median age of 27.3 years is lower than the global average.

Table 5: Median age trend by country

Country	1970	1990	2010	2015	2020	2030P
India	**18.3**	**20.0**	**24.0**	**25.5**	**27.3**	**30.9**
World	20.3	23.0	27.3	28.5	29.7	32.1
Brazil	17.3	21.5	28.2	30.3	32.4	36.5
China	18.0	23.7	34.1	35.6	37.4	42.7
Russian Federation	29.7	32.2	36.9	37.6	38.6	42.1
UK	33.2	34.8	38.5	39.0	39.5	41.6
US	27.2	31.8	36.1	36.6	37.5	39.7

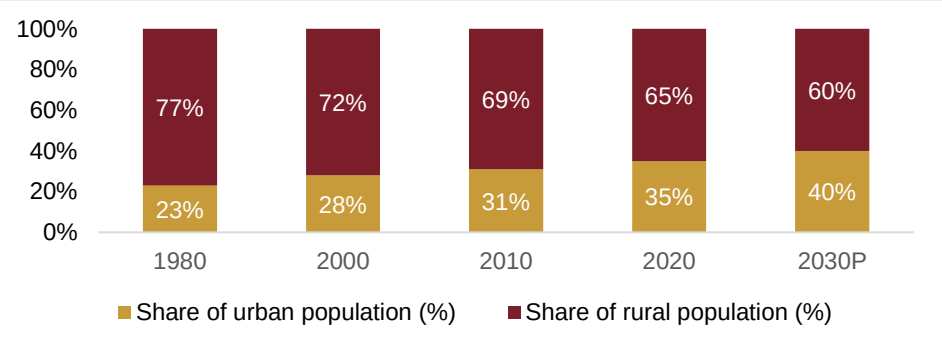
Note: P - Projected

Source: United Nations, Department of Economic and Social Affairs, Population Division (2022); World Population Prospects 2022, CRISIL MI&A

Urbanisation in India is likely to reach 40% by 2030, however it remains the lowest among the top five most populous countries indicating further growth potential

India's urban population is projected to grow from ~31% in 2010 to nearly 40% by 2030, driven by economic growth. Migration to cities is motivated by better job opportunities, education and quality of life with entire families or only a few individuals (generally an earning member or students) migrating.

Figure 7: India's urban vs rural population

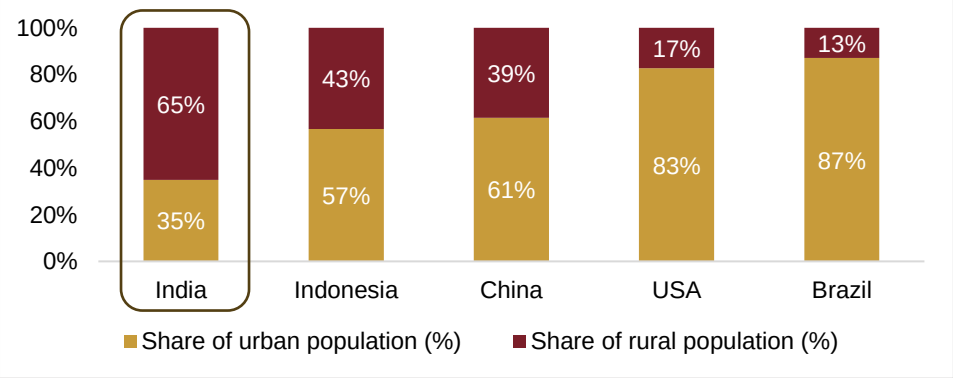


Note: P - Projected

Source: World Urbanization Prospects: The 2018 Revision, UN, CRISIL MI&A

As of CY2020, India's urban population share remained relatively low when compared with other top five countries by population during the period.

Figure 8: Urban vs Rural population for top 5 countries by population (CY2020)

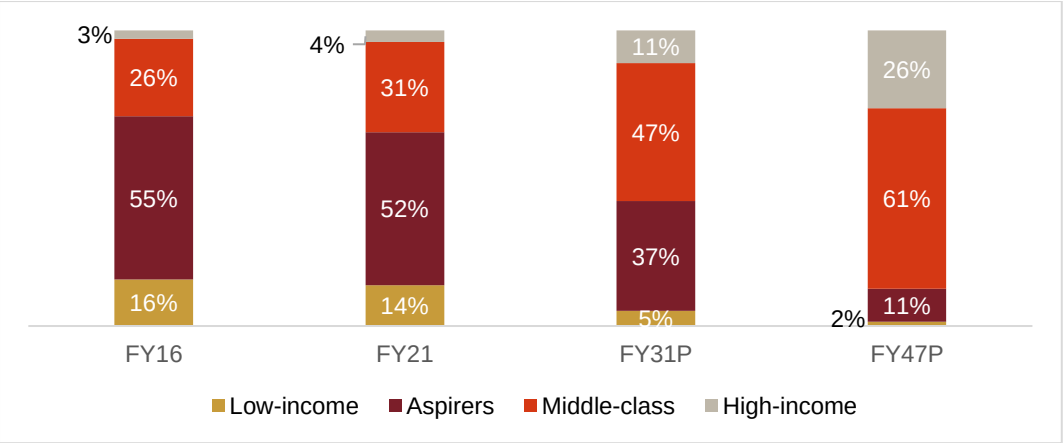


Source: World Urbanization Prospects: The 2018 Revision, UN, CRISIL MI&A

Rising share of middle- and high-income population to aid consumption in India

In India, the proportion of the middle-class and high-income groups increased to ~35% (0.5 billion) in FY21 from 29% in FY16, and is further expected to reach ~58% (~0.9 billion) by FY31, supported by growth in per capita income. The share of low-income group has contracted from 16% in FY16 to 14% in FY21 and is expected to further decrease to 5% by FY31.

Figure 9: Income-based comparison of India's population



Note: P - Projected

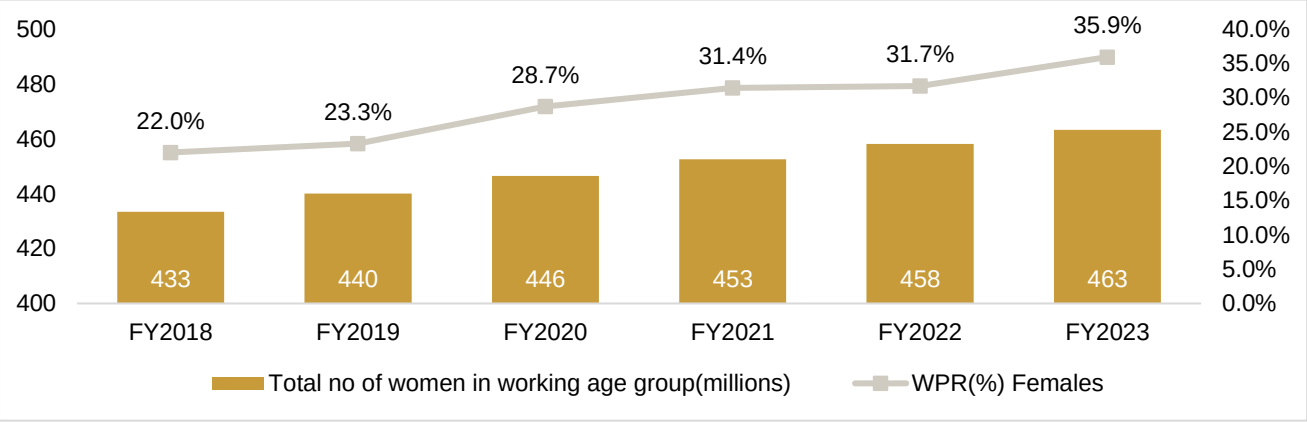
The low-income group comprises those earning less than INR 125,000 per annum, while aspirers are group those earning between INR 125,000 to INR 0.5 million. The middle-class group includes those earning between INR 0.5 million and INR 3 million per annum and the high-income group those earning more than INR 3 million per annum. Percentages have been rounded off

Source: People Research on India's Consumer Economy (ICE) 360° survey, CRISIL MI&A

Ratio of working women in the Indian workforce witnessed an upward trend and is expected to boost household income

India's female Worker Population Ratio (WPR) has been steadily increasing between FY18 to FY23 along with increase in women of working age (15-64 years old). Increase in female WPR is expected to boost the disposable income of households and aid overall economic development of India.

Figure 10: Worker population ratio—female



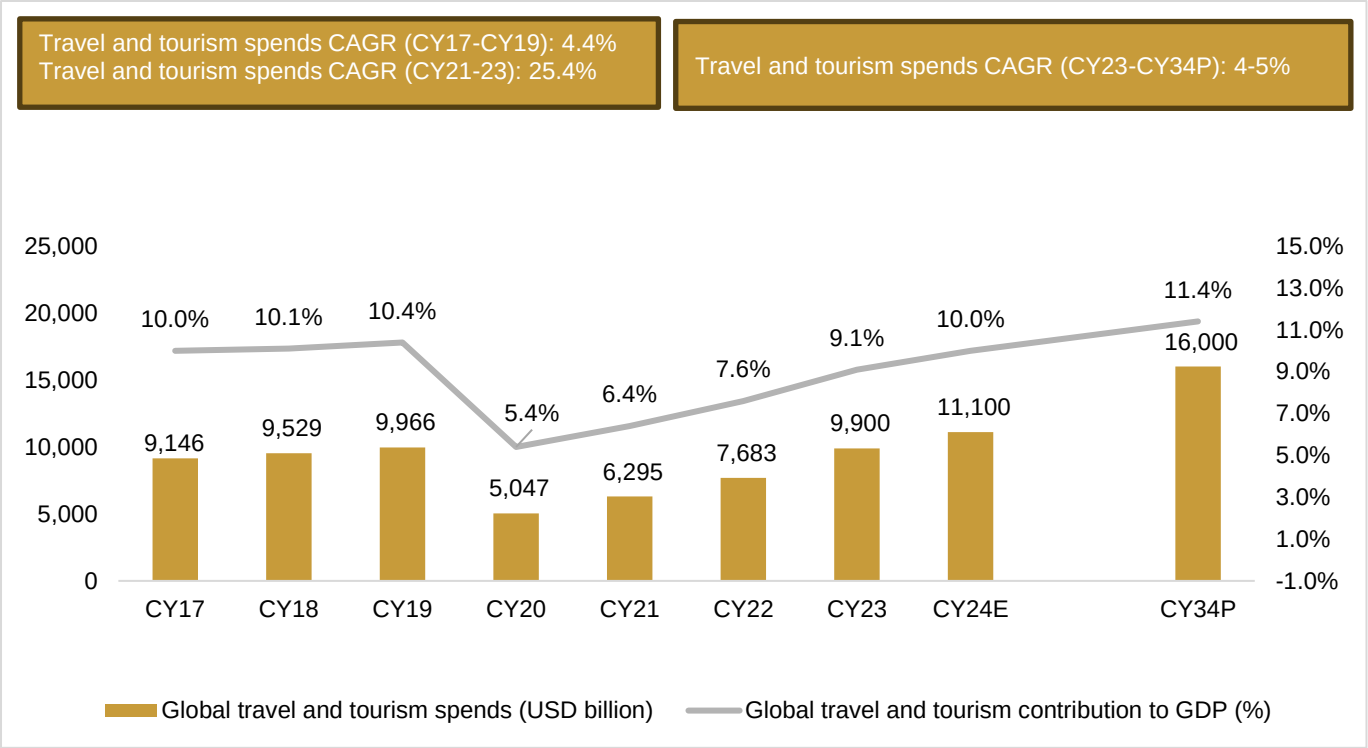
Source: PLFS Report (2020,2021,2022), UN (Department of Economic and Social Affairs).

1.3 Overview of key macro parameters in India's travel and tourism industry

Travel and tourism spends' contribution to global GDP expected to reach 11.4% by 2034

As per data from the World Travel & Tourism Council (WTTC), global travel and tourism spend outpaced global GDP growth between CY17 and CY19 with increasing contribution to global GDP each year. However, the travel and tourism sector was one of the most affected during the COVID-19 pandemic and its contribution to global GDP declined to 5.4% in CY20. It has made a strong recovery since then and is expected to surpass pre-COVID-19 levels of 10.4% in the next two years and contribute 11.4% to global GDP by CY34 as per WTTC forecasts.

Figure 11: Travel and tourism sector's contribution to global GDP and trend in spends



Note: E - Estimated, P - Projected

GDP growth included in the chart above is real GDP growth and not nominal GDP growth, historic global GDP growth as per IMF data, CY23-CY34 global GDP growth as per WTTC data. Contribution of travel and tourism spends to global GDP as per WTTC data and not IMF, travel and tourism figures are as per constant 2023 prices and exchange rates (CY19 onwards).

Source: WTTC Economic Impact 2023 and 2024, IMF economic database, CRISIL Market Intelligence and Analytics (MI&A)

India's lower travel and tourism spend in comparison to global spending suggests headroom for growth

As per WTTC, travel and tourism spend indicates the direct, indirect and induced impact of sector on the economy. Among major tourism destinations, India ranked fifth in terms of travel and tourism spend in CY23. As a percentage of the GDP, the country's travel and tourism spend was 6.5% in CY23. It is projected to increase to 7.6% by CY34. India's travel and tourism spend is lower than the global average, indicating ample headroom for growth. Notably, China's travel and tourism spend is expected to make up 13.5% of its GDP in CY34, which is 2.1% higher than the global average of 11.4% and 5.9% higher than India's spending.

Table 6: Tourism spend by top tourism and travel economies vs India (USD billion at constant prices) and contribution to GDP in 2023 and 2034P (%)

Country/Region	Total contribution to GDP* (USD billion) CY23	Total contribution to GDP* (USD billion) CY34P	Total contribution to GDP (%), CY23	Total contribution to GDP (%), CY34P
US	2,360	3,100	8.6%	9.5%
Spain	228	307	14.5%	17.0%
Japan	297	346	7.1%	7.9%
France	265	334	8.8%	9.6%
Australia	167	230	9.8%	9.9%
India	**232**	**524**	**6.5%**	**7.6%**
China	130	360	7.3%	13.5%
World	9,900	16,000	9.1%	11.4%

*Note: * Total contribution to GDP indicates direct, indirect contribution and induced contribution*

The direct contribution of Travel & Tourism to GDP calculated from 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) by netting out the domestic and imported purchases made by the different tourism sectors and government 'individual' spending, spending by government on Travel & Tourism services directly linked to visitors, such as cultural (e.g. museums) or recreational (e.g. national parks).

Indirect contribution includes spending through investments, government collective spending such as tourism marketing and promotion, aviation, administration, security services and domestic purchases of goods and services by the sectors dealing directly with tourists

The induced contribution measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel and Tourism industry.

All values in constant 2023 prices and exchange rates; P: Projected.

Source: WTTC, CRISIL MI&A

India climbs up 15 spots on Travel & Tourism Development Index in 2024 vs 2021

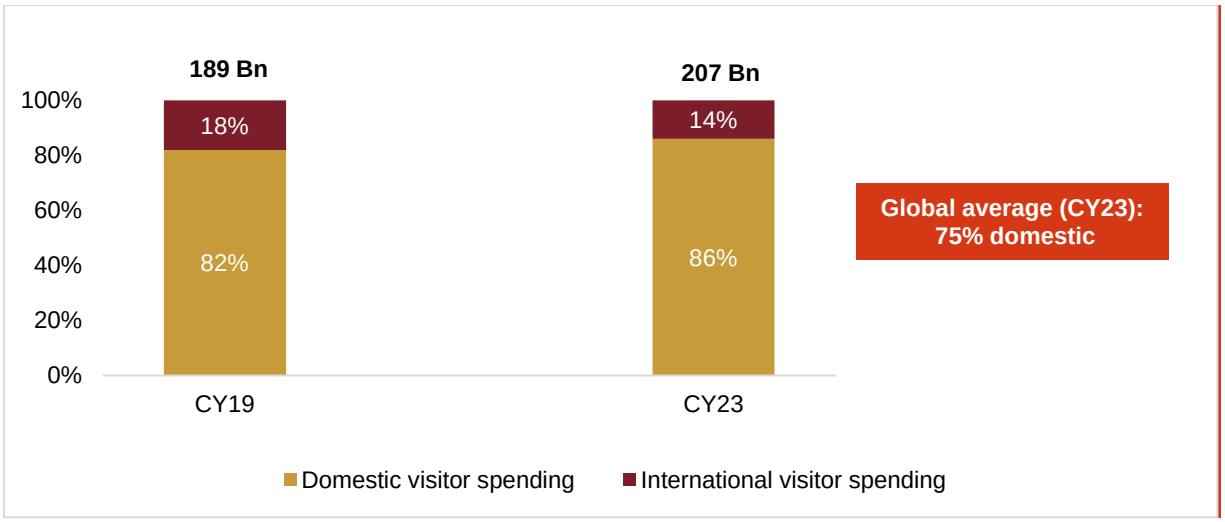
The Travel & Tourism (T&T) Development Index is a framework developed by the World Economic Forum to rank countries on the basis of parameters related to travel and tourism. Some of the key factors considered are business environment, safety and security, human resources, tourism policies, infrastructure, sustainability etc.

India ranked 39th on the T&T Development Index 2024, jumping 15 spots from 54 in 2021. It has consolidated its position as an important tourism destination, registering one of the best improvements over 2021 — second to Brazil, which climbed 23 spots. This highlights the Indian tourism sector's development in terms of key parameters.

India's visitor spends is driven by domestic and leisure travel

Visitor spends is the money spent by domestic and international/foreign visitors in India (foreign visitor spend or international tourism receipts). As of CY23, at 86%, domestic visitor spending accounts for the majority of India's tourism spend. Having said that, international visitor spending stood at 18% as of CY19. However, it has taken a dip in CY20 and CY21 amid pandemic-related travel restrictions. It has since then recovered and formed 14% of overall spending as of CY23.

Figure 12: Trends in visitor spend— domestic visitor spending versus international visitor spending



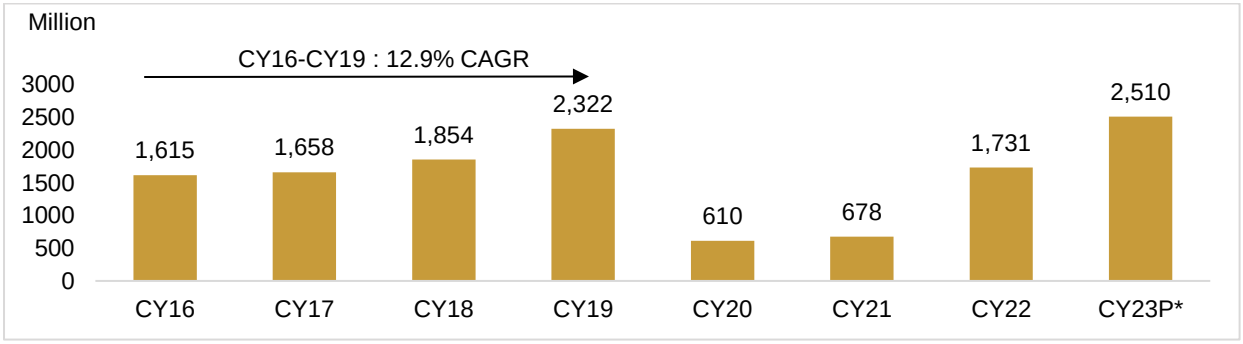
Note:

The total tourism spend, and total visitor spend is different as reported by WTTC

Source: WTTC, CRISIL MI&A

This is further supported by rising domestic tourist visits, which account for a major chunk of the tourist spending. Domestic tourists have grown by 45% in CY23 compared to CY22 and have surpassed pre-COVID levels.

Figure 13: Domestic tourist visits



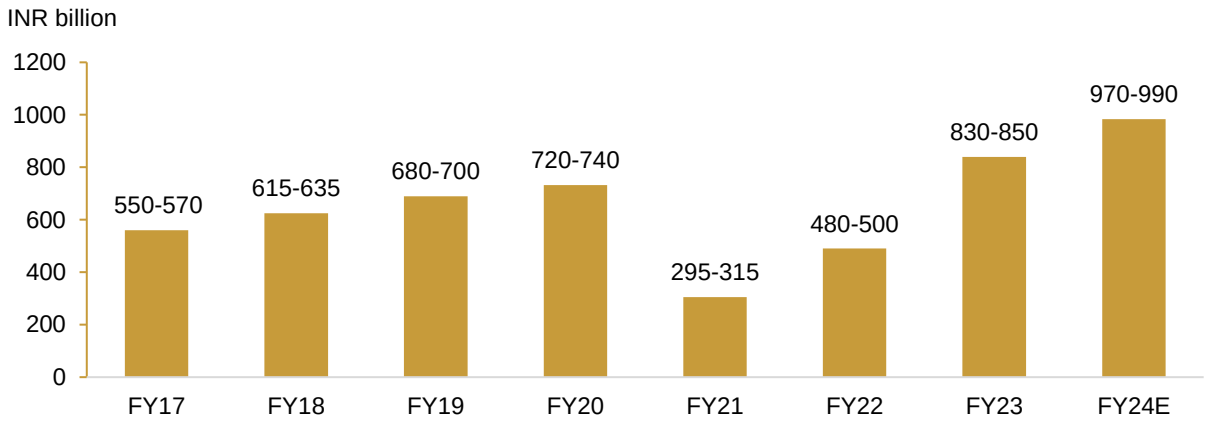
Note: P - Provisional*

Source: PIB, DGCA, CRISIL MI&A

Growth of India's organised and branded hotel industry as well as the online travel agency (OTA) industry further substantiates rise in travel and tourism spending

The hotel industry is highly dependent on both domestic and international travel. As disposable income increases and travel becomes more accessible, tourists tend to allocate a larger portion of their budget to accommodation, dining, and leisure activities, thereby enhancing the demand for hotels. This rise in tourism expenditure, coupled with trends such as experiential travel, has resulted in higher occupancy rates. Demand for organised and branded hotel industry in India has comfortably surpassed pre-COVID levels in FY24 and has logged a CAGR of 40-42% between FY22-FY24.

Figure 14: Growth of organised and branded hotel industry in India



Note: E - Estimated

Source: CRISIL MI&A

With 47% Y-o-Y increase in total allocation, Union Budget 2024-25 to have positive impact on tourism sector

Table 7: Allocation for various sectors under Union Budget 2024-25

Sector	FY23 (INR billion)	FY24RE (INR billion)	FY25BE (INR billion)	FY23 vs FY24RE (%)	FY24RE vs FY25BE (%)
Tourism sector	7	17	25	148%	47%
Roads transport and highways	2,175	2,759	2,776	27%	1%

Note: BE - Budget estimate; RE - Revised estimate

Allocation under roads transport and highways include budget allocated under National Highway Authority of India (NHAI) and Roads and Bridges

Source: Budget document, CRISIL MI&A

Key Budget announcements for tourism and travel infrastructure

- Under tourism infrastructure investments the key focus areas for the government include Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan), Pilgrimage Rejuvenation and Spiritual, Heritage Augmentation Drive (PRASHAD) and Assistance to Central Agencies for Tourism Infrastructure Development.
- Other key focus areas include developing tourism circuits, promoting ecotourism and improving connectivity by increasing investments in road, rail and air connectivity and infrastructure.

Key Budget announcements for civil aviation sector

- Ude Desh ka Aam Naagrik (UDAN) - Regional Connectivity Scheme (RCS): Infrastructure will be upgraded/revived at 22 airports by the Airports Authority of India and respective states based on proposals awarded under the Regional Connectivity Scheme.
- Viability Gap Funding: To improve regional air connectivity in the Northeast region, the government will provide

Viability Gap Funding along with a new scheme for air connectivity and aviation infrastructure.

Key Budget announcements for Roads and Highways

- The Ministry of Road Transport and Highways' total expenditure in FY25 is estimated to be INR 2,780 billion. The highest spend,~61% of the total expenditure, has been planned for the National Highways Authority of India, which reflects the government's focus on improving highway connectivity across the country.
- In addition, the government has made provisions for expressway projects, the six-laning of crowded stretches of the Golden Quadrilateral and the two-laning of highways under the National Highways Development Project.

Infrastructure investments to witness significant growth

India will spend nearly INR 143 trillion on infrastructure in seven fiscals through 2030, more than twice the ~INR 67 trillion spent in the previous seven starting FY17. While the lion's share will be funded by the government, the private sector is increasingly focusing on the energy and transportation sectors.

Table 8: Huge investments lined up in the infrastructure sector

Sector	Total investments (INR trillion)		Percentage growth over the previous period
	FY17-FY23E	FY24-FY30P	
Core infra	50.4	96.8	92%
Energy	15.5	39.1	152%
Transport	0.8	7.0	775%
Overall infrastructure	66.7	142.9	114%

Note: E - Estimated, P - Projected

Source: CRISIL MI&A

Indian airports are moving towards sustainability

The growth in the aviation sector has led to an increase in carbon emissions from airports. In order to reduce carbon emissions at airports, the government of India has set targets under which most airports aim to achieve 100% green energy usage by 2024 and Net Zero Carbon Emissions by 2030, reflecting their commitment to reducing carbon footprints. In line with these efforts, a nationwide ban on single-use plastic products was implemented in July 2022 to minimise waste and encourage eco-friendly alternatives.

2. Overview of the global and Indian air travel industry

2.1 Overview of global air travel industry

Global passenger traffic to increase 1.8 times in CY34 over CY23 on account of positive macro developments and recovery in international travel

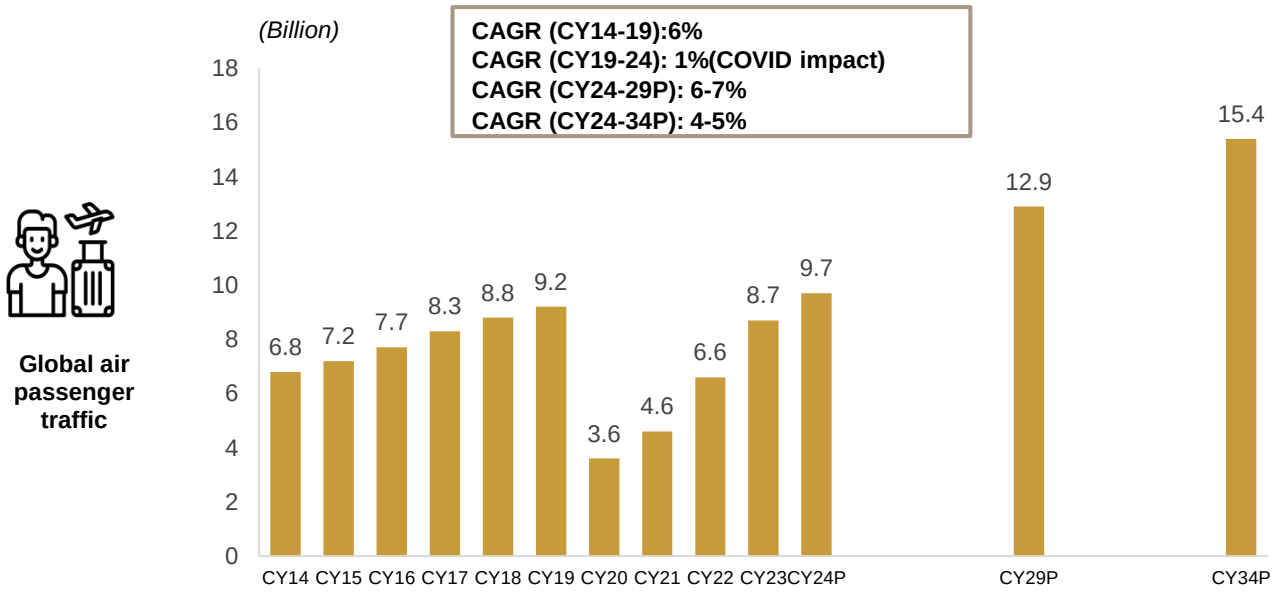
Air passenger traffic is one of the key factors and indicators of economic development. From one perspective, it reflects progress as air travel facilitates transportation within a country and also connects various countries with the rest of the world. From another perspective, it is an indicator of overall development, as passenger traffic volume usually depends on the level of economic activity and individual incomes. It may also indicate whether an economy is more outward-oriented in terms of trade and business activities.

Global passenger traffic achieved a healthy 6% CAGR over CY14-CY19, before the COVID-19 pandemic struck in CY20. This was followed by a dip in passenger footfalls in CY20 and CY21 due to pandemic-related travel restrictions. Since air travel spend is largely discretionary, the market didn't recover fully in CY21 as opposed to global GDP, which bounced back to 6.5%. The global passenger traffic has since then recovered with resumption in personal and business travel. It reached 8.7 billion in CY23 — equivalent to 95% of the CY19 level and a 31% increase over the previous year. In comparison, India has recovered quicker and crossed pre-COVID levels in terms of passenger traffic comfortably in CY23.

Similarly, the air travel industry showed recovery in CY22 as more economies reopened, growing further the next year in CY23 as global air passenger traffic reached near to pre-COVID levels. Given their steady revival since then, both global GDP and air passenger traffic are expected to record steady growth until CY29. This growth in the global air travel industry is expected to be driven by passenger traffic growth in the Asia-Pacific region in the long-term, supported by rising standard of living in countries such as India and China.

Pent-up demand in personal and leisure travel also supported growth in air passenger traffic worldwide. By the end of CY24, global passenger traffic is expected to reach 9.7 billion, crossing the CY19 level for the first time since the pandemic. Globally, there has been an improvement in macroeconomic conditions with world GDP expected to grow at a stable rate of 3.2% in CY24, in addition to the easing of inflationary pressures in major economies. These factors and recovery in international passenger traffic — which grew 42% in CY23 and is expected to increase 14% in CY24 — will drive the global air travel industry during medium to longer term. Passenger traffic is expected to clock a CAGR of 6-7% over CY24-CY29 in the medium term and of 4-5% over CY24-CY34 in the long term to reach 15.4 billion in FY34, which is ~1.8x times the CY23 level. The escalating geopolitical tensions and uncertainty over international trade policies will be a key aspect to monitor for global passenger traffic growth in the long term.

Figure 15: Global air passenger traffic trends and outlook

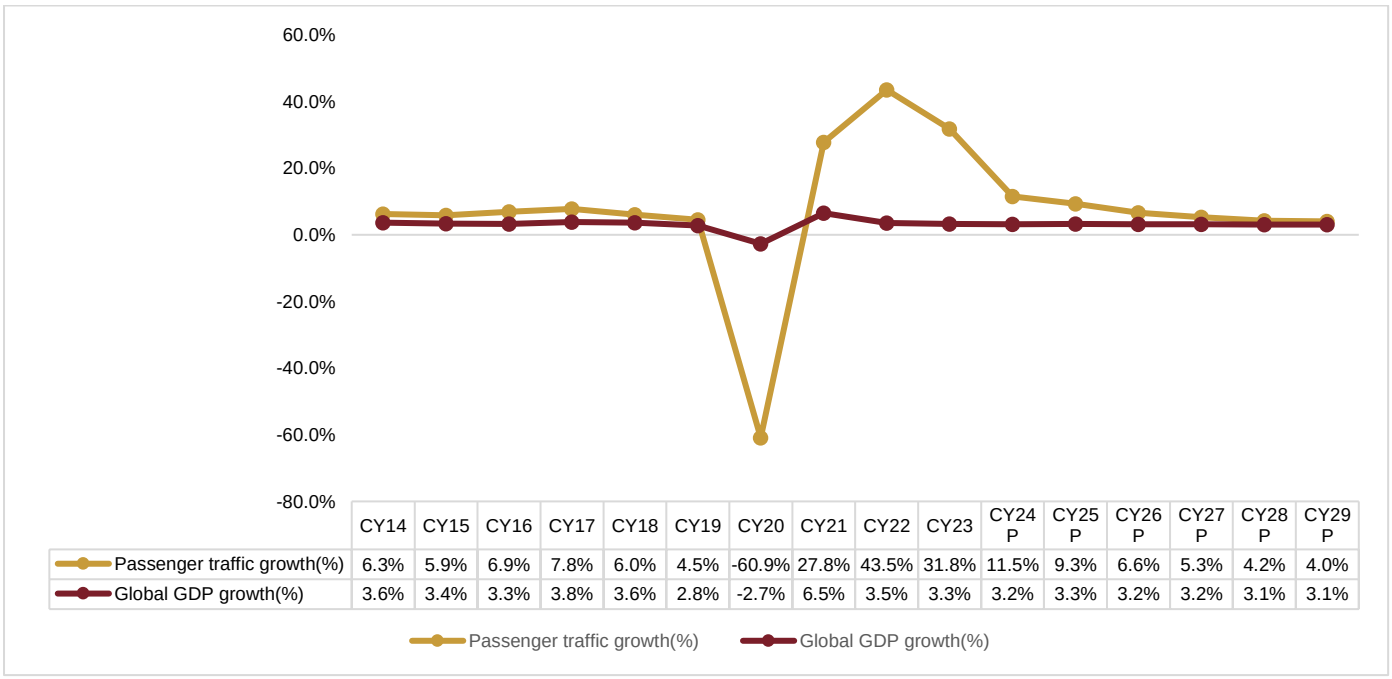


Note: P - Projected

Source: Airports Council International (ACI), CRISIL MI&A

Global GDP growth and passenger traffic growth are highly co-related as seen through the years and across countries.

Figure 16: Global GDP vs passenger traffic growth



	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24 P	CY25 P	CY26 P	CY27 P	CY28 P	CY29 P
Passenger traffic growth(%)	6.3%	5.9%	6.9%	7.8%	6.0%	4.5%	-60.9%	27.8%	43.5%	31.8%	11.5%	9.3%	6.6%	5.3%	4.2%	4.0%
Global GDP growth(%)	3.6%	3.4%	3.3%	3.8%	3.6%	2.8%	-2.7%	6.5%	3.5%	3.3%	3.2%	3.3%	3.2%	3.2%	3.1%	3.1%

Note: P - Projected

Source: ACI, IMF, CRISIL MI&A

Table 9: GDP vs passenger traffic growth in key economies

Country	Parameter	2023	2023 vs 2019	2024P	2029P
China	Passenger growth (%)	120.0%	(3.5%)	15.0%	5.7%
	GDP growth (%)	5.2%		5.0%	3.3%
Japan	Passenger growth	56.5%	1.8%	11.1%	2.3%
	GDP growth	1.9%		0.7%	0.5%
Spain	Passenger growth	18.3%	13.0%	8.0%	3.1%
	GDP growth	2.5%		2.4%	1.6%
India	**Passenger growth**	**14.2%**	**3.0%**	**9.0%**	**8.7%**
	GDP growth	**8.2%**		**7.0%**	**6.5%**
USA	Passenger growth	10.6%	0.2%	7.3%	2.1%
	GDP growth	2.5%		2.6%	2.1%

Note: India passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY22 corresponds to FY23 numbers. Also, India numbers are as per CRISIL MI&A projections.

Spain has experienced higher growth during 2019-23 when compared to other key economies mentioned above. It is because of Spain being one of the top tourist destinations in the world, further supported by the pent-demand post the COVID-pandemic.

P - Projected

Source: ACI, IMF, CRISIL MI&A

Table 10: Key trends and drivers in global air travel market

Sr.No.	Key trends and drivers	Details
1	**Global GDP growth and rising income levels** 	• The International Monetary Fund has forecasted global real GDP growth at 3.2%, 3.3% and 3.2% in CY24, CY25 and CY26, respectively. Given macroeconomic growth is a fundamental driver of the travel and tourism industry, stable expansion in world GDP is expected to support passenger growth in the medium to long term. • Rising incomes are directly co-related to increase in air travel as potential for discretionary spending increases. In many parts of the world, air travel is still considered a luxury and is not accessible to everyone. However, as incomes rises, air travel becomes more affordable.
2	**Increased globalization** 	• The world is more interconnected with globalisation and there is an increasing demand for air travel to facilitate trade, tourism, and cultural exchange. • The development of international tourism has also contributed to the growth in air traffic. People are interested now more than ever to explore other cultures, countries and destinations and air travel is the most preferred way to commute. Thus, facilitating these trips is expected to boost the air travel industry.
3	**Expansion of low-cost carriers** 	• The development of low-cost airlines has benefited the aviation industry. Low-cost carriers have made air travel more affordable and made more routes / destinations accessible to people, thereby increasing demand for air travel.

Sr.No.	Key trends and drivers	Details
4	**Technological advancements**	• Advancement in technology has significantly impacted the aviation industry's growth. It has made air travel more efficient, convenient and safe. For example, using mobile applications and self-service kiosks has made it easier for passengers to check in and board flights.

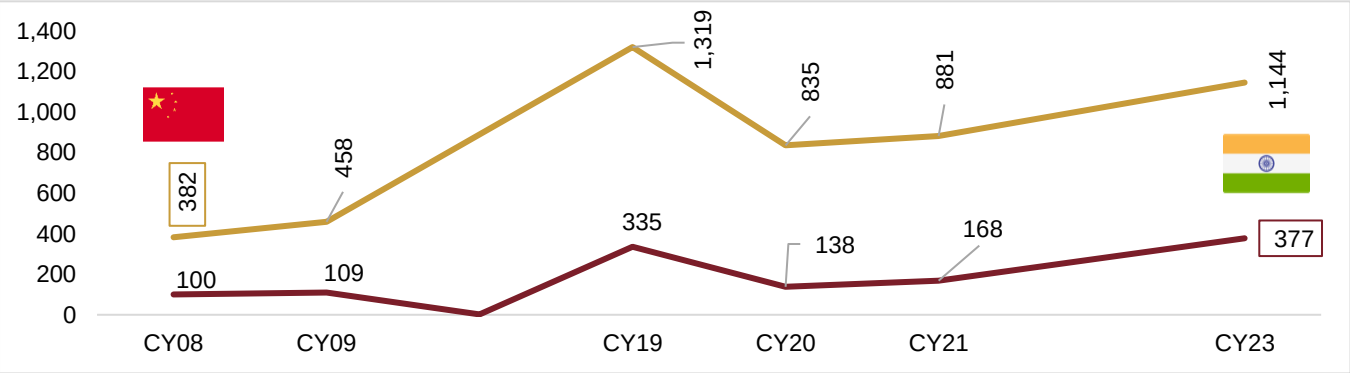
Source: CRISIL MI&A

India is the third largest aviation market in the world; on track to be the fastest-growing air passenger market among key economies

India was (from CY09 to CY19) and will continue to be the fastest-growing passenger market among key aviation markets such as the USA, China, Spain and Japan in the medium and long term. Air passenger traffic in India is expected to experience a CAGR of 9-10% in the medium term (over CY24-CY29) and of 8-9% in the long-term (over CY24-CY34). This growth will be supported by rising income, an increase in business and personal travel as well as a supply push from the government and airlines.

India passengers (deplanements and enplanements together) for CY23 were at similar levels where China was 15 years ago in CY08. As per International Civil Aviation Organization data, only two decades ago, air passenger traffic in China achieved a 11.2% CAGR over CY09-CY19 on the back of economic development. Currently, India's air passenger footfall is experiencing similar growth. Hence, it is at an inflection point, which indicates there could be similar potential for growth in air passenger traffic in India in the coming years driven by economic development and per capita income growth.

Figure 17: India's total passenger trend compared to China's total passenger trend (in million)



Note: India passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY22 corresponds to FY23 numbers. Also, India numbers from CY22 onwards are as per CRISIL MI&A projections. CY08, CY09 and CY19 data is as per ICAO. The numbers in the above chart include both enplanements and deplanements.

Source: ACI, ICAO, CRISIL MI&A

India was the third-largest air passenger market as of CY23 and is expected to maintain its position well into CY29 and CY34, lagging only to the USA and China in terms of footfall. India demonstrated one of the strongest recoveries post-COVID with air passenger traffic levels reaching ~99% of CY19 levels in CY22.

Table 11: Country-wise overall air passenger traffic trend (million) (Top 5 markets)

Country Name	CY09	CY19	CY22	CY23	CY24 P	CY29 P	CY34 P	CAGR CY09-CY19 (%)	CAGR CY24-CY29 (%)	CAGR CY24-CY34 (%)	CY23 traffic as a % of CY19 traffic
USA	1,359	1,853	1,691	1,870	2,007	2,303	2,580	3.2%	2.8%	2.5%	100.9%
China	458	1,319	520	1,144	1,316	1,991	2,539	11.2%	8.6%	6.8%	86.7%
India*	**109**	**335**	**331**	**377**	**413**	**643**	**946**	**11.9%**	**9.3%**	**8.0%**	**112.8%**
Spain	99	176	244	288	311	388	446	6.0%	4.5%	3.7%	163.6%
Japan	174	260	179	280	311	392	441	4.1%	4.7%	3.6%	107.7%

*Note: * India air passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY22 corresponds to FY23 numbers. Also, India numbers from CY22 onwards are as per CRISIL MI&A projections.CY09 and CY19 data is as per ICAO. Overall passenger traffic consists of both enplanements and deplanements.*

P - Projected

Source: ACI, ICAO, CRISIL MI&A

Table 12: Country wise domestic air passenger traffic trend (million)

Country Name	CY22	CY23	CY24P	CY29P	CY34P	CAGR CY24-CY29 (%)	CAGR CY24-CY34 (%)
USA	1,495	1,627	1,737	1,956	2,148	2.4%	2.1%
China	514	1,081	1,195	1,715	2,143	7.5%	6.0%
India*	**274**	**307**	**334**	**533**	**772**	**9.8%**	**8.7%**
Spain	82	95	101	127	150	4.7%	4.0%
Japan	161	211	222	244	259	1.9%	1.5%

*Note: * India passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY22 corresponds to FY23 numbers. Also, India numbers are as per CRISIL MI&A projections. Domestic passenger traffic in the above table consists of both enplanements and deplanements.*

P - Projected

Source: ACI, CRISIL MI&A

In addition, the passenger traffic in India is expected to deliver the 2nd fastest growth compared to key emerging and developing economies from CY24-FY29 and the fastest growth from CY24-34.

Table 13: Country-wise overall passenger traffic trend (million) (Key emerging and developing economies)

Country Name	CY09	CY19	CY22	CY23	CY24P	CY29P	CY34P	CAGR CY09-CY19 (%)	CAGR CY24-CY29 (%)	CAGR CY24-CY34 (%)	CY23 traffic as a % of CY19 traffic
India*	**109**	**335**	**331**	**377**	**413**	**643**	**946**	**11.9%**	**9.3%**	**8.0%**	**112.8%**
Indonesia	55	183	113	173	208	309	419	12.8%	8.2%	7.2%	94.8%
Brazil	136	206	184	215	230	283	320	4.2%	4.2%	3.4%	104.3%
Thailand	39	153	76	123	150	236	299	14.6%	9.5%	7.2%	80.6%
Vietnam	22	106	99	122	139	209	277	17.0%	8.5%	7.1%	115.1%
UAE	64	188	96	128	139	185	227	11.5%	5.9%	5.0%	68.0%
Malaysia	48	127	55	86	103	147	181	10.3%	7.3%	5.8%	67.6%

*Note: * India passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY22 corresponds to FY23 numbers. Also, India numbers from CY22 onwards are as per CRISIL MI&A projections.CY09 and CY19 data is as per ICAO. Overall passenger traffic consists of both enplanements and deplanements.*

CRISIL MI&A has considered major economies and tourism centric (tourism destination) economies among the emerging and developing economies.

P - Projected.

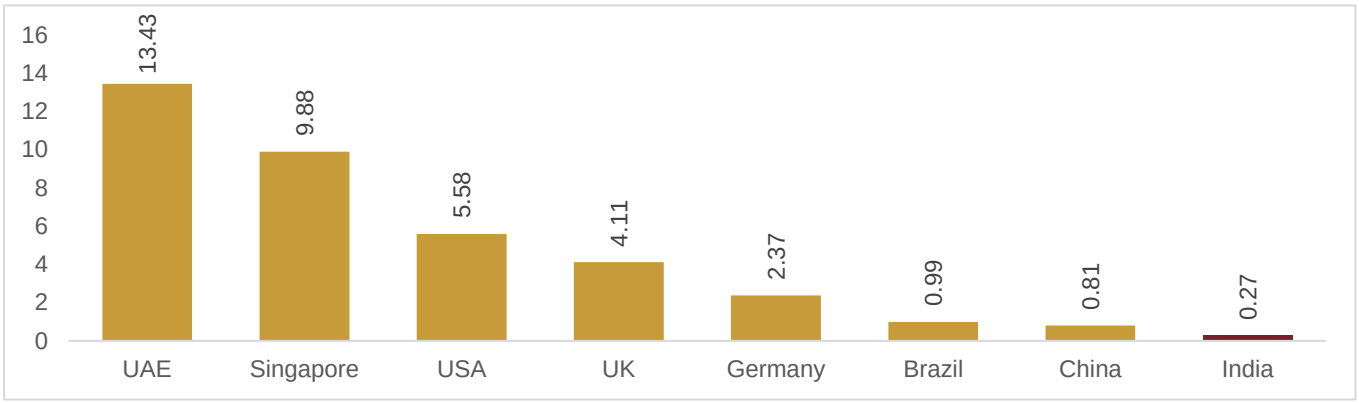
Source: ACI, ICAO, CRISIL MI&A

Lower penetration rates for air passenger traffic in India vs other key economies reflects growth potential

The Indian air travel market is still developing with ample potential for growth. Total passengers (enplanements and deplanements) divided by total population — can be a key indicator for the state of an air travel market. Air travel is still underpenetrated in India, especially in less develop regions and rural areas that are home to the majority of the country's population. India's total passengers divided by total population was at 0.27 for CY23 as against developing economy peers such as China (0.81) and Brazil (0.99), indicating sufficient room for improvement.

This suggests an untapped market and significant potential for passenger growth. With a burgeoning middle class, increasing urbanisation and a growing propensity for travel among younger people, demand for air travel is set to rise in India. Enhanced connectivity, government initiatives and investments in airport infrastructure further underscore the potential for growth.

Figure 18: Total passengers (enplanements and deplanements) divided by total population (CY23)*



*Note: * India passenger traffic numbers are on a financial year basis i.e. April to March. For example, CY23 corresponds to FY24 numbers. Also, India numbers from CY22 onwards are as per CRISIL MI&A projections.*

Source: ACI, Airbus GMF (Global market Forecast) 2024-2043 , CRISIL MI&A

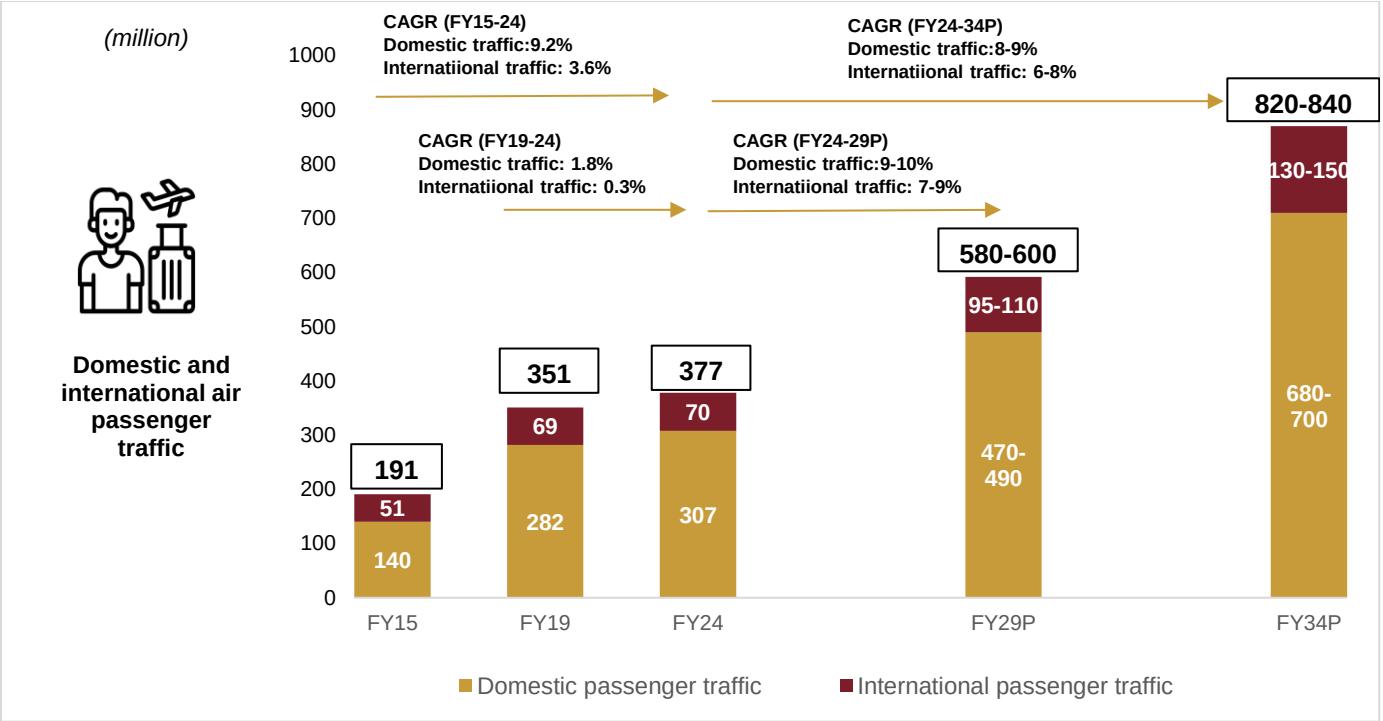
2.2 Overview of the Indian air travel industry

The Indian aviation sector has been a key driver of economic growth, helping connect people across the country. Airports and airlines are critical enablers of this civil aviation landscape. Airports and airline services have grown significantly in recent years in India, underscoring the country's rapid economic growth. The Indian air travel industry is highly underpenetrated and presents significant growth potential. The Indian civil aviation sector was the third largest in the world in terms of passenger traffic in 2023, as per an ACI (Airport Council International) report.

The sector has benefited from several factors, including the country's rising middle class, increasing business and leisure activities, improved regional connectivity through government initiatives, and the development of greenfield and brownfield airports with improved infrastructure along with schemes such as the Regional Connectivity Scheme (RCS) and Ude Desh ka Aam Naagrik (UDAN). This has led to the sector experiencing a growth of 9.2% and 3.6% in terms of domestic and international passengers during FY15-24. Further, the Indian aviation sector experienced a growth of 1.8% and 0.3% in terms of domestic and international passengers between fiscal 2019 and fiscal 2024 despite the COVID pandemic.

India is expected to maintain healthy growth momentum in domestic and international passengers. Domestic passenger traffic is expected to record 8-9% CAGR and international passenger traffic is expected to record 6-8% CAGR between FY24 to FY34.

Figure 19: Review and outlook of domestic and international air passenger traffic in India



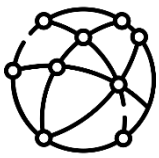
Note: P - Projected

Source: DGCA, CRISIL MI&A

Between FY15 and FY24 the overall air passenger traffic in India grew from 191 million to 377 million at a CAGR of 7.9%. However, during FY20, the overall air passenger traffic in India declined by 65% to 118 million passengers on account of COVID pandemic before recovering to 327 million passengers in FY23 and 377 million passengers in FY24. Going ahead, the overall passenger traffic in India is expected to grow by 9-10% from FY24 to FY29 and 8-8.5% from FY24 to FY34.

Table 14: Growth drivers for air passenger traffic in India

Sr. no.	Key driver	Details
1	**Rising income levels**	• Continuous income growth in the corporate sector, combined with growth in the rural and government sectors, is driving the growth in domestic passenger traffic in India. • Higher income in these areas is boosting disposable income and spending power, leading to greater demand for business and personal air travel. In conjunction with the rise in disposable income, people also consume services like Travel QSR and Lounge services, which is expected to provide a boost to QSR outlets and Lounges at airports. • Per capita gross domestic product (GDP) growth is one of the key indicators for economic growth. India's per capita GDP has grown at a healthy pace; however, in absolute terms, it still lags key economies such as China. As of 2023, China's GDP per capita was 5-6 times greater than India's. The current level of GDP per capita in India is similar to where China was two decades ago. Indicating the future potential for India's per capita growth.

Sr. no.	Key driver	Details
2	**Penetration of low-cost carriers** 	• The LCCs drive the domestic as well as international air travel with their market share in India rising from 66% in FY16 to 78% in FY24 in domestic travel and from 20% to 46% in the same period for international travel. LCCs democratise flying with affordable services, thus driving passenger volume and in turn stimulating economic activity. • Increase in market share of LCCs is a key driver for the airport travel QSR and airport travel lounge segments. Since LCCs operate on tight profit margins and prioritise cost savings, they are limited in their ability to offer high-quality in-flight meals. This is because passengers are price-sensitive, and providing premium food at a lower cost would erode their margins. Infrastructure challenges lead to additional costs in providing high-quality food at an altitude. This drives travellers towards airport travel QSRs and lounges which offer high quality food, more variety and better experience.
3	**Improving airport infrastructure** 	• The number of airports have nearly doubled from 77 in FY16 to 137 in June 2024. The government has also envisaged increasing the number of airports to 300 by 2047 as per Vision 2047. Based on the Airports Authority of India (AAI) projections, air passenger traffic will increase 8-9 times from current numbers by 2047. The expansion in airport infrastructure has enhanced connectivity across the country, making air travel more accessible to a larger population. • Improved infrastructure and increased regional connectivity facilitated easier and more efficient travel, leading to a rise in passenger volumes.
4	**Increase in fleet size** 	• An expanding aircraft fleet supports the future growth of air passenger traffic in India. With rising passenger numbers, increased aircraft capacity has become essential. India's fleet has grown significantly, from 372 aircraft in FY13 to 753 in FY24, making up about 3% of the global aircraft fleet. To keep pace with growing air travel demand, Indian airlines have added capacity and placed orders for around 2,500 new aircraft, underscoring their commitment to accommodating future passenger growth.
5	**Expanding airline network** 	• India has seen rising share of air passenger traffic at non-metro airports, driven by the network expansion of airlines. As airlines extend their routes to include more non-metro destinations, they tap into previously underserved markets, increasing overall passenger volumes. • This strategic expansion not only diversifies and stabilises airline revenue streams but also enhances regional connectivity, making air travel more convenient and boosting passenger growth across the aviation industry.
6	**Increased national departures and bilateral agreements** 	• The increase in Indian national departures, which surged from 17 million in CY13 to 27 million in CY23, highlights the expanding travel aspirations and economic empowerment of the Indian middle class. As more Indians seek international travel for business, education and leisure, this surge is poised to fuel demand for international air travel. • India's extensive network of air service agreements with 116 countries, coupled with its 80th rank in the passport index, significantly drives international passenger traffic. The availability of e-visa, visa-free and visa-on-arrival facilities in 47, 16 and 40 countries, respectively, facilitates easier and more convenient travel for Indian citizens. This streamlined access encourages outbound travel, boosting international passenger volumes further contributing to the robust growth of the aviation sector in India.

Sr. no.	Key driver	Details
7	**Increase in business and leisure travel** 	• Passengers travelling for personal purposes usually travel for holiday, leisure, recreation, and other personal reasons. Also, with India becoming a key business centre, there is traction in business travel in the domestic market as well as foreign inbound and outbound business travel.
8	**Government support** 	• The Regional Connectivity Scheme (RCS) – UDAN, is a government-backed initiative to improve infrastructure and connectivity in India, especially in remote and underserved regions. UDAN fares are regulated under the RCS scheme, wherein 50% of the seats are eligible for viability-gap funding by the government based on the announced formulas. The exemption from capacity caps has enabled airlines predominantly serving UDAN routes to record a good number of flights and deploy capacity, as demand existed on these routes due to migratory traffic. Of the total awarded 920 routes, around 509 routes are operational under the scheme. As of February 2024, more than 13.4 million passengers have benefited from the UDAN flights and 256,000 flights have been operated under the scheme. • Apart from this, the 10-year National Civil Aviation Policy (NCAP) 2016 introduced by the Ministry of Civil Aviation has provided key incentives and guidance in terms of FDIs and aviation infrastructure.
9	**Penetration of Online Travel Agents (OTAs)** 	• Ticketing services across travel segments have undergone change thanks to increased internet penetration, greater affordability of smart phones, user friendliness of online platforms, convenience in terms of comparison, varied modes of payment offered (credit cards, debit cards and net banking), and faster pace of service providers adopting digital platforms for their respective businesses. This has made the experience more convenient for people to plan their whole trip i.e. book tickets as well as hotels, cars, etc. • Further, OTA gross revenues have grown at a CAGR of 54% from FY22 to FY24; significantly higher than pre-COVID levels. B2B segment in Indian OTA industry, is expected to grow at a 15-16% CAGR between FY23 and FY28 from INR 510-540 billion to INR 1,025-1,055 billion.
10	**Growing travel aspirations and economic empowerment boost international air passenger traffic** 	• International passenger traffic, defined as total international departures and arrivals, in India is mainly driven by foreign tourist arrivals (FTAs) and personal and leisure travel by Indian nationals. • International passenger traffic growth this fiscal is attributable to strong passenger demand, supply-side push led by deliveries of new aircraft, visa-free travel offered by a few destinations (Sri Lanka, Thailand, Maldives, Indonesia and Mauritius being some of the latest additions) and focus on adding connectivity to new destinations such as south-east and central Asia by Indian airlines. • Going ahead the growth is propelled by increasing international operations by Indian low-cost carriers (LCCs), under-penetration of total passengers (enplanements and deplanements) divided by total population for India (0.27) as of CY23 compared with other developing countries (UAE-13.43, Brazil-0.99, China – 0.81) and increased business opportunities coupled with focus of Indian airlines on the international market.

Source: CRISIL MI&A

Table 15: Key risks and challenges in air travel industry

Key risks challenges	Details
Air travel industry	
Dependence on macroeconomic conditions 	A stable macroeconomic environment is one of the key factors which drives global air passenger traffic. Weaker macroeconomic conditions arising out of the underlying macroeconomic factors and pandemics can impact overall consumer confidence and spending habits. Weak macroeconomic conditions could impact air travel as it is a discretionary item.
Geopolitical uncertainty 	Geopolitical uncertainty impacts air travel industry as it leads to sanctions on trade and other activities between the conflicting regions/countries. Additionally, tensions arising out of situations like war between the regions/countries can impact tourism inflow and outflow in these regions which impacts passenger traffic negatively.
Rising fuel costs and in turn rising fares 	Fuel is one of the key input costs in the aviation industry. Increase in fuel cost can result in higher operational costs for airlines. This increase may be passed on to passengers resulting in higher air fares. For value consumers rise in fares could be a deterrent for air travel.
Environmental and climate policies 	The Aviation industry is associated with carbon footprint. Aviation industry is taking steps to reduce emissions and find efficient ways for fuel usage. However, decarbonisation requires investments from the players, and rising costs associated with decarbonisation can be a challenge for the industry. In addition, changing climate policies can also impact the aviation industry.

Source: CRISIL MI&A

2.3 Overview of airport infrastructure and airline fleet size in India

Airport infrastructure and airline fleet size are critical for a country's aviation industry. With the increased number of passenger growth in recent years, it is essential to have a supporting infrastructure and capacity in terms of aircraft, airports, and allied services.

Privatisation and greenfield airports to propel airport capex to INR 600-650 billion in the next five years

Airport infrastructure in India has seen increased focus in recent years, as indicated by the capital expenditure for greenfield and brownfield projects. The expansion of airports, including the upgradation of infrastructure / facilities at airports, is a continuous process, which is undertaken by the AAI or the airport operators concerned, depending on the operational requirements, traffic, demand and commercial feasibility.

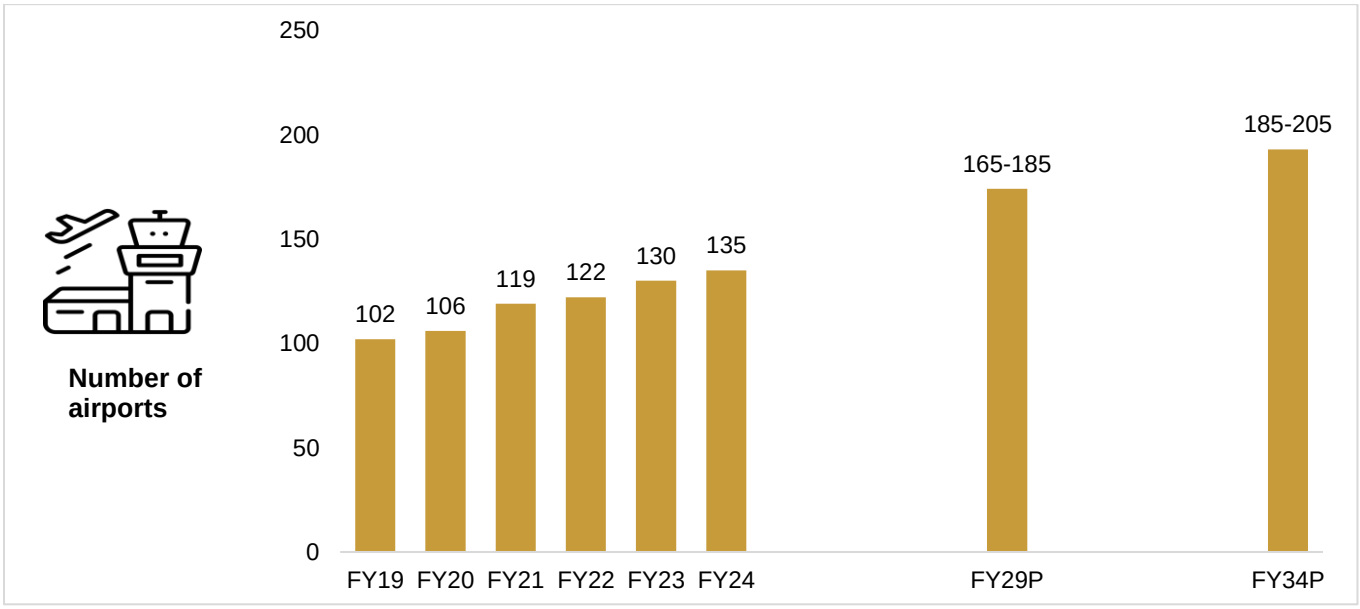
In the past few years, capex on airport infrastructure was supported by the government policies, with the development of greenfield and brownfield airports by the government of India. The government has also formulated a Greenfield Airports (GFA) Policy, 2008, for the development of greenfield airports in the country. Under this policy, the government of India has accorded an approval for setting up of 21 new greenfield airports. Of these, 12 greenfield airports have been put into operation.

CRISIL MI&A expects investments of INR 600-650 billion in airport infrastructure between FY25 and FY29, compared with INR 790 billion between FY20 and FY24. The projected investments are almost evenly split between greenfield projects, such as the Jewar airport, Navi Mumbai airport and Bhogapuram airport, as well as brownfield expansions in Bengaluru, Hyderabad, Guwahati and Chennai.

Number of airports almost doubled in the past eight years; 30-50 new airports expected to come up by FY29

In India, the number of operational airports almost doubled over the past eight years. The growth is a result of the government's push to enhance airport and aviation infrastructure. As of June 2024, India had 137 operational airports compared with 102 airports in FY19 and 77 airports in FY16. This expansion has enhanced connectivity across the country, making air travel more accessible to a larger population. Improved infrastructure and increased regional connectivity have facilitated easier and more efficient travel, leading to a rise in domestic passenger volumes. Around 30-50 new airports are expected to come up in the country, with the cumulative number of airports being 165-185 airports by FY29. This addition is expected to come in the form of newer airports in tier-2 and tier-3 cities. In addition, establishment of new airports in metro cities is anticipated to contribute to the overall increase in new developments. Further, some of the existing large airports such as Hyderabad International Airport and Bengaluru International Airport are also undergoing terminal expansion.

Figure 20: Number of operational airports in India



P - Projected

Source: AAI, CRISIL MI&A

According to CRISIL MI&A's estimates, there are 30-35 airports in India, where some form of capital expenditure (greenfield or brownfield) is currently ongoing. Some of the key ongoing and upcoming projects are listed below.

Table 16: Major upcoming airport projects

Project name	Cost (INR billion)	Scope of work	Tentative completion timeline
Delhi airport	105	Terminal 1 (expansion), fourth runway, taxiways /apron	FY25
Navi Mumbai airport	180 (phase 1)	Greenfield	FY25 (Phase 1)
Hyderabad airport expansion	65	Terminal 2	FY25
Chennai airport	24	New terminal apron	FY25
Jewar airport	57 (phase 1)	Greenfield	FY25 (Phase 1)
Bengaluru airport-Stage 2 expansion	135	Second runway, Phase 1 terminal, two aprons and taxiway	FY26
Bhogapuram airport	24 (phase 1)	Greenfield	FY26
Guwahati airport	20	New terminal	FY26
Nagpur airport	25 (phase 1 expansion)	Terminal apron	-
Pune airport	75	Greenfield	-
Ahmedabad airport	232	New terminal	-
Mangalore airport	180	New terminal	-

Source: CRISIL MI&A

As of June 2024, India had 137 airports. They are classified into international airports, public-private partnerships*, joint ventures*, state government / private internal airports, custom airports*, domestic airports and state government / private airports. Over the past few years, airports in India have evolved from being government-controlled infrastructure providers to profit-oriented service providers. Some of the biggest airports in India such as Delhi, Mumbai, Bengaluru and Hyderabad are operated as JVs by private players, indicating a push for the private sector in airport operations. Adani Airport Holdings Limited and GMR Airports Infrastructure Limited are among the leading private airport operators in India in terms of number of airports.

Note:*

Public-private partnerships (PPP): In a PPP, the private sector participates in the design, construction and funding of the project, while the public sector focuses on compliance and monitoring. The private sector operator is responsible for the day-to-day operations of the airport. The government retains some responsibility, such as regulation and supervision

Joint ventures (JV): In a JV, the private sector provides capital, and the government and the private sector jointly develop and operate the airport.

Customs airports: These airports have customs and immigration facilities for limited international operations by national carriers and for foreign tourist and cargo charter flights.

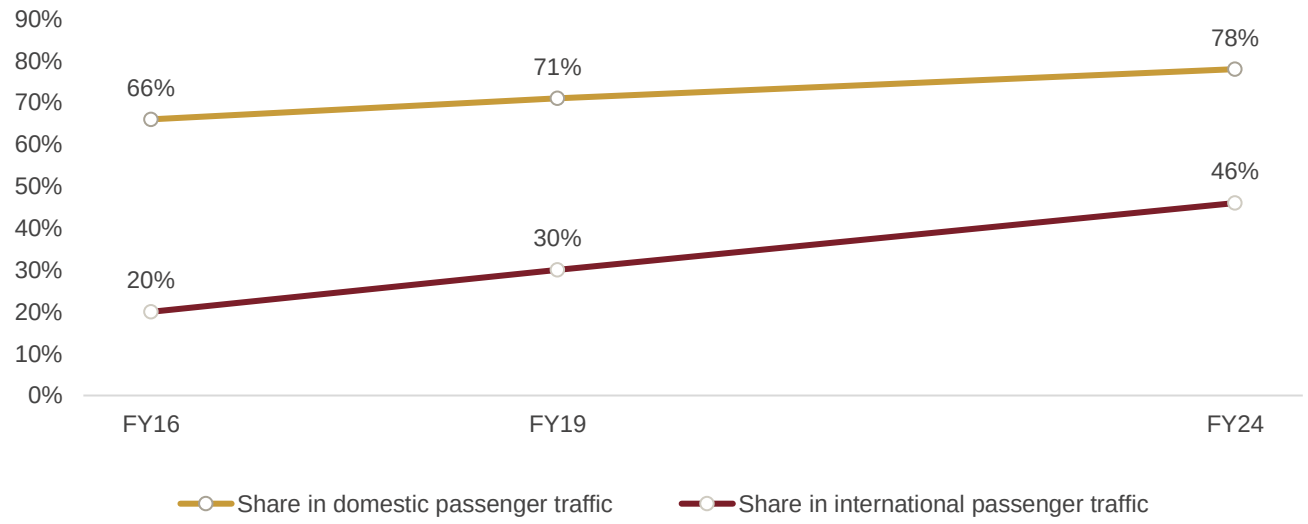
Low-cost carriers democratising air travel in India to boost passenger volumes

The rise in the market share of low-cost carriers (LCCs) in India, from 66% in FY16 to 78% in FY24, is a key growth driver for the domestic aviation market. By offering affordable, no-frills flights, LCCs are democratising air travel, making it accessible to a broader segment of the population. This increased accessibility not only boosts passenger volume, but also stimulates economic activity, by enabling more frequent travel for both business and leisure. However, LCCs operate on tight margins and a cost-savings model, which typically does not include complimentary meals. Providing high-quality food at an altitude incurs higher costs and passengers generally expect lower prices and may not be willing to pay extra for premium quality food, limiting a carrier's ability to offer high-quality meals. Resultantly, passengers usually preferring food from QSR outlets at airports, which is a key driver for the airport travel QSR and airport travel lounge segments.

LCCs are particularly dominating short-haul destinations in international travel with narrowbody aircraft, which is a key growth driver for international passenger traffic. Their share has increased from 20% in FY16 to 46% in FY24, signifying a growing share in international services. This expansion allows more passengers to travel internationally at lower costs, significantly boosting international passenger volume and stimulating growth in the aviation sector.

However, LCCs operate on tight margins and a cost-savings model, which typically does not include complimentary meals. Providing high-quality food at an altitude incurs higher costs and passengers generally expect lower prices and may not be willing to pay extra for premium quality food, limiting a carrier's ability to offer high-quality meals. Resultantly, passengers usually prefer food from QSR outlets at airports, which is a key driver for the airport travel QSR and airport travel lounge segments.

Figure 21: Share of LCCs in domestic and international passenger traffic



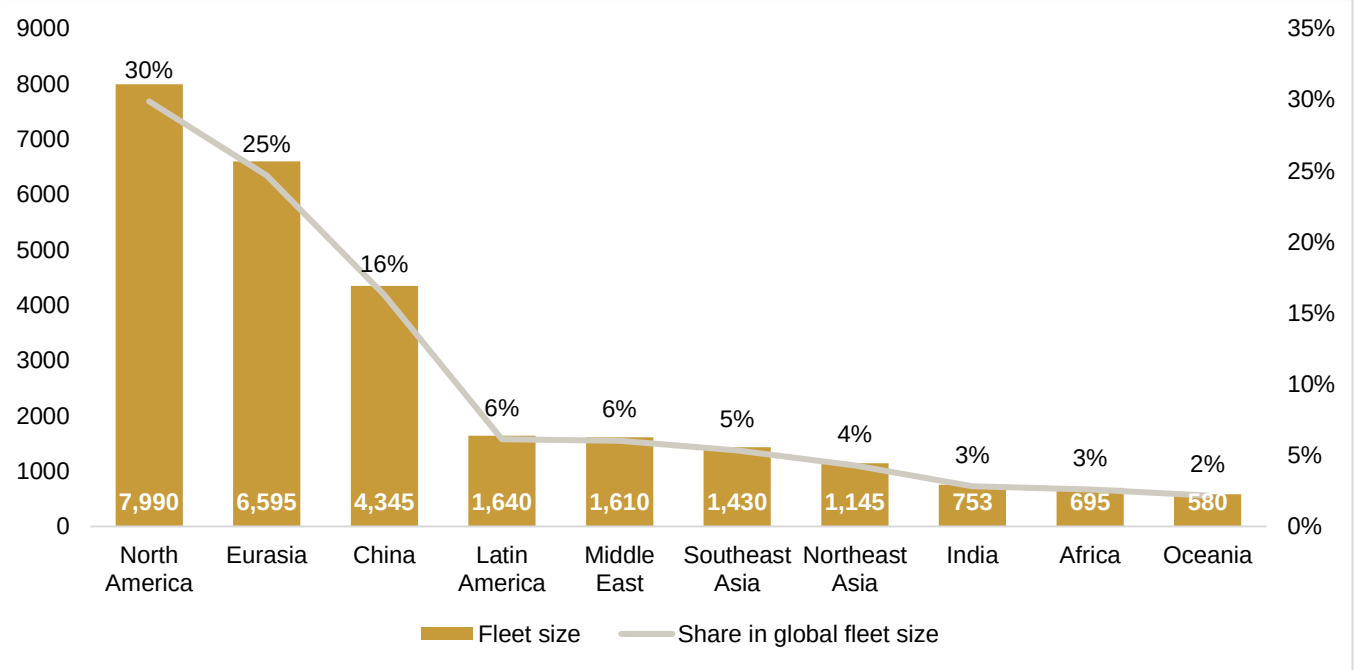
Source: DGCA, CRISIL MI&A

India accounts for 3% of the global aircraft fleet size, expected to grow with the addition of new aircraft

The global airline industry's fleet size was estimated at 26,750 in CY23 as per Boeing's Commercial Market Outlook for 2023-2043. North America had the biggest fleet, accounting for 30% of the global aviation market's fleet size. China – the third largest market in terms of passenger traffic – constituted 16% of the global fleet. In contrast, India's fleet size was ~753 in FY24, which translates into ~3% of the world's aircraft fleet. That said, the number of aircraft in the country has grown from 372 in FY13 to 753 in FY24.

Growth in the aircraft fleet size indicates supply side support for the growing air passenger traffic in India. Airlines have added capacity to meet the rising air travel demand. In addition, Indian airlines have placed orders for ~2,500 aircraft, indicating that they are building capacity to support increasing passenger traffic.

Figure 22: Region-wise fleet size and share in overall global fleet (2023)

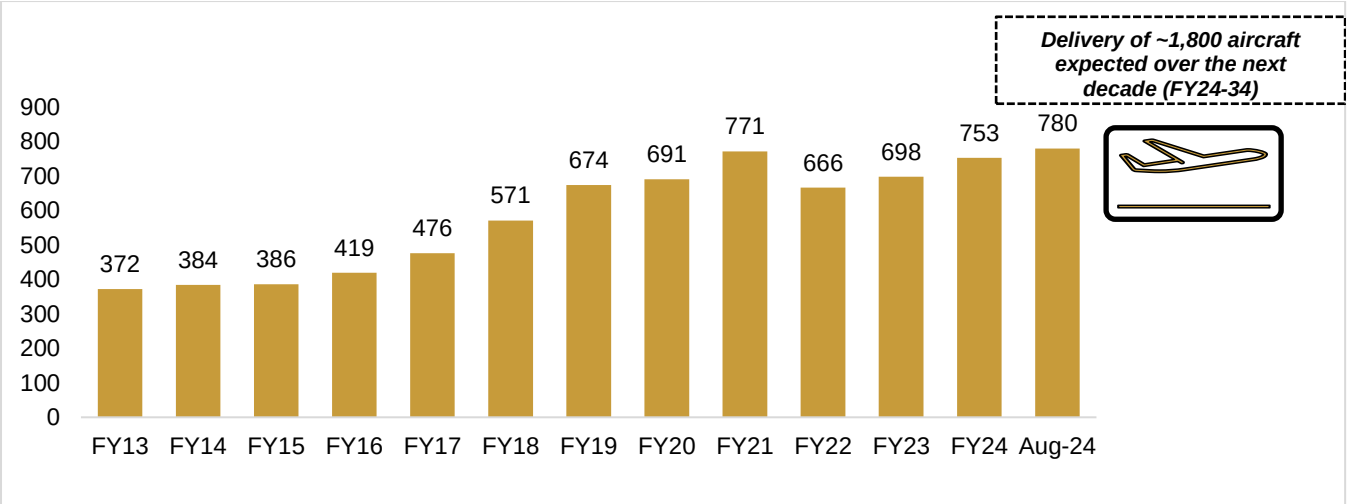


Source: Boeing commercial market outlook 2023-43, CRISIL MI&A

Supply-side push: Indian airlines have placed orders for ~2,500 aircraft which is about 3 times the current capacity

Growth in the aircraft fleet size indicates supply-side support for the growing air-traffic passengers in India. The growing fleet capacity by airlines is improving connectivity across different routes in the country, meeting the rising demand for air travel. The total fleet size increased from 386 aircraft in FY15 to 753 aircraft in FY24. Additionally, airlines have placed orders for new aircraft, which are expected to be delivered in the coming years. Indian airlines have placed orders for ~2,485 aircraft and about 1,800 aircraft are expected to be delivered in the coming decade from FY24 to FY34.

Figure 23: Growing aircraft fleet



Note: The aircraft fleet shown above is passenger aircraft only

Source: DGCA, CRISIL MI&A

New aircraft orders by airlines expected to aid capacity addition and network expansion

Indian airlines, notably InterGlobe Aviation (IndiGo airlines) and Tata group (that owns Air India, Vistara and Air Asia) have placed highest orders for new aircraft. IndiGo has set the stage for industry growth with an order for 500 new aircraft including other orders amounting to 830 aircraft, a move that is poised to elevate its fleet on order to more than ~1,300 aircraft. Similarly, Air India is on track to enhance its operational capacity with an order for 470 new aircraft. In addition to this, the company has recently placed an order for 85 aircraft with Airbus in October 2024. In 2023 alone, Airbus and Boeing together received net orders for 3,408 aircraft, out of which 970 were from Air India and Indigo, making up 28.5% of total net global orders. Akasa Air has also placed an order for 150 aircraft in January 2024, bringing the airline's total fleet on order to 226 aircraft. These huge orders not only underline the confidence of the key players in the industry's resurgence but also indicate a future shaped by significant expansion and modernisation.

Table 17: An overview of the fleet size of key airlines

Parameter	IndiGo Airlines	Tata Airlines group	Akasa Air	Others
Fleet	**367**	**299**	**24**	**110**
Fleet on order	**~1,330**	**~680**	**~226**	**~300+***

Note: Fleet data as of October 2024

Fleet on order based on publicly available information and indicates all orders placed by the airlines since inception

** Data includes SpiceJet's order of 737 MAX aircraft, for which the airline is negotiating an arrangement with the OEM.*

Source: DGCA, CRISIL MI&A

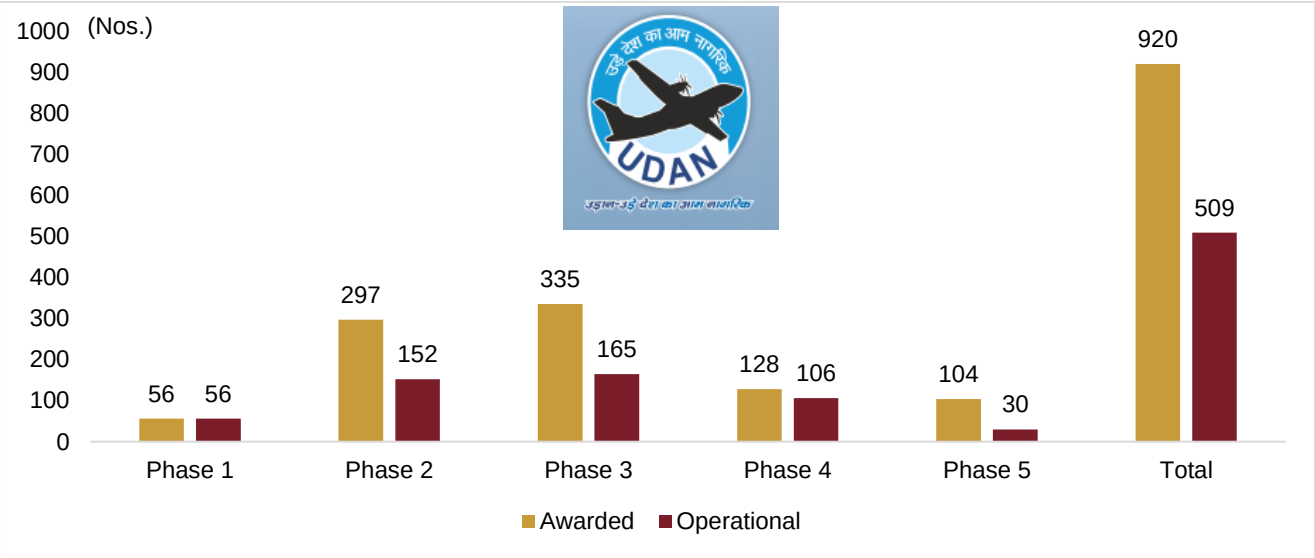
Subsidies and viability funding have attracted new airlines towards UDAN routes; half the awarded routes are operational under the UDAN scheme

The Regional Connectivity Scheme (RCS) – UDAN, a government-backed initiative to improve infrastructure and connectivity in India, especially in remote and underserved regions, is a vital component of India's National Civil

Aviation Policy (NCAP), 2016. The policy was launched by the Ministry of Civil Aviation (MoCA) on October 21, 2016, with a 10-year vision. The scheme focuses on improving unserved air routes in underserved regions of the country and fulfilling the aspirations of the common citizens.

The government imposes fare and capacity limits for scheduled commercial airline operations depending on various routes in the country. These limits applicable to scheduled commercial operations are not extendable to UDAN operations. UDAN fares are regulated under the RCS scheme, wherein 50% of the seats are eligible for viability-gap funding by the government based on the announced formulas. The exemption from capacity caps has enabled airlines predominantly serving UDAN routes to record a good number of flights and deploy capacity, as demand existed on these routes owing to migratory traffic. Of the total awarded 920 routes, around 509 routes are operational under the scheme. As of February 2024, about 13.4 million passengers have benefited from the UDAN flights and 256,000 flights have operated under the scheme.

Figure 24: An overview of the awarded and operational routes under UDAN

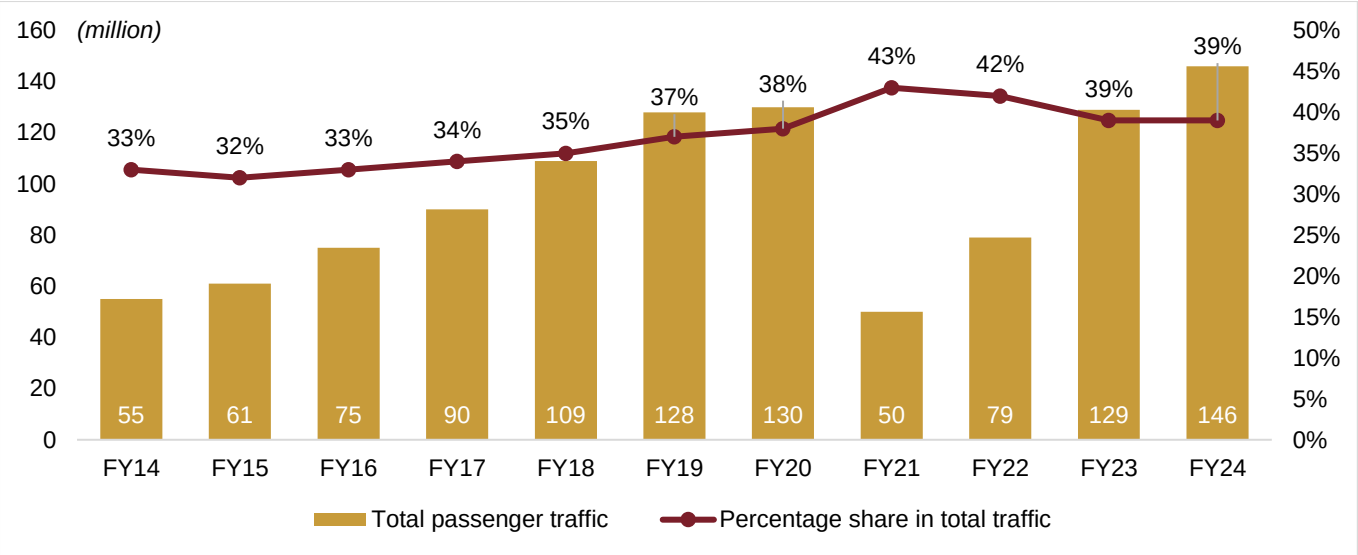


Source: AAI, CRISIL MI&A

Expanding airline network to non-metro airports

The rising share of traffic at non-metro airports is driven by the network expansion of airlines. As airlines extend their routes to include more non-metro destinations, they tap into previously underserved markets, in turn increasing overall passenger volumes. This not only diversifies and stabilises airline revenue streams but also enhances regional connectivity, making air travel more convenient and boosting domestic air passenger growth.

Figure 25: Trend in passenger traffic at the non-metro airports



Source: Company filings, CRISIL MI&A

Table 18: Key growth drivers supporting airport infrastructure in India

Particulars	Details
Budget allocations and other central government support 	• The Union Budget for FY25 has proposed to upgrade/revive 22 airports in the country led by the AAI and respective states under the RCS. Also, to improve regional air connectivity in the northeastern region, the government proposed to provide viability gap funding. It also has proposed a new scheme to improve the air connectivity and aviation infrastructure in the region, fostering an inclusive growth.
Key government policies 	To aid the growth in airport infrastructure, the government is providing policy support and incentives aimed at attracting private investments. Some of key incentives in the 10-year National Civil Aviation Policy (NCAP) 2016 introduced by the Ministry of Civil Aviation (MoCA) on October 21, 2016, are: • 100% FDI under the automatic route for greenfield and brownfield airports. • 49% FDI in scheduled airlines and regional air transport services through the automatic route and above 49% with government approval. For non-resident Indians (NRIs), 100% FDI is permitted under the automatic route. • 100% FDI via the automatic route for non-scheduled air transport services and helicopter services/sea plane services that require the Directorate General of Civil Aviation's (DGCA) approval; for maintenance, repair and overhaul (MRO) operations; flying training and technical training institutions; and ground handling services, subject to security clearance and sectoral regulations.
Increased private sector participation driving airport infrastructure development in India 	• As of FY24, India has 6 public-private partnership (PPP) airports, 7 joint venture (JV) airports and two state government-private airports, indicating an increase in privatisation of the airports in the country. However, airports are not fully privatised, the government has taken initiatives to bring in the private sector to operate airports across the country. Adoption of the PPP route has led to better infrastructure, improvement in revenue and higher airport service quality. Privatisation has been instrumental in driving growth, especially boosting non-aeronautical revenue, thereby aiding overall aviation sector.

Source: CRISIL MI&A

2.4 Key trends in India's aviation sector

Large Indian airports including Delhi, Mumbai, Bengaluru and Hyderabad witnessed all time high traffic in FY24

In terms of total domestic and international passenger traffic, Delhi, Mumbai, Bengaluru, Hyderabad, and Chennai are the largest airports in the country. Traditionally they have dominated the passenger traffic in the country as these cities house key government offices, corporate hubs and tourist attractions. The Delhi International airport (Indira Gandhi International Airport) is one of the top 10 busiest airports in Asia Pacific region as well as globally, and has handled 74 million passengers during fiscal 2024 which is highest among the Indian airports. It is followed by Mumbai airport (53 million passengers) which has also handled similar amount of passenger traffic as that of top 20 international airports globally. Bengaluru and Hyderabad airports handled 38 million and 25 million passengers, respectively, in FY24. Majority of the key airports in India have recovered growth in terms of passenger traffic after the COVID-19-related pandemic led to decline in passenger traffic.

Table 19: Total passenger traffic at key airports, million

Sr. No.	Airport	FY19	FY20	FY21	FY22	FY23	FY24	FY24 Change over FY19
1	Delhi	69	67	23	39	65	74	6%
2	Mumbai	49	46	11	22	44	53	8%
3	Bengaluru	33	32	11	16	32	38	13%
4	Hyderabad	21	22	8	12	21	25	17%
5	Chennai	23	22	5	10	19	21	-6%
6	Kolkata	22	22	8	11	18	20	-10%
7	Ahmedabad	11	11	4	6	10	12	5%
8	Cochin	10	10	2	5	9	10	2%
9	Pune	9	8	2	4	8	10	5%
10	Goa (Dabolim)	8	8	3	5	8	7	-19%
11	Lucknow	6	5	2	3	5	6	12%
12	Guwahati	6	5	2	3	5	6	4%
13	Jaipur	5	5	2	3	5	5	0%
14	Bhubaneswar	4	4	2	2	4	5	11%
15	Thiruvananthapuram	4	4	1	2	3	4	-1%
16	Srinagar	3	3	2	3	4	4	54%
17	Chandigarh	2	2	1	2	4	4	77%
18	Indore	3	3	1	2	3	3	10%
19	Patna	4	5	3	3	4	3	-15%
20	Calicut	3	3	1	2	3	3	-1%

Note:

The passenger traffic data is arrivals plus departures for both domestic and international segments.

The traffic dip in FY24 compared to FY19 levels at the Chennai airport was majorly due to fall in domestic passenger traffic while at Kolkata airport it was due to fall in international passenger traffic. Traffic dip for Goa (Dabolim) airport could be attributed to new goa airport getting operational in 2023 thus diverting the traffic from Goa (Dabolim) airport.

Source: AAI, CRISIL MI&A

Major airports see revenue recovery to pre COVID levels

Airports generate revenue from aeronautical and non-aeronautical operations. Aeronautical revenues typically comprise landing, parking fees, usage fees of terminals, gates, services, passenger count and other fees paid by airlines, while non-aero revenues are typically rent and revenue share paid by operators of F&B retail, duty free, duty-paid retail and parking concessions. Based on the available information in the public domain, revenue for some of the major airports, which include Mumbai International Airport Limited, Delhi International Airport Limited, Bengaluru International Airport Limited, GMR Hyderabad International Airport Limited, Cochin International Airport Limited and Chandigarh International Airport Limited, has recovered from the COVID-19-related stress. The cumulative revenue of these airports surpassed FY19 levels.

Table 20: Revenue trend for key airports (INR billion)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY19-23 CAGR
Revenue for airport operators* (in INR billion)	107	110	53	69	112	NA	1.1%

*Note: * Airports considered for the analysis are Mumbai International Airport, Delhi International Airport, Bengaluru International Airport, GMR Hyderabad International Airport, Cochin International Airport and Chandigarh International Airport as per data availability.*

NA: Not Available, for FY24, revenue of Delhi International Airport and GMR Hyderabad International Airport are only available.

Sources: Company filings, CRISIL MI&A

The Delhi International Airport and GMR Hyderabad International Airport recorded a stronger 27% year-on-year growth in revenue, during FY24 supported by increase in passenger traffic and cargo handling (other players have not reported the earning for the fiscal year). These airports clocked a revenue CAGR of 7.1% between FY19 and FY24.

Aeronautical and non-aeronautical revenue per passenger lower for Indian airports

Indian airports generate lower per-passenger aeronautical and non-aeronautical revenue than major global airports. In the aeronautical segment, this could be the result of lower airport fees, landing charges etc. whereas in the non-aeronautical segment, the reasons could be lower spending by passengers on non-travel items such as shopping, eating etc. in terms of split between aeronautical and non-aeronautical revenue, global airports have higher share of aeronautical revenue due to higher landing and other airline-related charges, while Indian airports considered below have higher share of non-aeronautical revenue driven by higher duty-free spends on alcohol, chocolates and confectionaries and beauty and cosmetic products. However, between FY19 and FY23, the non-aeronautical revenue per passenger of global airports logged a flat CAGR while Indian airports saw a stable 2-3% CAGR. Given the rising passenger traffic and increasing propensity to spend, Indian airports have potential for more growth in the near term.

Table 21:Overview of per passenger revenue for select global and Indian airports

Parameter	Global airports	Indian airports
		
Aeronautical revenue per passenger (USD)	15-20	3-4
Non-aeronautical revenue per passenger (USD)	12-15	4-5
Share of non-aeronautical revenue	43-48%	53-58%

Note: Global airports considered for the analysis are Hong Kong International Airport, London Heathrow Airport , Changi Airport (Singapore), Beijing Capital International Airport, Denver airport, Berlin airport, Frankfurt International Airport and Hartsfield-Jackson Atlanta International Airport.

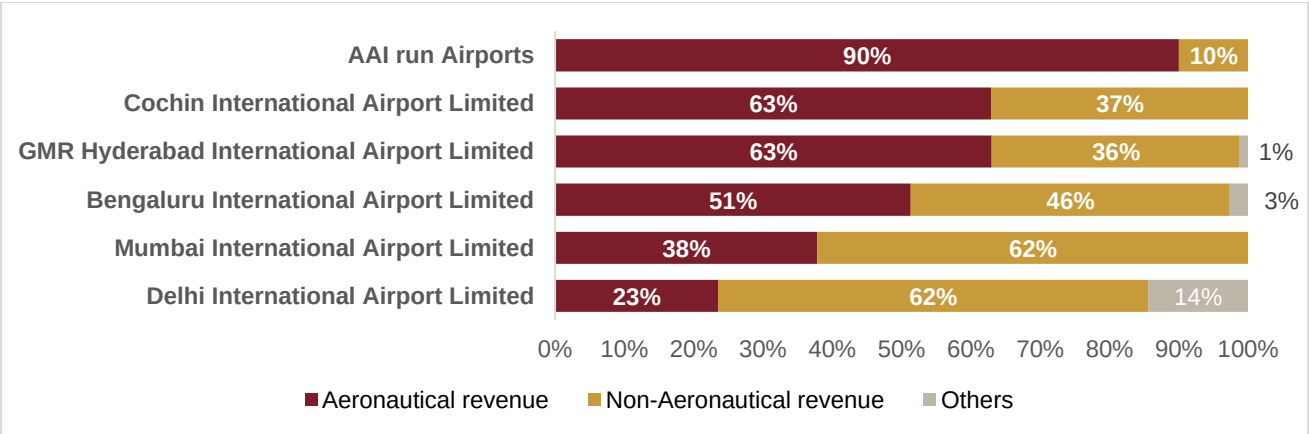
Indian airports considered are Delhi International Airport, Bengaluru International Airport, GMR Hyderabad International Airport and Cochin International Airport.

Sources: Company filings, CRISIL MI&A

Non-aeronautical revenue share higher for private airports

Non-aeronautical revenue is becoming a key contributor to overall revenue for domestic airports. Some of the key segments in non-aeronautical revenue are duty-free retail, duty-paid retail, airport F&B, parking and land and space rentals. Non-aeronautical revenue at some of the key private airports in India is higher than that of the AAI or government-operated airports because of higher passenger traffic, better infrastructure and allied services, which are some of the key factors that contribute to non-aeronautical income.

Figure 26: Review of share of aeronautical and non-aeronautical revenue at Indian airports (FY23)



Note: Others –

GMR Hyderabad International Airport Limited – Revenue from commercial property development.

Bengaluru International Airport Limited – Revenue from Gain on sublease arrangement.

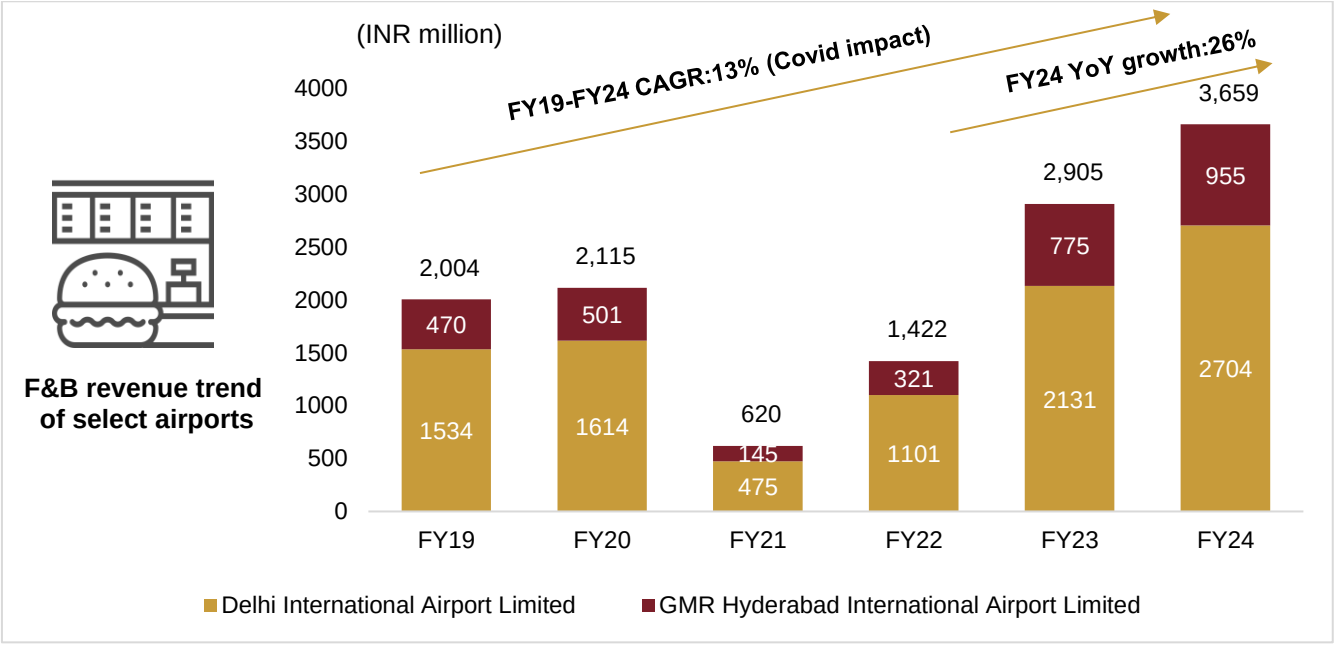
Delhi International Airport Limited – Revenue from commercial property development.

Source: Company filings, CRISIL MI&A

Healthy growth in F&B revenue of key airports

F&B revenue, which is the revenue earned by airports through concession agreements for operating F&B outlets, is one of the key components of the non-aeronautical revenue for airport operators. It has been growing at a healthy pace for key domestic airports. For Delhi International Airport and GMR Hyderabad International Airport, F&B revenue, which forms 8-10% of their total non-aeronautical revenue, logged a significant 13% CAGR between FY19 and FY24. The growth is attributed to increased passengers' propensity to spend on F&B. This also shows that passengers are spending on non-travel-related activities such as eating at the airports. F&B operators at the airports have also customised their offerings as per the customer needs, in turn, enhancing passengers' experience.

Figure 27: F&B revenue of select airports*



*Note: * F&B revenue of Delhi International Airport and GMR Hyderabad International Airport.*

Figures at the top of columns include total for both the airports.

The F&B revenue is as reported by the mentioned players in their respective annual reports.

Sources: Company filings, CRISIL MI&A

3. Overview of global and Indian airport retail

3.1 Structure of travel retail industry

Travel retail encompasses commercial retail activities in transportation hubs and plays a pivotal role in enhancing the overall travel experience of passengers by catering to their diverse needs. Some of the common travel retail categories include airport, metro, railways and highway retail.

Figure 28:Types of travel retail

Airport retail	Metro retail	Highway retail	Railway retail	Marine retail
				

Source: CRISIL MI&A

Travel retail has become an important medium for brands to connect with their customers

Travel retail allows retailers and brands to capitalise on the growing traveller base passing through multiple transit points such as airports, railways, and roads, and provide convenience and high-quality options to travellers. Furthermore, the growing share of urbanisation coupled with increasing disposable income supported by government initiatives is transforming these transit hubs into major retail hubs, thereby allowing brands to connect with their potential customers.

Given the semi-captive nature of passengers (as some of passengers can either bring their own food to the airports or defer from buying food at the airports for shorter flight durations) and the increasing volumes of premium customers in transit annually, the demand for global travel retail – airport, metro, highway, railway and marine – will continue to rise, thereby creating better opportunities for both retailers and facility operators in the travel retail space.

3.2 Global airport retail is a key segment in the travel retail industry

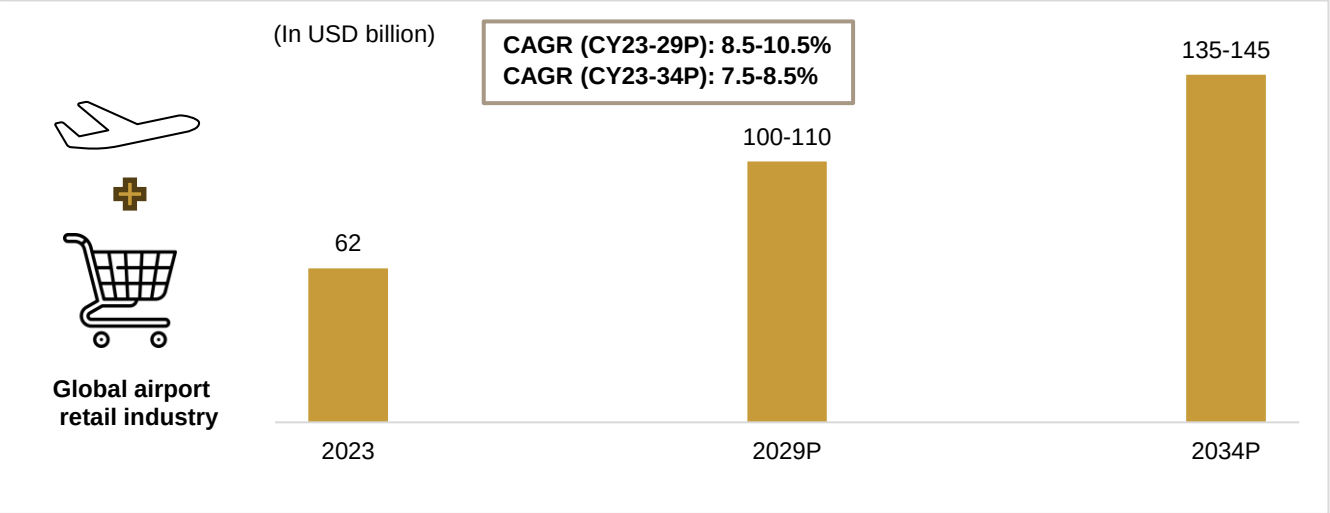
Among the travel retail industry, airport retail is the largest segment and is instrumental in providing convenience to travellers through a diverse range of offerings. Some of the key categories include airport F&B (airport travel QSR and lounges), duty-free (tax-exempt retail goods such as alcohol, confectionary, beauty and cosmetics, other retail products and services), duty-paid retail (fashion, beauty and cosmetics, foreign exchange, souvenirs, electronics and gadgets), and other services (spa, massages, international roaming and data providers).

Airport F&B which includes airport travel QSR outlets including all format restaurants and bars, lounges which is a prominent part of airport retail forming 35-40% of the overall airport retail, offers multiple options to the travellers ranging from lounge access to fast food options, cafés, bars, dine-in establishments in order to enhance the overall passenger experience. Collectively, these retail types not only play a crucial role in enhancing the experience of passengers but are also a source of revenue for the airports.

Global airport retail market worth USD 62 billion in CY23, expected to grow at 7-8% CAGR over long term

Driven by increasing passenger traffic and disposable income in emerging markets such as China, India, Brazil, Mexico over the last decade, the global airport retail market has reached USD 62 billion as of CY23. Airports globally are also focusing on non-aeronautical revenue streams, which is a key growth driver for the industry. Driven by further increase in passenger traffic, which is expected to grow at a CAGR of 5-6% over CY23-CY34, growth in duty-free shopping, and growing presence of luxury brands at airports, the global airport retail market is expected to reach USD 135-145 billion by CY34, growing at a CAGR of 7.5-8.5% between CY23-CY34.

Figure 29: Review and outlook on global Airport retail market



Note: P - Projected.

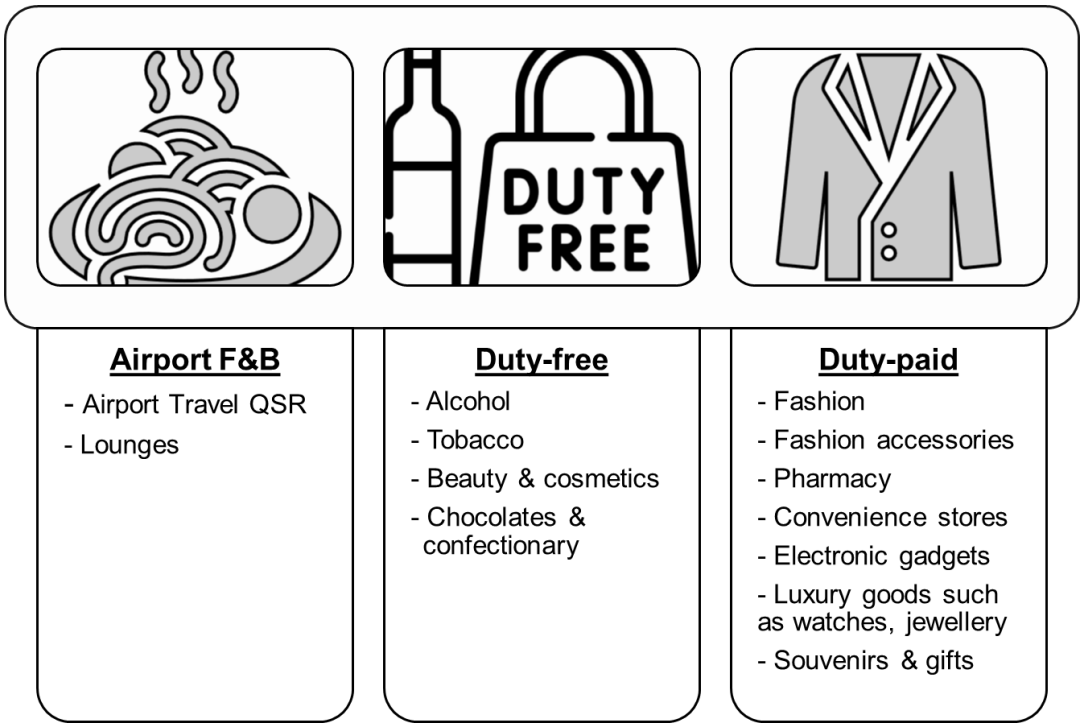
Source: CRISIL MI&A

Global airport retail has evolved with penetration into more segments and has created more avenues to spend

Airport retail provides experience enhancing services to passengers with a focus on convenience, comfort, entertainment and stress relief. Moreover, it plays an important role as a source of income for airports, thereby, for the aviation industry as a whole. From a few basic items in terms of refreshments to more sophisticated goods such as electronics, consumer durables, fashion accessories, global airport retail has evolved with penetration into wider product segments at the airports. Global airport retail now offers more options to the passengers than a decade or so ago.

Also, with rising disposable incomes, air travel passengers have started spending on non-travel related goods and services such as gourmet F&B, beauty and cosmetics, apparel, electronic gadgets, etc. This also marks a behavioural shift from consumers who besides boarding and alighting flights are now also looking at different retail options available to them at the airport. Also, semi-captive consumers with adequate dwell times, and premium customer profiles, are also driving retail spending. The airport F&B segment in the retail space is also boosted by the LCC boom. Majority of the LCCs don't offer complimentary F&B options in-flight and largely have pre-cooked products, resulting in passengers exploring F&B options and lounges (which provide access through credit card and loyalty program), available at the airports. This has propelled the overall growth of the global airport retail industry.

Figure 30:Key segments of airport retail



Note: List is not exhaustive and only indicative.

Source: CRISIL MI&A

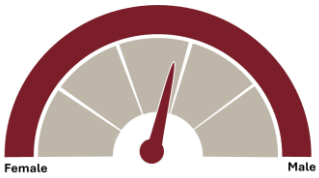
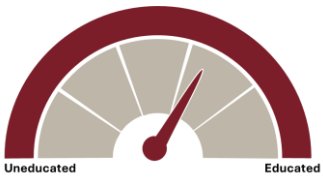
Airport retail consumers prefer convenience and are usually less price sensitive than high street retail consumers

In today's interconnected world, airport retail has gained significant importance due to the increasing popularity of air travel as a convenient mode of transportation. Additionally, as consumer needs in airport retail are different from traditional high street retail, the former has to be designed differently. Air travellers often have limited time before their flights and prioritise an efficient shopping and F&B experience, in contrast to a high street shopper who usually expects a wide variety of products without any time constraints.

Moreover, in the context of airport retail, airport F&B, duty-free stores, luxury brands and convenience outlets are some of the major attractions.

Hence, airport retail has emerged as a vital source of revenue generation for airport operators as well as an important source of customer engagement for the brands and an essential component of travellers experience.

Table 22: Overview of airline passengers' profile

Criteria	Range	Description
Age group		• Among all global passengers, ~70% are aged between 25-54 years. • The rise of low-cost airlines, has led to an increase in the proportion of young passengers in the overall mix of airline passengers.
Gender		• Globally, gender distribution among the airline passengers is usually balanced; however, the split is slightly tilted towards male passengers who comprise 55-60% of all travellers.
Education		• A significant portion of airline travellers, especially those travelling for business/work purposes, tend to have different formal education/degree.
Purpose		• The purpose of travel includes business/professional, leisure, as well as passengers traveling for other personal reasons. • As per World Travel & Tourism Council, as of CY23, ~20% of total travel spending was for business purposes.
Income Group		• Range from upper middle-income bracket to high-income bracket. • Based on the income category and preferences, travellers make choices related to spend on F&B and other retail services at the airports.

Source: CRISIL MI&A

Table 23: Evolving consumer preferences of airline passengers

Parameter	Details
Preference towards technology integrated brands 	• In today's digital world, airline travellers typically prefer brands that have integrated technology into their operations as it offers a more efficient and streamlined experience. Some of these features include QR code based mobile ordering, self-ordering kiosks and contactless payments. • These features not only enhance the overall travel convenience, but also allow passengers to identify food options that meet their dietary needs. Hence the integration of technology is helping brands offer a more personalised and efficient service which is particularly appealing to the younger generation of tech-savvy travellers.
Passengers seeking comfort 	• Passengers want their travel to be hassle free and comfortable. Passengers are seeking lounge options at airports as these provide various kinds of services ranging from waiting rooms to food and beverages. • Additionally, variety of options like credit cards, lounge membership programmes like Dragon pass, priority pass etc. are available to access lounges, which drive footfall at the lounges across the airports.
Shift towards healthier options 	• Rising instances of lifestyle diseases, along with a growing awareness of healthy food, are slowly increasing the demand for healthier food options at airports. Passengers are seeking nutritious food options as per their needs.
Increasing focus on sustainability 	• Airport F&B operators actively promote initiatives aimed at educating consumers about sustainability initiatives. They encourage customers to make choices that reduce the environmental impact. This in turn makes customers to be more focused on sustainability.

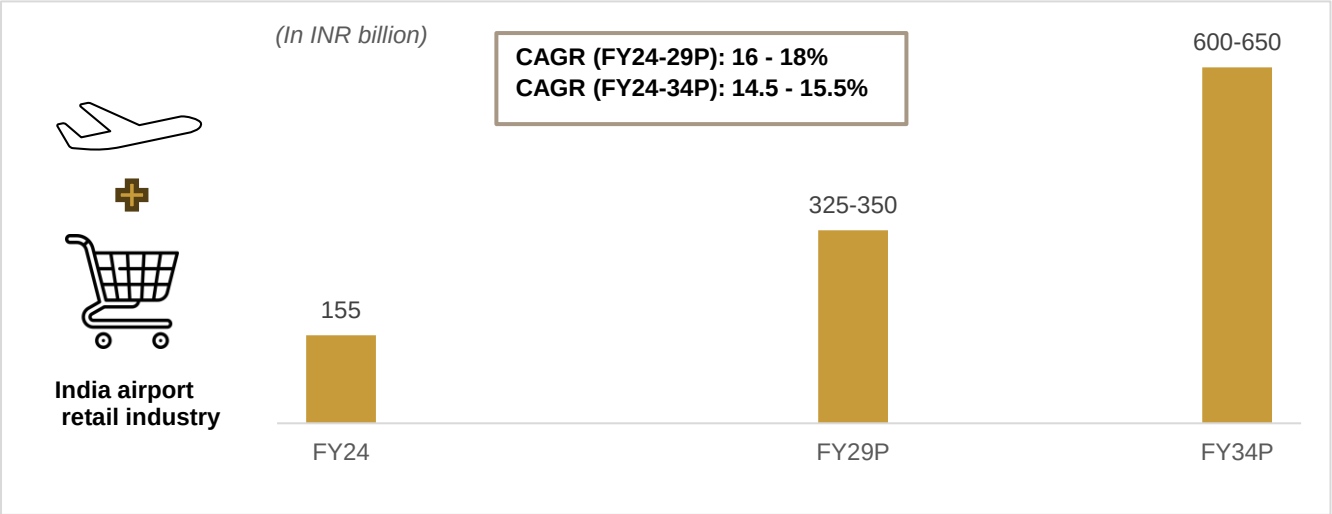
Source: CRISIL MI&A

3.3 India: a prominent growing market for airport retail

Retail is one of the fastest growing industries in India. Organised retail, a key recent advent in the Indian retail industry was estimated to be at INR 11 trillion in FY24 and expected to reach INR 24-25 trillion by FY29. India presents a huge opportunity for retail, with a population of ~1.4 billion and a private final consumption expenditure proportion of close to 60% of the GDP. This growth is also expected to be reflected in airport retail, given huge investment in infrastructure, mass transit corridors, transportation hubs and associated need for goods and services. Furthermore, with exposure to global brands, the propensity to spend and the desire for upscaling lifestyle has driven the modern retail landscape in the country. Airport travel QSR and lounges are the key and fast-growing sectors in airport retail in India which together account for ~34.5% (INR 53 bn) of the total airport retail market in India as of FY24. For further details on Travel QSR, please refer Overview of the Indian airport travel QSR industry and for details on lounges please refer Overview of Indian airport lounge industry.

Indian airport retail market too has seen a healthy growth in recent years with the market reaching a size of INR 155 billion in FY24. The growth was supported mainly by growing air passenger traffic and penetration of different retail outlets on airports as well as improving overall airport infrastructure across the country over the last decade.

Figure 31:Review and outlook on Indian airport retail market



Note: P - Projected

Source: CRISIL MI&A

Airport retail growth in India to be supported by growing passenger traffic, improving airport infrastructure and evolving consumer preferences

Air travel in India is emerging as the preferred mode of transport with total domestic passenger annual traffic (including non-unique passengers) with annual traffic of 155 million representing ~11% of Indian population in FY24 (~242% in case of the USA as of CY23), which used to be 4.5-5% in FY14 ten years ago.

Penetration of low-cost carriers and the government's push towards connecting 2- and 3-tier cities through the RCS UDAN Scheme has made air travel access easy for larger portion of population which has helped air passenger traffic in India grow at a healthy pace.

This surge in air passenger traffic in turn has boosted overall airport retail. Additionally, multiple airports in the country have amplified retail activities through offerings like duty- free shops, F&B outlets and other retail spaces by upgrading the airport infrastructure. The growth and upgradation of airport infrastructure together with increasing passenger traffic are expected to translate into retail opportunities for airport operators and retailers. Supported by these factors, airport retail in India is expected to grow at a 16-18% CAGR from FY24 to FY29 in the medium term and 14.5-15.5% from FY24 to FY34 in the longer term.

3.4 Key growth drivers of airport retail in India

- Rising income levels, penetration of LCCs, expanding airline network, government support etc. are driving the growth of the Indian airport retail industry. Please refer Growth drivers for air passenger traffic in India, An overview of the Indian air travel industry, An overview of airport infrastructure and airline fleet size in India for further details on key drivers for Indian air travel industry.

Table 24: Additional key growth drivers for airport retail in India

Sr.No.	Growth drivers	Details
1	**Increasing LCC share** 	• The greater accessibility for air travel due to increasing market share of LCCs has not only boosted passenger volumes, but also given young population easier access to air travel. This shift has led to a greater demand and spending on airport F&B including airport travel QSR and lounges. For more details on LCCs please refer Penetration of low-cost carriers.
2	**Higher average dwell time** 	• A key factor driving the growth of airport travel QSR outlets and airport lounges is the increasing average passenger dwell time. Dwell time, average time passengers spend at airports excluding clearance and checks, varies by region, flight departure/arrival time and passenger type. For instance, international passengers generally have longer dwell times than domestic ones. Dwell time is also a function of how early a passenger reaches the airport as per the regional guidelines, such as Canada's 60-minute recommendation for domestic travel and 2-3 hour for international travel, or Delhi's 2-hour for domestic travel and 3-hour for international travel before departure time. Globally majority of the passengers typically spend close to 45-60 minutes at the airports. • As per IATA's 2023 Global Passenger Survey, the average time spent at airports by 80% of the passengers with a carry-on bag and check-in bag in 2022 was less than 45 minutes. • But in India, dwell time is typically higher due to early closure of check-in counters and boarding gates (60 and 20 minutes before departure, respectively). That said, airports are working to streamline processes, which could further increase dwell time, enhancing passenger experience and encouraging use of dining, shopping, entertainment, and lounge facilities. This trend is expected to boost demand for diverse airport travel QSR options and lounges, catering especially to travellers seeking a comfortable, exclusive experience.

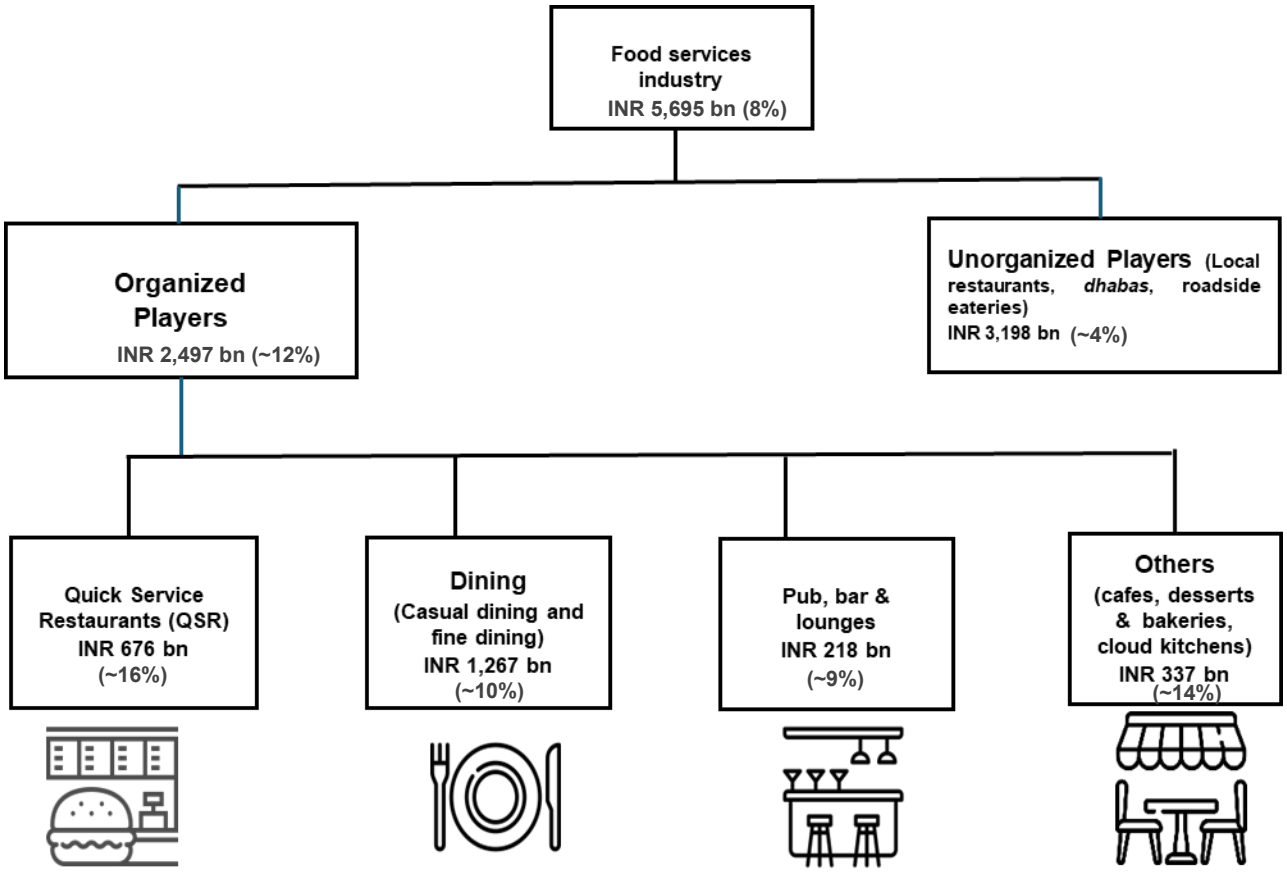
Source: CRISIL MI&A

4. Overview of Indian food services industry and deep dive into travel QSR industry

4.1 Structure of the food services industry in India

The food services industry in India which is currently sized at INR 5,695 bn has been evolving in recent years, driven by younger demographics, rapid urbanisation, changes in lifestyle and increasing disposable income. These supporting factors are driving the eating out culture in the country. Consumers to try out different cuisines. Also, the convenience of food delivery and other factors are all contributing to significant traction for the food services industry. The industry is expected to grow at a CAGR of 8% between FY24 and FY28 to reach INR 7,765 bn.

Figure 32: Overview of the food services industry (FY24)



Note: Figures in boxes are the market size(FY24) and CAGR growth(FY24-FY29) for the respective categories.

Source: CRISIL MI&A

On the basis of food service formats, the industry can be categorised as follows:

- **High street QSRs**: These are QSRs that offer processed fast foods such as burgers and pizzas at low prices, typically via self-service or minimal service. These also provide home delivery and takeaway services. These are usually located in public places and high footfall areas such as malls, entertainment zones, airports, etc.

QSRs offer a set menu, and the food orders are often served within a specific time duration. QSRs have a dine-in option as well as take-away option. Further these QSR outlets can be categorised into

- **Company-owned outlets:** In this case, the company that has the rights to the QSR brand owns the outlet and entirely manages operations, which gives it complete control over pricing, but entails higher financial and operational risk.
- **Franchisee-owned outlets:** Such a model includes licensing a QSR's brand (the franchisor) to a third party (franchisee) which operates the business, adheres to standards, and shares the revenue, thereby allowing the licensor to earn fixed revenue without bearing financial or operational risks. While the franchisee owns the outlet or outlets for which the contract is signed with the franchisor, they must adhere to the business model and guidelines of the franchisor.

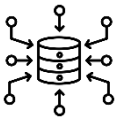
- **Cafes:** Cafes offer coffee and other beverages, along with quick bite foods, such as sandwiches, in a casual atmosphere with minimal services.
- **Bars/lounges**: These primarily offer alcohol-based beverages, along with snacks and full-fledged meals, in an ambience varying from loud music for party gatherings to a social and cordial environment.
- **Casual dining restaurants**: These offer food at moderate prices in a casual atmosphere with services provided by a semi-trained staff. Additionally, these offer longer dining experiences with elaborate menus. These also provide home delivery and takeaway services for food items.
- **Fine dining restaurants**: These offer quality food, typically of a particular cuisine, at high prices in an elegant ambience with services provided by highly trained staff, and are usually located in premium hotels and prime locations in major cities.
- **Desserts parlours, bakeries**: These offer cakes, ice creams, pastries, bread, cookies, baked snacks, etc.
- **Cloud kitchens**: These are commercial kitchen spaces designed for preparing food, specifically for delivery or takeout, and do not have a traditional dining set up.

In the travel QSR segment which relates to QSR outlets at the travel hubs like airports, highways and railway stations, all traditional high street formats such as fast-food restaurants to QSRs, cafes, food courts, bars, takeaway restaurants and bakeries are customised to a QSR format given the short service times for passengers on the go. Thus, travel QSR segment caters to all four key segments of the overall food services basket mentioned above (high street QSRs, casual dining restaurants, fine dining restaurants, bar/ lounges and others (cafes, desserts & bakeries)).

In the unorganised segment, entities include local restaurants and roadside eateries, such as street stalls, hawkers, trolleys, and standalone sweet shops. These outlets have traditionally dominated in terms of size of the Indian food and beverage (F&B) services industry.

4.2 Key growth drivers supporting the Indian food services industry

Figure 33: Key growth drivers of food services industry

Growing economy and rising income level	Demographics	Push by aggregators and online delivery	Trend of ordering online and eating out
			

1. Growing economy and rising income trickle down to food services

The Indian economy clocked a 5.9% CAGR between FY12 and FY24, which resulted in a strong consumption sentiment. For more details on India's macroeconomic and per capita income growth please see India's macroeconomic assessment.

2. Demographic dividend and change in consumer behaviour to aid growth in Indian food services market

According to World Bank data, India's demographic dividend, comprising individuals aged 15-64, has experienced a significant increase from 64% in 2010 to approximately 68% in 2023. Further, as of 2023, India has the largest population of Gen Alpha, Gen Z and Millennials globally. This trend is expected to continue, accompanied by a rise in earning and spending power among this demographic. The growing preference for dining out, increased awareness of global cuisines, and reliance on food delivery services due to busy lifestyles are anticipated to drive consumption-driven growth.

Furthermore, India's economic growth has led to a notable increase in female participation in the formal workforce. The worker population ratio for women aged 15 and above has risen from 22% in FY18 to approximately 36% in FY23. As a result, working women, who traditionally have been more active participants in Indian kitchens, are opting for online food ordering due to time constraints. Moreover, increased women participation in formal jobs has lifted the income levels, which prompt women to leverage their spending power to eat out more often. For details on female working population ratio please see Ratio of working women in the Indian workforce witnessing an upward trend and is expected to boost household income.

Looking ahead, the trend of consuming food outside is expected to gain momentum, particularly among millennials and Gen Z, who are eager to explore new restaurants and cafes.

3. Aggregators have eased discovery of restaurants and cuisines

Aggregators such as Swiggy, Zomato provide listings of restaurants in any desired location and enable customers to search specific eateries serving cuisines of their choice. Apart from providing essential details and peer reviews of restaurants, aggregators allow users to reserve tables at select restaurants. Food delivery aggregators help users order food online from their desired restaurants as well and provide seamless delivery through their fleet.

Aggregators also run loyalty programmes and offer discounts to incentivise higher dine-in footfall and food delivery order volume. These programmes encourage higher spending on food services, especially by tech-savvy customers.

This can be seen from growth in Zomato Limited's revenue, at a CAGR of 56% between FY19 and FY24, indicating the increase in eating-out habits of India's young generation. Further, with an increase in smartphone penetration,

tech-savvy behaviour, and the rise of cloud kitchens as new category restaurants, these food aggregators would further enable growth in the Indian food services market.

4. Surge in digital transactions facilitates dine-in and food delivery

Point-of-sale (POS) machines in restaurants for processing payments has increased acceptance of debit and credit cards, thereby facilitating easy payments without the hassle of carrying cash. Food delivery aggregators provide users the option to link their accounts with multiple payment modes, such as internet banking, digital wallets, card-based payments, and UPI-based payments, thus providing a smooth and hassle free transaction experience. These digital transactions are propelling the growth of the food services industry.

4.3 Overview of airport travel QSR

The airport travel QSR segment within travel retail has evolved significantly, catering to the unique needs of travellers. Passengers are now looking for a better overall travel experience. Passengers are also exploring QSR options available at the airports. Airport travel QSR offer multiple options to the travellers ranging from fast food restaurants to quick service restaurants, cafes, food courts, bars, takeaway restaurants, and bakeries to enhance the overall passenger experience.

Travel QSR is an essential component of the overall air travel journey

There has been a growing emphasis on offering a diverse range of culinary options to cater to various dietary preferences and cultural tastes. Restaurants at airports are shifting from simple fast food to a more curated selection of brands and cuisines. Travel QSRs now cater to evolving tastes of travellers who seek varied, high-quality food and beverage experiences with a short service time requiring them to operate at higher efficiency and throughout. As a result, travel QSR outlets within the overall airport retail space, have become an essential component of the overall travel journey.

Global airport travel QSR market

The demand for airport travel QSRs closely follows passenger traffic at airports. Rise in air passenger traffic and the proliferation of low-cost carriers have made air travel more accessible to a broader audience. This surge in global air travel, spurred by economic growth, results in higher passenger count.

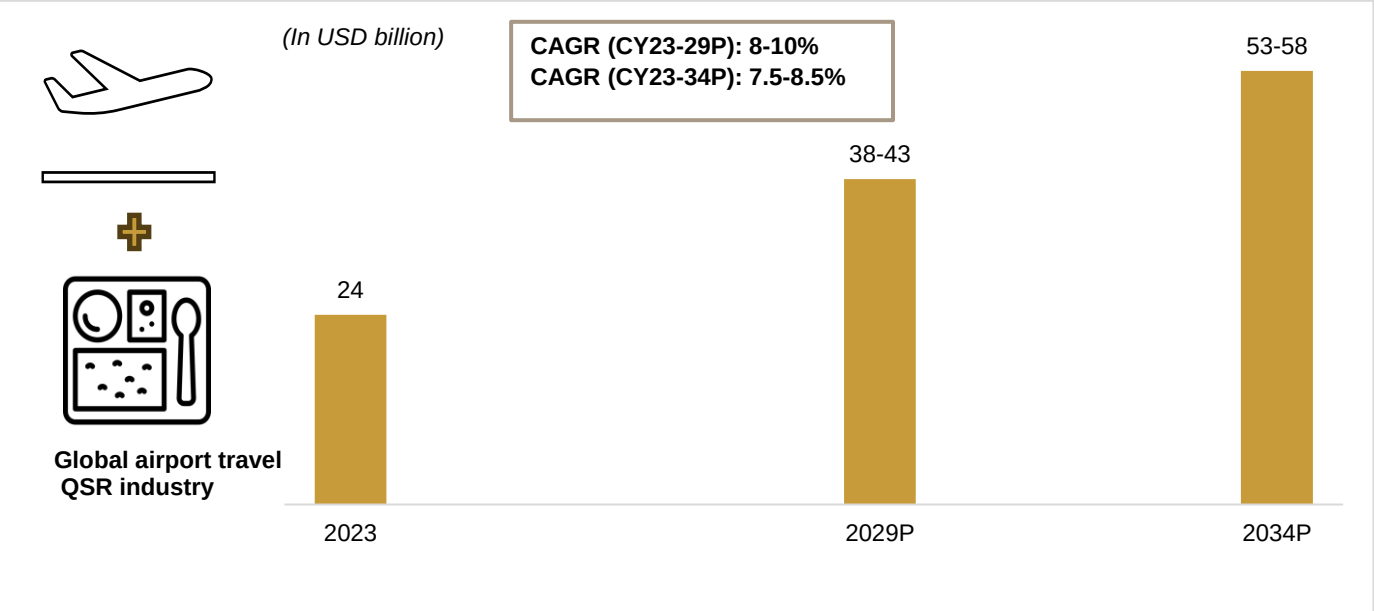
The growing air passenger traffic allows for a higher semi-captive audience for airport travel QSR players. Airport travel QSR players thus cater to rising customized demands of the passengers by curating diverse cuisines that resonate with passenger tastes and preferences. The growing aviation industry has also supported the expansion of airport travel QSR market. The size of global airport travel QSR market was estimated to be USD 24 billion in CY23.

Spurred by growing passenger traffic and improving airport infrastructure, global airport travel QSR market to grow at 8-10% CAGR from CY23 to CY29

Governments globally are investing in airport modernisation. This has aided in airports evolving into multifaceted destinations offering shopping, dining, and entertainment options to travellers. Unique dining establishments at airports cater to travellers. Such government-backed initiatives pave the way for the proliferation of quick-service restaurants at airport establishments. Additionally, increasing air traffic, changing travel trends with longer flights and layovers, innovative and premium menu offerings by players are also expected to drive the market going forward.

As a result, the airport travel QSR market is expected to grow at 8-10% CAGR from CY23 to CY29 in the medium term and 7.5-8.5% CAGR in the long term from CY23 to CY34.

Figure 34: Review and outlook on global airport travel QSR market



Note: P - Projected

Source: CRISIL MI&A

Table 25: Overview of key players in the global airport travel QSR industry

Player	Founding year	Description
Travel QSR / Travel F&B[4] players		
SSP Group	1961[1]	SSP Group has a presence across more than 6 continents[5] and 37 countries[5]. The group has a portfolio of brands which ranges from grab 'n' go sandwich shops and cafés, to high end bars and restaurants. The group operates across categories like cafes and bakeries, bars, casual dining restaurants, convenience retail and quick service restaurants. Since 2019, the group has held a 49% stake (33% acquired in March 2017 and additional 16% in April 2019) in the Travel Food Services Limited thus forming a joint venture with India based K Hospitality group. SSP is one of the leading Travel F&B players globally in 2024 based on annual revenue.
Areas Worldwide	1968	Areas Worldwide provides bespoke dining and retail services across airports, railways and highways. The company operates owned brands, co-owned brands and franchised brands at these locations. The company has presence across 10 countries.

Player	Founding year	Description
Travel retail players with presence in travel QSR		
Avolta AG	1865[2]	Avolta AG is a Swiss-based company with offerings in the domain of travel retail, F&B, hybrid and convenience across travel hubs including airports, motorways, cruises and railways. The company operates through more than 5,100+ outlets including F&B and other retail and duty free outlets in 1,000 locations across 73 countries. In 2023, the company derived 37% of net sales from duty-free, 32% from F&B and 31% from duty-paid segments. The company is present in Indian travel QSR through HMSHost Services India Private Limited.
Lagardère Travel Retail	1852[3]	Lagardère Travel Retail is a French-based company. The company operates in key segments such as duty free, dining, travel essentials, fashion and specialty stores. The company operates over 5,120 stores including F&B outlets, retail and duty-free outlets across airports, railway stations and other concessions. The company has presence in 42 countries worldwide. In 2023, the company derived 38% of its revenue from duty-free and fashion, 27% from food service and 35% from travel essentials segments.

Note: The above list of players is only indicative and not exhaustive.

[1]Founding year of SAS Catering, part of the SAS Airline Group.

[2]Founding year of the Dufry AG, the name of the Dufry AG was changed to Avolta AG in November 2023.

[3]Opening year of the first railway station bookstore in Paris, Gare de Lyon by Lagardère Travel Retail.

[4] The term "Travel F&B" is also used for "Travel QSR" by few global players including SSP Group.

[5] Data is as of June 2024.

Source: CRISIL MI&A

Table 26: Selected operational parameters of global players

Player	Countries	Continents	F&B Outlets	Outlets	Locations	Employees	Brands	Revenue (USD million CY23)
Travel QSR players / Travel F&B players[4]								
SSP Group[4]	37	6	2,900[1]	2,900[1]	600+	43,000	~550[2]	3,693[5]
Areas Worldwide	10	3	1,900+	1,900+	N.A.	19,500	98	2,055[6,9]
Travel retail players with presence in travel QSR								
Avolta AG	73	6	NA	5,100+(Including F&B outlets, retail and duty-free outlets)	1,000+	76,000+	1,000	14,010[7]
Lagardère Travel Retail	42	5	NA	5,120+ (Including F&B outlets, retail and duty-free outlets)	990+[3]	20,000	100+	5,427[8,9]

Note: NA-not available

[1]Units.

[2]Brands and bespoke concepts as of 30 June 2024.

[3]Sum of number of airports and railway stations at which Lagardère Travel Retail has operations.

[4]The term "Travel F&B" is also used for "Travel QSR" by few global players including SSP Group.

[5] The company has the financial year ending in September. Considered an exchange rate of 1 Pound Sterling = ~1.23 USD.

[6]No financial year ending was mentioned for the company. Hence considered a period of January to December.

[7]The company has its financial year ending in December. Considered an exchange rate of 1 CHF = ~1.11 USD.

[8]The company has financial year ending in December.

[9] exchange rate of 1 EUR = ~1.08 USD.

Source: CRISIL MI&A

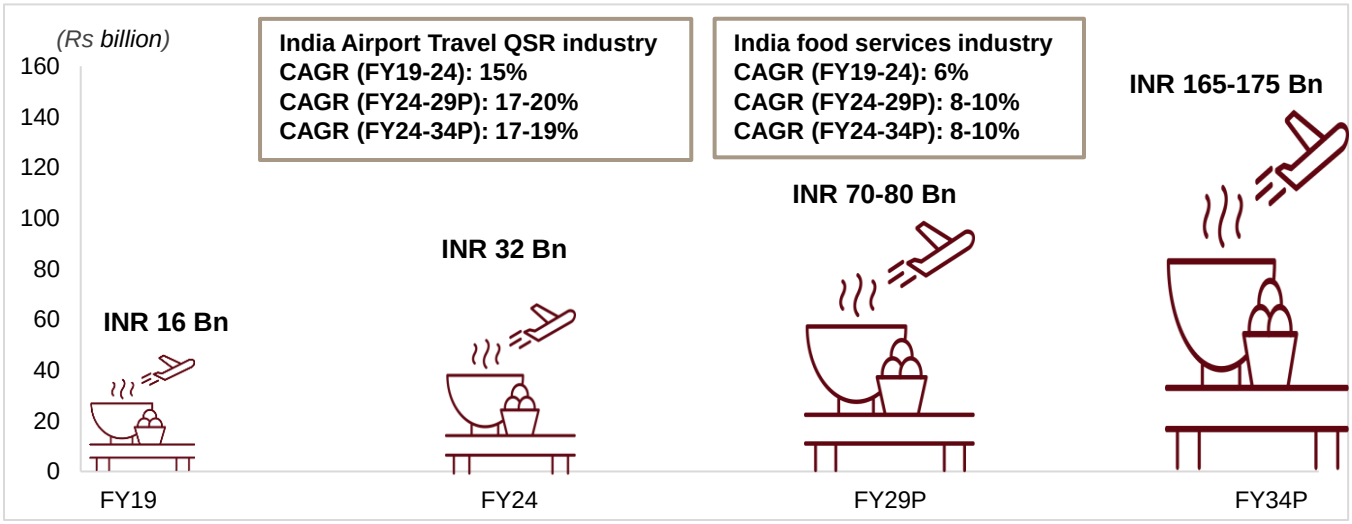
4.4 Overview of the Indian airport travel QSR industry

India has seen increased adoption of airport travel by passengers in recent years, supported by demographic factors, rising disposable income and improved airport travel infrastructure. Airports have traditionally been seen as an avenue for air transportation, where travellers board and arrive from flights. However, airports are now turning into retail destinations where travellers can relax in the lounge, eat and shop at leisure, thereby improving their travel experience. Food and beverage (F&B) a key component in the overall airport retail landscape in India forms 34-35% of the overall airport retail market and has evolved over the years in terms of offerings and experience provided to the customers. Further, F&B at airports is a vital consumption requirement that cannot be fulfilled by e-commerce and external F&B providers.

Increased air traffic, propensity to spend on F&B at airports to drive airport travel QSR industry in India

The airport travel QSR industry in India has demonstrated healthy growth in recent times, supported by increased passenger traffic and evolving airport travel QSR landscape. The airport travel QSR outlets now house extensive brand portfolios which includes global brand outlets, regional and local brand and standalone outlets to cater to different demand preferences of the consumers for different cuisines, as well as experiences. The passengers are willing to pay a premium for quick and high-quality service in a travel setting. The industry achieved a CAGR of ~15% between FY19 and FY24, driven by growth in the passenger traffic, as well doubling of per passenger spend from INR ~16 billion in FY19 to INR 32 billion in FY24. For instance, F&B revenue of Hyderabad International Airport achieved a CAGR of ~14% between FY19-FY23, while F&B revenue of Delhi International Airport exhibited an 11% annual growth between FY19-FY24. The industry witnessed a downturn during FY21 and FY22 because of the pandemic as the air passenger traffic declined significantly owing to restriction on travel. The industry, however, recovered from pandemic-related stress as airport travel resumed and was able to surpass pre-pandemic levels in FY23 by focusing more on safety and hygiene. Industry showed robust growth in FY24, supported by stronger growth in the air passenger traffic. The airport travel QSR industry is valued at ~ INR 32 billion in FY24.

Figure 35: Review and outlook on Indian airport travel QSR industry*

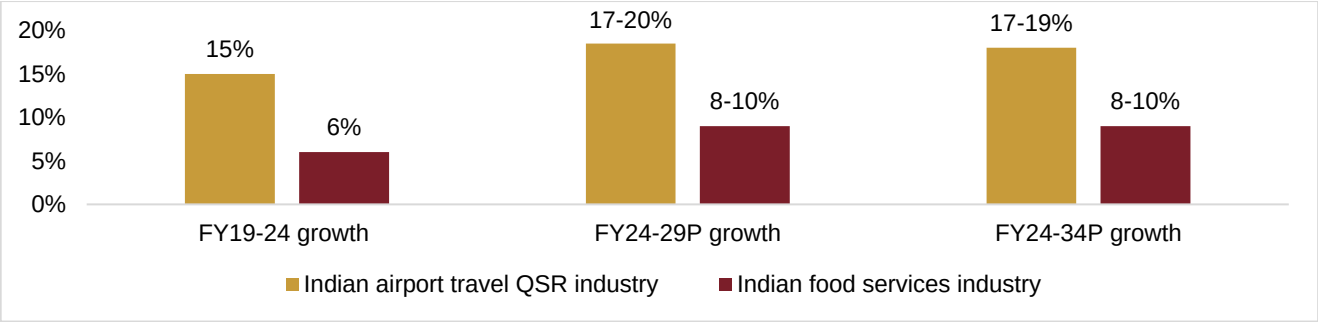


Note: Airport travel QSR industry is sized excluding revenue from airport lounges and inflight F&B services.*

P - Projected.

Source: CRISIL MI&A

Figure 36: Comparison of Indian airport travel QSR* industry growth vs Indian food services industry



Note: Indian airport travel QSR industry is sized excluding revenue from airport lounges and inflight F&B services.*

P - Projected

Source: CRISIL MI&A

Looking ahead, the airport travel QSR industry is expected to sustain the strong growth momentum, supported by the rising propensity to spend on the F&B, driven by increasing air travel, higher disposable income, extended dwell times during airport travel, as well key supply-side factors such as customised product offerings, and improved airport infrastructure. In the medium term, the industry is expected to clock a CAGR of 17-20% from FY24 to FY29. In the long term, the industry is expected to sustain the growth momentum and register a CAGR of 17-19% from FY24 to FY34 to reach a size of INR 165-175 billion by the end of FY34. Airport travel QSR is expected to grow at a faster rate than overall food services industry and high street QSR industry.

Airport operators, airport travel QSR operators, F&B brands and travellers /passengers are key components of the airport F&B value chain.

Figure 37:Importance of airport travel QSRs in India

For airport operators

- Revenue generation and diversification through non-aeronautical traffic revenue.
- Average of non-aeronautical revenue for major Indian airports stood at 53-58% of total revenue during the past five years.
- Provides better passenger experience through increased convenience and better ambiance.

For brands

- Access to a captive audience of middle to high income consumers who are less price sensitive.
- Increases customer engagement and brand visibility, thereby enhancing brand recall.
- Facilitates better revenue generation through increased market penetration at locations like airports.

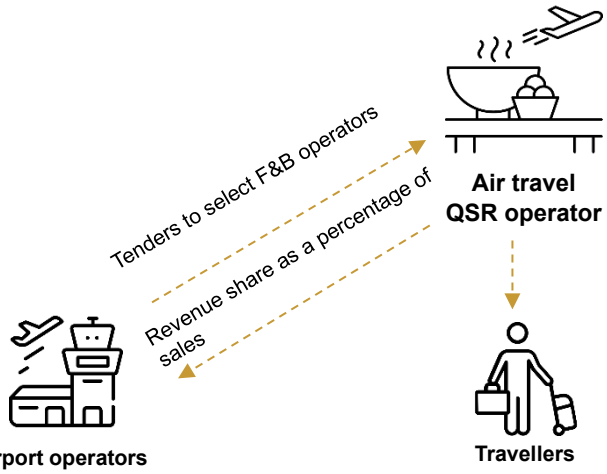
For travellers

- Provides a comfortable travel experience through access to diverse range of offerings, espcially with limited in-flight F&B options offered by LCCs.
- Utilise the dwell time through options such as dining, taking rest in lounges and shopping.

Source: CRISIL MI&A

Airport travel QSR operators eliminate the challenges faced by their customers by offering a comfortable and seamless experience for travellers.

Figure 38:Overview of key stakeholders in airport travel QSR industry in India



Airport operators	Travellers	F&B brands
• Airport operators prefer players who have the experience and scale to operate at airports given their unique challenges and demands. • Airport operators lease out F&B space via tenders and bids. • Airport operators usually prefer to lease out space to multi-brand and multi-outlet operators. • Concessionaire pays minimum guarantee or revenue share depending on airport size, passenger traffic and sales potential.	• Airport travel QSR operators design their offerings to focus on travellers and make the experience of eating at such outlets seamless. • Airport travel QSR operators tailor their back-end operations including staff training to focus on speed and multi-tasking to offer quick service, which is required to cater to F&B demand in a short span of time. • Tailor menus and outlets for optimizing operations and cater to the unique needs of travellers who seek a varied and high-quality product catering to all 3-day parts (breakfast, lunch and dinner).	• Airport travel QSR operators open brand outlets via franchise deals with owner. Brands usually prefer travel specialists as requirement at these locations are different from a regular high-street outlet. • Airport travel QSR specialists have the operational expertise and experience of operating in a restricted area such as airports. This enables them to open the outlets soon and operate them seamlessly which will require brands time, resources, and capital to replicate.

Source: CRISIL MI&A

Airport travel QSR operators play a key role at airports

Airport operators enter concession agreements with travel QSR operators for leasing out space at airports. Airport operators usually have a master concessionaire who operate multiple travel QSR outlets at an airport. Airport operators prefer either a multi-concessionaire travel QSR and/or lounge tenders comprising of multiple F&B and/or lounge outlets within a single concession or a master concession airport travel QSR tenders to streamline operations, ensure consistent quality and service standards, and efficiently manage security and logistical complexities. Tender lifecycle encompasses several phases – preparation, submission, evaluation, and negotiation - all critical for ensuring compliance with technical and financial criteria.

Further, depending on the size of an airport, passenger traffic and travel QSR sales potential, there could be one or two additional concessionaires for running travel QSR outlets. Airport operators in turn usually receive minimum guaranteed fees or a revenue share, whichever is higher.

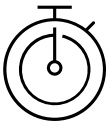
Vendors are selected through a bidding process conducted by airport operators. Typically, airport operators select an experienced player who has a track record of running multi-brand travel QSR outlets at airports given the unique

challenges in an airport environment – high compliance, intense security procedures, a complex tendering process, efficient and airport mandated IT and PoS systems, passports / security clearances for staff, raw material delivery restrictions, storage space constraints and the need for 24/7 operations. Majority of the contracts which are awarded based on a competitive tender process capture multiple factors such as thematic, sustainability practices, brand partnerships, track record and sourcing plan and based on these factors the tender is allotted. Typical tenders for airport travel QSR range between 5-9 years. Some of the key terms of the contract include guarantee amount per passenger, utility charges, rent set as a % of sales, revenue share or minimum rent guarantee, food & beverage availability, details on menu, initial capital outlay, etc. At times individual brands may approach airport operators directly. However, individual F&B companies, particularly international players, face high costs in entering the Indian Travel QSR sector directly, given high operating costs and the unique operational challenges of operating in an airport environment. Additionally, airport travel QSR players need to adhere to the increasing food labelling regulations on allergen and nutritional information. Thus, international brands tend to prefer entering Indian airports through travel QSR partners. For instance, Travel Food Services partnered with Wagamama to bring the brand to the Indian market.

Travel QSR operators set up outlets based on the requirements of an airport as well as passenger traffic and sales potential. They enter agreements with F&B brand owners to operate franchises or acquire rights from the master franchisor. These could be global or regional brands. Additionally, airport travel QSR operators run their own in-house brands and offer portfolio of brands and cuisines across the airport.

Table 27: Key drivers of airport travel QSRs

Sr.No.	Driver	Details
Global growth drivers		
1	**Surging passenger traffic** 	• Passenger traffic is the fundamental growth driver for the air travel market. More the number of passengers, more semi-captive potential consumers for travel QSR outlets operating at the airports. The global air travel passenger traffic has recovered from COVID-19 pandemic dip and going ahead it is expected to register a healthy 6.5-7.5% CAGR from CY23 to CY29 in the medium term and 5-6% CAGR from CY23 to CY34 in the longer term. • Passenger traffic in India has already surpassed pre-COVID levels in FY24 and is expected to outperform the global growth rate by growing at 9-10% CAGR from FY24 to FY29 and at 8-8.5% from FY24 to FY34. • Additionally, traveller traffic at airports, and in turn, travel QSR outlets, typically increases during weekends and festive seasons which further drives the growth for travel QSR outlets.
2	**Semi-captive consumers** 	• The airport travel QSR industry is aided by the fact that it caters to semi-captive consumers, i.e. passengers travelling by air. These customers rely more on the products and services offered by captive outlets located at airports. While consumers have alternatives such as food offered on flights, few airlines offer complimentary meals. Home-cooked food is another option but very few passengers carry their own meals, which get cold and are less fresh than the alternatives at airports. In addition, there are restrictions to the type of food allowed (some types of liquid food are not allowed through security checks).

Sr.No.	Driver	Details
3	**Flight delays** 	• Due to delayed flights, consumer might explore food options at the airports which in turn could result in potential customers for airport travel QSR outlets. • Airport F&B operators are well-equipped to cater to any surge in traffic due to flight delays.
4	**Diversified eating options at the airports** 	• Food habits of the consumers are constantly evolving. Globally passengers have different food preferences and airport travel QSR players are providing variety of eating alternatives to meet the requirements and tastes of passengers. Airport travel QSR players are also offering different kind of food categories such as quick-service eateries, casual dining locations, coffee houses, bars, snack kiosks, food carts, and grab-and-go ideas. This has helped in improving passenger experience at the airports.
Growth drivers specific to Indian airport travel QSRs		
5	**LCCs' limitations in offering food on airplanes** 	• The LCCs gained market share in India increased from 66% in FY16 to 78% in FY24 for domestic travel and from 20% in FY16 to 46% in FY24 for international travel. LCCs operate with tight margins and a cost-saving model that typically does not include complimentary meals. Quality food on flights translates into higher costs for passengers, who expect lower prices and may not be willing to pay more for premium meals. Further quality could be a challenge in delivering food on a plane due to limited equipment. As a result, passengers usually prefer to buy food from travel QSR outlets at airports.
6	**Higher dwell times due to better throughput rate** 	• An airport's throughput is dependent on how efficiently clearances related to check-in, baggage, security, and luggage claims are processed. It directly impacts the dwell time of passengers - higher the throughput greater the dwell time. This gives airport travel QSR outlets an opportunity to serve passengers better. • Further, passengers arriving early at the airports on account of recommendations by Indian airlines as well as changing consumer preferences—to experience a variety of food options—has led to higher dwell times at airports, reflecting the growing importance and popularity of airport travel QSR outlets and lounges.
7	**Improving transport infrastructure** 	• Air transport infrastructure in India has improved over the years. The number of airports has increased from 102 in FY19 to 135 in FY24. • This increase in footfalls is a key driver of airport travel QSRs as more passengers translate into an opportunity to gain customers for such travel QSR players. Improved airport infrastructure has improved the penetration of airport travel QSR outlets at more airports supporting the overall growth of the segment.

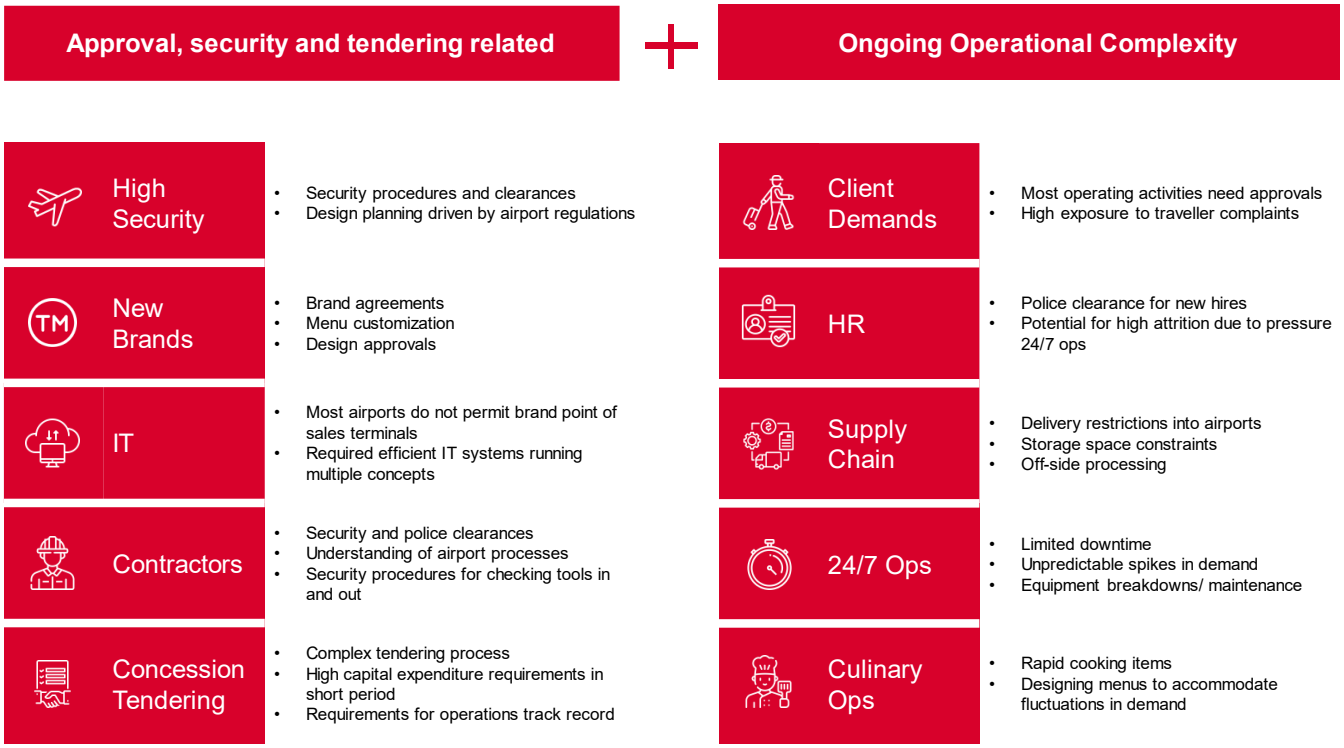
Source: CRISIL MI&A

4.5 Overview of entry barriers to operating Travel QSR outlets at airports

Operating travel QSR outlets at the airports involves a lot of challenges such as high security and other clearances, for all the staff and employees working at the airport outlets. Airport travel QSR operators are also subject to complex tendering process which usually mandates many approvals and operational track record. In addition, constant

innovation in product offerings for travellers customized to high profile airport environment with limited margin of error, time sensitive consumers, 24 x 7 operations, limited downtime and operational complexities can act as barriers to entry for airport F&B industry. The table below details out some of the key entry barriers for the industry.

Figure 39: Key entry barriers for airport travel QSR industry



Source: CRISIL MI&A

4.6 Airport travel QSRs vs high-street QSRs

The operational and financial parameters of QSR outlets at airports differ from those of their high-street counterparts. Their strategies and business models also vary. Airport travel QSR outlets are operated by multi-brand travel F&B specialist companies that usually have rights to operate QSR outlets at certain airports. These rights are obtained from respective airport operators. QSR operators at airports usually pay a security deposit as well as fixed rent or share of revenue to airport operators. At times this fixed rental or minimum guarantee is linked to passenger traffic.

Airport concession contracts typically require a higher level of capital expenditure per square feet compared to high street QSR concessions due to stricter specifications of airports and the higher wear and tear due to high traffic in airports.

Table 28: Comparing the business models: High-street QSRs vs airport travel QSRs

Parameter	High-street QSRs	Airport Travel QSRs
Mode of operation	• High-street QSR operators get franchise rights from a master franchisor or a brand to run brand outlets. They negotiate with the brand on a one-on-one basis and can enter	• Airport travel QSR players directly gain rights from a master franchisor or brand to operate outlets on airport premises by paying a franchisee fee.

Parameter	High-street QSRs	Airport Travel QSRs
	arrangements to operate brand outlets across India or in some regions. • Franchise operators usually pay an annual royalty and continuity fee to the master franchisor.	• For space allocation at airports, airport travel QSR operates have to go through complex tendering process. Space is allocated to these players basis fees such as fixed rental, revenue share and minimum guarantee.
Target consumers 	• Target consumers are people intending to eat out, get takeaway or eat-in by ordering food online.	• Target consumers are semi-captive customers i.e. passengers travelling from and to airports.
Outlet operations 	• High-street QSRs are typically 1,000-2,000 sq ft-large outlets with a kitchen and serving and sitting area. • There is usually a limit on the size of the sitting area.	• Airport travel QSRs are usually 200-400 sq ft-large outlets with a kitchen and serving area. • The sitting area is designed as in a food court, so seating capacity is relatively flexible.
Offerings 	• The offerings at the high-street QSRs are pre-decided and features options like combo meals. • All day offerings or late-night offerings are available at very selected high-street outlets.	• Airport travel QSRs have a smaller menu with items that have less turnaround time tailored for time sensitive travellers. • Additionally, airport travel QSRs are required to cater to all-day breakfast, lunch and dinner.

Source: CRISIL MI&A

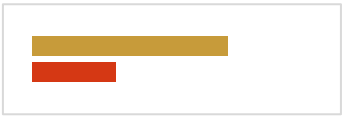
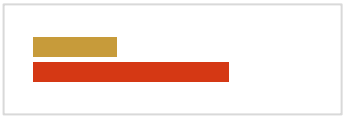
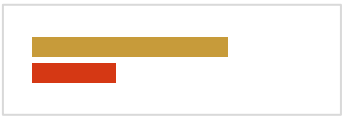
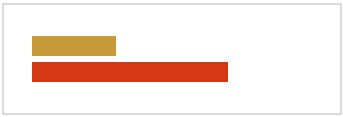
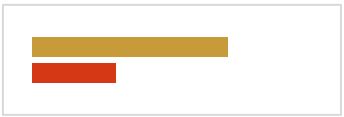
Table 29: Difference between high street and airport travel retail shoppers

Parameter	High street consumer	Airport travel retail consumer
		
Demographics	Diverse income brackets (generally middle-income) and includes locals and tourists.	Upper-middle to high-income bracket, including frequent travellers.
Behavioural characteristics	Leisure shoppers (with no time restrictions), price sensitive, less impulsive.	Time-constrained, less price sensitive, impulsive shopper.
Price Sensitivity	Value conscious.	Values convenience, comfort and exclusivity and willing to pay premium for a better experience.

Note: Please note the characteristics shown in the above table are only indicative.

Source: CRISIL MI&A

Table 30: Comparison of airport travel QSRs vs high-street QSRs

Parameter	Intensity	Description
Competition intensity		• Opening of high-street QSR is less complex when compared with that of airport travel QSR, creating a low barrier for new entrants in turn increasing the competition for the existing players. • Competition among high-street QSRs is higher due to low switching costs as customers have many options to choose from given the location and can switch if the QSR doesn't satisfy their requirement, while at airports, a customer (passenger) has tailored menus for a particular cuisine.
Pricing power		• Airport travel QSRs have higher pricing power due to semi-captive audience and less price sensitive consumers and willing to pay more for a better experience.
Product offering		• Risk of substitutes for high street QSR would be higher as people can cook at home or order from aggregators.
Number of brands (comprehensiveness of service)		• High-street QSR players usually operate a single brand and at times more than one (e.g. Jubilant Foodworks operates 4 brands—Domino's, Dunkin', Popeyes and Hong's Kitchen). • However, airport travel QSR players typically operate a greater number of brands as airport operators need the master concessionaires to offer multiple cuisines and formats (e.g. Travel Food Services operates 100+ F&B brands).
Digital disruption risk		• In Airport travel QSRs, there is no digital disruption risk as passengers cannot order via aggregator apps such as Swiggy and Zomato.

Source: CRISIL MI&A

Benchmarking financial and operational parameters: High-street QSRs vs airport travel QSRs

Airport travel and high-street QSRs operate in unique ways. While the basic functions of a QSR — quick service and limited menu options — remain the same, some of their operational and financial parameters differ. The table below compares these key parameters.

The gross margins of airport travel QSRs are typically 5-6% higher owing to higher pricing compared to high-street QSRs. Other operating costs such as rental and electricity charges are lower for high-street QSRs—offset by higher aggregator fees. Airport travel QSRs incur higher staffing costs, rentals and electricity charges but save on aggregator commission and marketing expenses. On average, the operating EBITDA margins of airport travel QSR outlets are ~5% higher than those of high-street players.

Table 31: Key financial and operational parameters: High-street QSRs vs airport travel QSRs

Parameter	High-street QSRs	Airport travel QSRs
	Financial parameters	
Gross margin (after considering Cost of materials & goods and employee expenses)	**Typical range: 45-50%**	**Typical range: 50-55%** (5-6% higher than high-street QSRs)
Operating EBITDA margin	**Typical range: 10-20%**	**Typical range: 15-25%** (~5% higher than high-street QSRs)
	Operational parameters	
Average order value	**INR 500-600**	**INR 500-600** (In a similar range or slightly lower due to more single-person orders at airport travel QSRs than at high-street outlets)
Average daily sales	**Typical range: INR 50,000-1,00,000**	***Typically, 15-20% higher than high-street QSRs***
Sales per sq ft	**X**	**5-6X**
Capex per store	**X**	**X** (Smaller size of stores offset by use of high-end construction materials, higher license fees and higher security deposits at airports, however per square feet capex is higher at the airport travel QSR outlets due to above mentioned factors)
Break-even	**3-4 years**	**~3 years (lower than high-street QSR)**

Note: Financial parameters such as margins of high-street QSR players are derived from the average of key listed peers considering FY24 data. The data reported is on Ind-AS basis.

Source: CRISIL MI&A

5. Overview of global and Indian airport lounges industry

The airport lounges industry has experienced significant growth in the past decade, driven by the expansion of air travel supplemented by growing infrastructure and increase in domestic and international passenger traffic. Traditionally, lounges were meant for usage by high-end travellers, ones flying business or above. However, lounge access has become easier now with increase in airline loyalty programmes / frequent flyer programmes, banks offering complementary access as part of their offerings, and lounge memberships such as Priority Pass and Dragon Pass. Additionally, the lounge food and experience has become an integral part of a travellers overall holiday as well as business travel experience.

5.1 Overview of global airport lounge market

The Global airport lounge market has evolved in terms of modes of access, operations, services provided and business models to provide a personalised experience for longer retention of customers. The first lounge opened in 1939 by American Airlines at New York LaGuardia Airport. In the early stages of the global lounge industry, limited services were provided like food and bar services. Lounges now provide services not limited to full-service bar, shower facilities, cigar lounge, working zones, relaxation rooms, food and beverage options, spa facilities, gaming areas etc.

In terms of accessibility as well, there have been different models in the industry. Up to the mid-1990s, passengers of an airline could only have access to the lounges run by the airline. However, after the partnership agreements like Star Alliance and other partnerships (e.g., One World, Sky Team) were made, passengers could use the services provided by other airlines of the same network. Later, third-party providers like banks also participated in the lounge business through their cards business, thereby offering more choices for air passengers. With growing means of accessibility to airport lounges, there has been an increase in the number of lounges operated across the globe along with increased awareness for lounges in general among the passengers. The structure of the global lounge market is given below.

Figure 40:Structure of global airport lounge market

Airline exclusive lounges

- Airlines invest in bespoke lounges designed for their premium passengers, offering an elevated travel experience for those flying first class or business class. These lounges provide a private retreat, catering to the unique needs and expectations of their most valued customers.
- In addition to individual airlines, alliances such as Star Alliance, SkyTeam, and Oneworld also operate lounges that offer exclusive access to their member airlines' first class and business class passengers. This collaborative approach enables passengers to enjoy a seamless and luxurious travel experience across multiple airlines.
- Furthermore, financial institutions such as American Express, operate their own lounges, offering an added layer of luxury to their premium card holders. For example, the Centurion Lounge at Heathrow Airport, operated by American Express at Heathrow Airport.

Common use airport lounges

- Airports adopt true common-use lounge models, designed to cater to diverse passengers while maximizing commercial potential. These lounges operate on an "access for all" principle, offering a range of entry options, including various cardholders, payment methods, and other arrangements. This approach enables airports to optimize lounge capacity, generating revenue while providing a seamless experience for a broader range of passengers.
- Some common-use lounges also forge partnerships with airlines to accommodate their first and business class passengers, further expanding their reach and appeal.

Premium common lounges

- Airline based premium lounges, such as American Airlines' Admirals Club and United Airlines' United Club, are designed to specifically for catering to their own first and business class passengers. While these lounges are tailored to meet the unique needs of the airline's premium clientele, they also offer access to non-airline customers for a fee. This strategic approach enables airlines to monetise their lounge assets, while providing a luxurious experience to a broader audience

Multi-airline single user

- Multi-airline single user catering to individual travelers and passengers from multiple airlines and typically have a larger area. The increased footprint and higher volume of visitors enable these lounges to provide a more comprehensive experience.

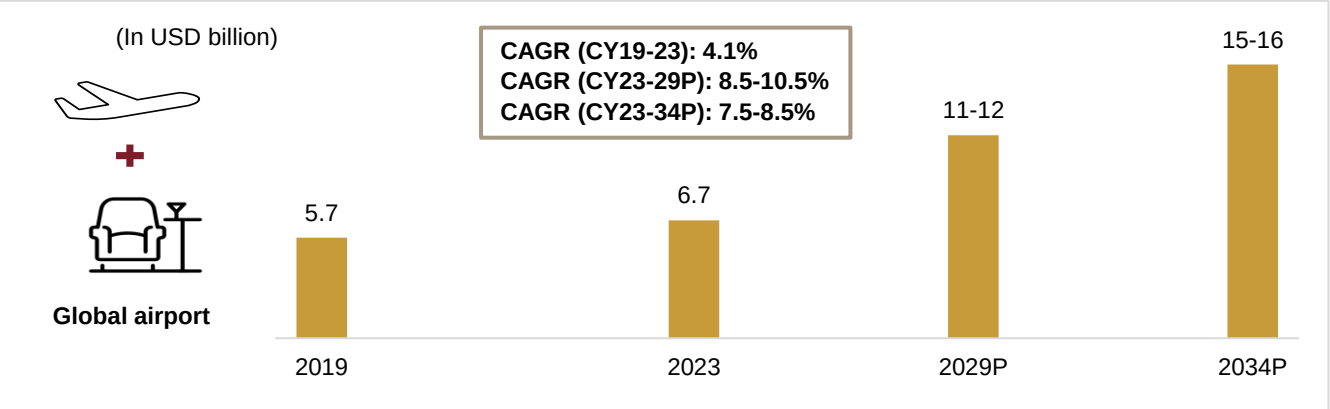
Source: CRISIL MI&A

Global airport lounge market

The global airport lounge market has seen expansion in terms of number of operational lounges across the world driven by factors such as the growing middle class, rising per capita income, and other key macro factors. The global airport lounge market has recorded a steady growth of 4.1% CAGR by value from CY19 to CY23 amid dip in revenue for players during COVID-19 impacted years of CY20 and CY21. However, there is room for further growth in the lounges market as many airports globally are underpenetrated in terms of lounge count and premium lounge experiences. In the future, driven by increasing global passenger traffic and accessibility through means like card business, airline alliances and passengers' appetite for a quality experience, the global lounge market is expected to

grow by 8.5-10.5% CAGR from CY23 to CY29 in medium term and 7.5-8.5% CAGR from CY23 and CY34 in the longer term.

Figure 41: Review and outlook on global airport lounge market



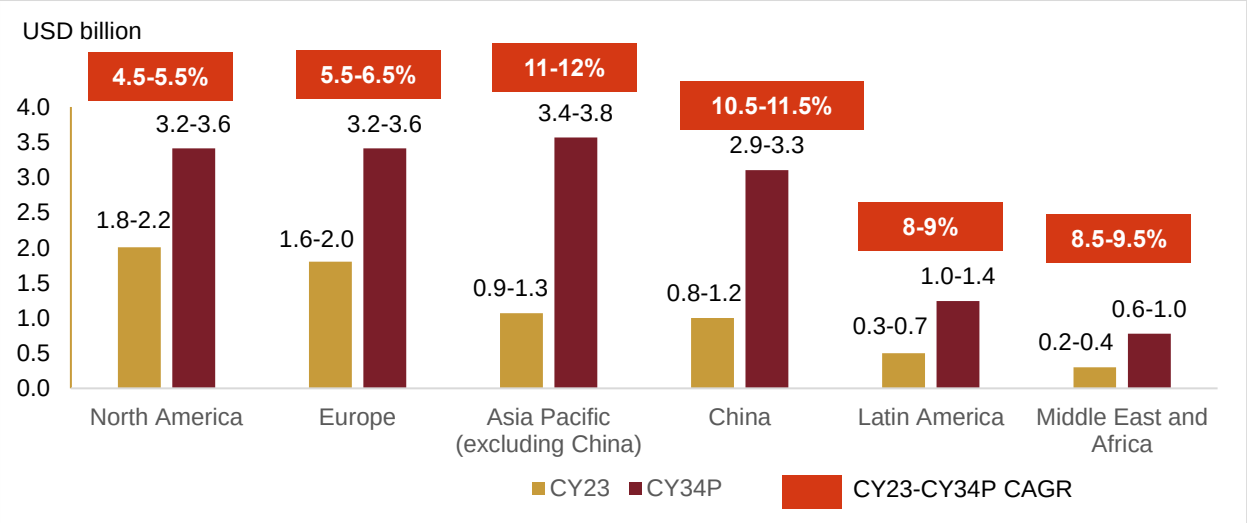
Note: P - Projected.

Source: CRISIL MI&A

Asia Pacific (including China) held the highest share of the market in CY23, share to grow further going forward

Driven by significant increase in both domestic and international air travel, expansion of airport infrastructure, growing credit card penetration, and growth of low-cost carriers over the last decade, the Asia Pacific (including China) held the highest share of the global airport lounge industry as of CY23. Going ahead as well, changing travel preferences of travellers to avail premium services, highest growth outlook in passenger traffic of Asia Pacific among all regions, and booming tourism in countries like China, Japan, South Korea, Australia and India are expected to increase demand for high-end airport services such as lounges. The Asia Pacific (excluding China) market with CAGR (11-12%) during CY23-CY34P is the fastest growing among all regions.

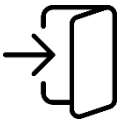
Figure 42: Regional shares of global lounge market (current and outlook)



Note: P - Projected
The values above the bars indicate the growth for the region during the period.

Source: CRISIL MI&A

Table 32: Key growth drivers for the global airport lounge market

Sr.No.	Key drivers	Details
1	**Surging passenger traffic** 	• Passenger traffic is the fundamental growth driver for the airport lounge market. More the number of passengers, more are the potential consumers for lounges operating at the airports. The global air travel passenger traffic has recovered from COVID-19 pandemic dip and is expected to surpass pre-COVID levels in CY24. • Going ahead global passenger traffic is expected to register a healthy 6.5-7.5% CAGR from CY23 to CY29 in the medium term and 5-6% CAGR from CY23 to CY34 in the longer term. This growth in the passenger traffic is expected to drive airport lounge market in medium to long term.
2	**Increased accessibility to lounges** 	• Globally the access to lounges has been made easier by various programmes and partnerships by banks, airlines etc. Many banks offer complementary lounge access with premium credit cards. • Also, many airlines provide complimentary access to business class passengers. This is aiding the footfall in the lounges across the globe which in turn is expected to drive growth in the global lounges market.
3	**Rising awareness on lounges** 	• Lounges are becoming increasingly popular among air travellers. Passengers are becoming more aware about the benefits and services offered by lounges in the recent years. Growing awareness about lounges is widening the among the masses and helping drive footfalls at lounge footfall globally.
4	**Customer seeking better travel experience** 	• Passengers at the airports are seeking better overall travel experience and a lot of leisure consumers now see eating and drinking at an airport as an integral part of their holiday experience. Lounges across the world are providing quality experience in terms of food and other services offered through lounges thereby catering to consumer needs like providing relaxed experience in a stressful travel environment.

Source: CRISIL MI&A

Table 33: Key entry barriers for the global airport lounge market

Entry barriers	Description
 **Partnerships and relationships**	• Requires partnerships with banks and credit card companies which is difficult to replicate. • Requires long-standing relationships with airlines and airport operators.
 **Stringent security**	• All airport lounges have to comply with aviation security regulations which are designed to maintain the safety and security of the airport environment and its passengers. • Some of the security measures include restrictions on the type of goods sourced, employee background checks, operational hours, etc. Additionally, employees are issued security badges that grant access to specific areas within the airports.
 **Selection criteria and longer term of contracts**	• Owing to security and safety concerns, airport operators have a rigid process for selecting the lounges operators. Airport operators often prioritise operators which have a proven track record in lounge operations, particularly those with experience in high traffic environments like airports. • Given the considerable amount of compliance required and changing vendors is a complex process, airport operators usually prefer an experienced player which limits the entry of multiple and new players. A typical contract term is usually 10+ years.
 **High costs**	• Operating lounges at airports involves substantial upfront capital as well as high recurring operational costs including rent, utilities bill, etc. • As customers seek quiet and comfortable space for relaxation, lounges are typically large in size, requiring bigger space at the airports which attracts higher rental costs. In addition, the capital expenditure required to establish lounge operations is also higher because of the design and facilities provided by the lounge operators.
 **Staffing and operational challenges**	• Lounges at airports operate seven days a week, and airports are often situated away from the city centres, which results in extended commute times for the employees. Further, recruiting well-trained staff with hospitality experience (preferably from premium hotels) who can work within the unique operational environment of an airport and meets all the security protocols serves as a significant entry barrier. • In addition, staff members need to be trained in the security protocols of the airport and the prevalent service standards, which creates an additional burden on the employer. • Operating a lounge also requires seamless operational capability given the supply chain challenges in a regulated space.

Entry barriers	Description
 **Requires multiple licenses**	• Lounges operators are often required to obtain specific licenses to serve food and beverages as specified by the existing laws and regulations of the countries in which the airport is located. In addition, the lounge operators partner with banks and credit card companies to increase their customer base and must maintain long-standing relationships with airlines and airport operators. Furthermore, lounge operators have to adhere to the standards set by airlines and card operators for their premium customers. • These licenses are subject to stringent health, safety and hygiene standards which can vary by country and region and hence serve as a major challenge when operating lounges at airports. This can act as a key deterrent for players to enter this market.

Source: CRISIL MI&A

The airport lounge market plays an important role in enhancing the passenger travel experience and meeting the growing demand for quality experience for passengers travelling across the world. It is noted that, currently, there are a limited number of established players with a multi-country presence.

Table 34: Key players operating in the global lounges industry

Player	Description	Estimated number of lounges operated
Plaza Premium Lounges	Plaza Premium Lounge belongs to Plaza Premium Group. The Group has a presence across airport hospitality services. The Group has operations across 80+ airports and 30+ countries. The Group's lounge business is operated across these airports at 250+ locations.	250+
Airport Dimensions	The company engaged in categories such as designing, building and operating lounges. The company is active in in regions like North America, South America, Europe, the Middle East and the Asia Pacific region. Airport Dimensions is a part of Collinson Group which owns Priority Pass.	65+
Aspire Lounges	Aspire Executive Lounges, which is a part of Swissport International AG, operates lounges through the Aspire Executive Lounge range. The company has presence across more than 20 countries and operates more than 69 lounges across regions like Africa, Asia, Australia, Europe, and North America.	69+

Note: SSP Group operates lounges through TFS in India, Malaysia and Hong Kong.

The above list of players is only indicative and not exhaustive.

Source: CRISIL MI&A

5.2 Overview of the Indian airport lounge industry

Airport lounges offer a range of services that are designed to provide comfort and convenience to travellers. Lounges focus on providing a wide range of high-quality food options along with a comfortable seating arrangement for the customer. Lounges can be broadly bundled into food and beverage, space to relax or work, and ancillary facilities such as shower, wellness services, entertainment, etc. These services can vary based on airport, airline or class of service.

Figure 43:Key services offered by airport lounges

Food and beverage (F&B)	Space (to relax or work)	Ancillary services
• Buffet spread and multi-cuisine options. • Vegetarian and non-vegetarian food options. • Beverages. • Bar.	• Private space to relax with comfortable seating. • Recharging stations for gadgets. • Some lounges also offer workstations, internet access and meeting rooms.	• Some lounges offer shower facilities. • Some offer wellness services, including spas, massages, beauty treatments. • Some provide entertainment options, such as TV and reading material. • Some lounges offer concierge services, priority boarding assistance and flight information.

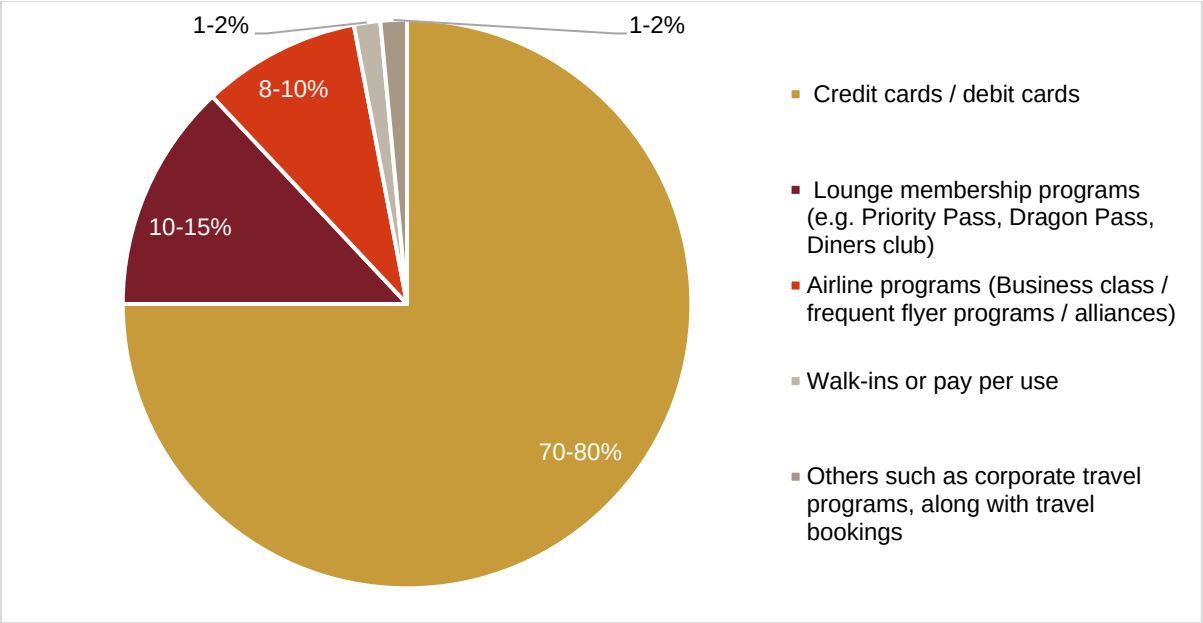
Source: CRISIL MI&A

Credit / debit cards drive majority of the traffic to airport lounges in India

Airport lounges in India can be accessed through the following methods:

- Credit / debit cards
- Lounge membership programmes (e.g., Priority Pass and Dragon Pass)
- Airline programmes (business class, frequent flyer programmes and alliances)
- Walk-ins or pay-per-use
- Others, such as corporate travel programmes along with travel bookings

Figure 44: Passenger volume-wise split of various airport lounge access methods in India (FY24)



Source: CRISIL MI&A

Credit / debit cards (70-80% share in terms of passenger volume)

Credit / debit cards comprise the dominant share through which passengers access airport lounges. Many banks offer complementary lounge access with premium credit cards. Access to lounges through premium credit cards has been a key trend in the global lounge market and customers of these cards often seek these services from the card providers. Access to lounges in this arrangement includes access to domestic and international lounges. Some credit and debit cards offer a certain number of free lounge visits per year.

Lounge membership programmes (10-15% share)

Access to international lounges is provided via tie-up with networks such as Dragon Pass and Priority Pass which are lounge membership programmes and are either offered complimentary by banks or can be purchased directly. These are usually annual memberships and give users access to multiple airport lounges across the world.

Airline programmes (8-10% share)

Domestic airlines in India are seeking to expand their domestic and international routes as well as increase collaboration opportunities with lounge operators. Lounge access though airlines is usually via first or business class tickets, frequent flyer status and alliances.

- First class or business tickets: Passengers flying in first or business class with full-service airlines often receive complimentary access to the airline's lounge or partner lounges

- Frequent flyer status: Elite status members of airline loyalty programmes, e.g. Club Vistara and Air India's Flying Returns, typically have access to lounges, regardless of the class the passenger is flying
- Alliances: Membership to global airline alliances, e.g. Star Alliance and Oneworld, may grant access to lounges operated by partner airlines, depending on the member's status and the class of travel

Walk-ins or pay-per-use (1-2% share)

Many airport lounges allow travellers to pay directly for access, regardless of the airline, class of travel or membership status. Prices may vary based on the lounge and the airport. Online booking platforms such as LoungeBuddy or the airport's own website also at times offer the option to pre-purchase lounge access, which can be more convenient and at times cheaper than paying at the door.

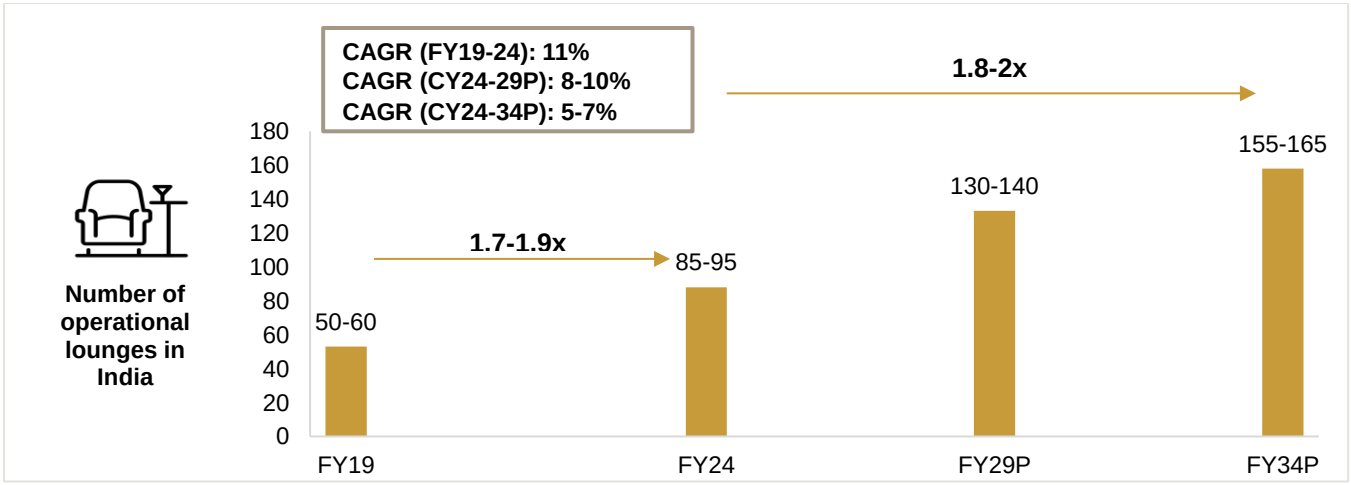
Corporate travel programmes through travel bookings or hotel and travel packages (1-2% share)

Access to lounges can also be via purchase at the door or complimentary along with the flight ticket or travel booking on travel booking websites or airline websites. Some businesses negotiate lounge access as part of their corporate travel agreements. In some cases, travel management companies may also include lounge access as part of their service offerings. Also, some premium travel packages or hotel stays, particularly those of luxury brands, include lounge access as part of the overall experience.

Growth in number of lounges driven by development of new airports and upgradation of existing ones

Lounges in India have grown significantly over the past five years. The country, which had 50-60 lounges in FY19, has seen the number grow to 85-95 at end-FY24, driven by the development of new operational airports, which increased to 135 in FY24 from 77 in FY16. Other factors such as partnerships with credit card companies and loyalty programmes have contributed to the growth as well. As a result, footfalls at lounges have increased considerably over the past five years.

Figure 45:Review and outlook on number of lounges in India



Note: P - Projected.
Source: CRISIL MI&A

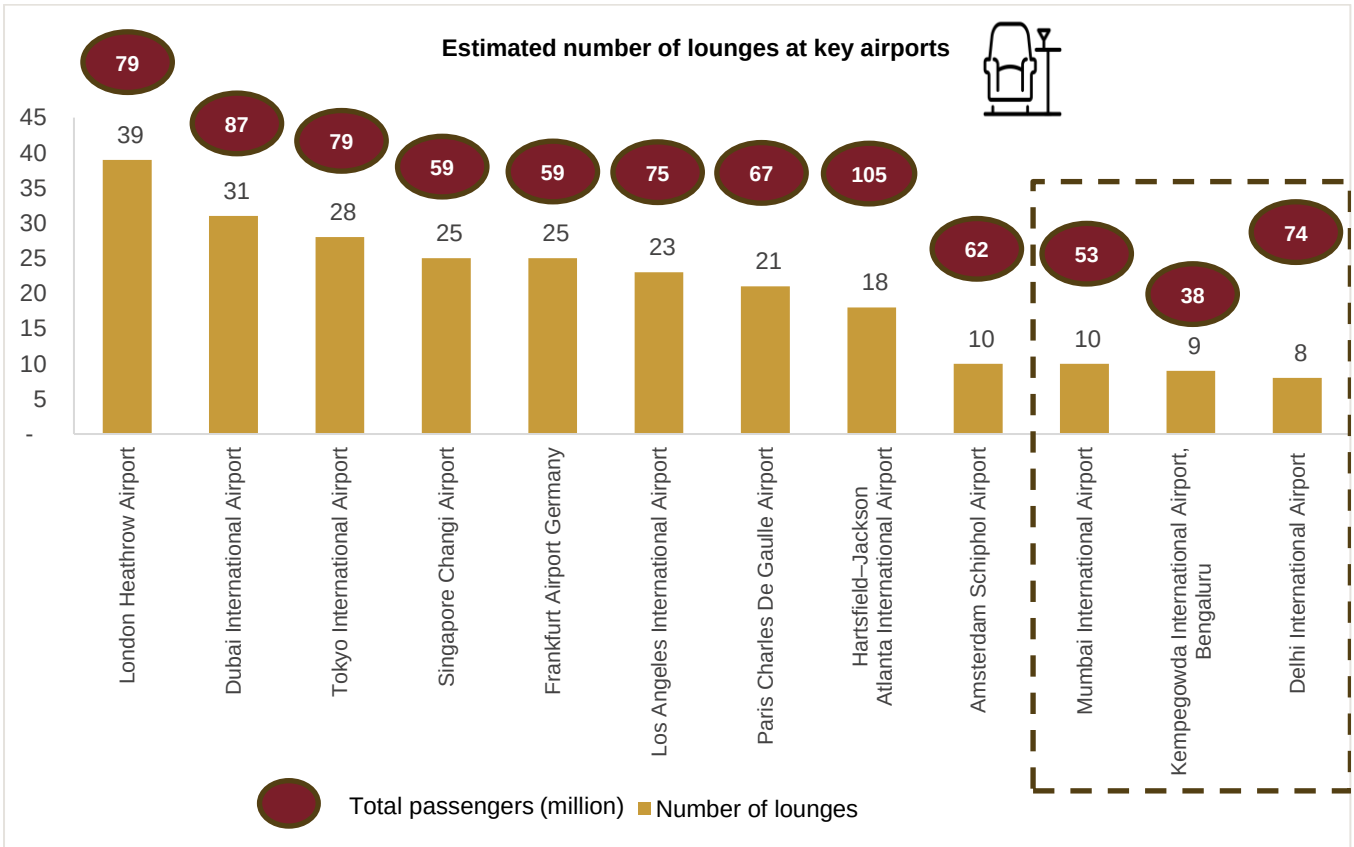
Passengers seeking premium services to fuel growth

Rising disposable incomes is translating into middle-class travellers increasingly seeking premium experiences, including access to airport lounges. Also, with sustained economic growth, business travel is increasing. Corporate travellers often seek comfort and amenities offered by lounges to work or relax before their flights. As a result, footfalls at airport lounges are expected to increase further. Additionally, government initiatives to develop new airports and modernise existing airport infrastructure is also expected to aid the growth in the number of lounges.

Indian airports have lower number of lounges compared with select key airports globally

Indian airports had an average of ~0.7 lounges per airport (85-95 operational lounges at 135 operational airports as of FY24) as of September 2024. Larger airports in Mumbai, Bengaluru and Delhi have 8-10 lounges each. Even, this number is far lower compared with key global airports, indicating considerable headroom for growth. Delhi's Indira Gandhi Airport is Asia's busiest airport which handled 74 million passengers in FY24 has 8 lounges, compared to London's Heathrow Airport which has 39 lounges but handled similar passenger traffic of 79 million in CY23. Similarly, Mumbai Airport which handled 53 million passengers in FY24 and Bengaluru airport which handled 38 million passengers in FY24 have 10 and 9 lounges respectively, which is very low compared to key global airports as shown in the chart below.

Figure 46: Estimated number of lounges at select key airports globally and comparison with key Indian airports



Notes:

1) Dotted box represents Indian airports.

2) Total passenger traffic for CY23 considered for airports outside India; total passenger traffic for FY24 considered for Indian airports.

3) Bubbles above the bars indicate total passenger traffic in million at that airport for CY23.

Source: Airports Council International, Company websites, Secondary research, CRISIL MI&A

Key players operating airport lounges in India are Travel Food Services Limited, Encalm Hospitality Private Limited, Saptagiri Restaurant Private Limited, RBA Hospitality and Hotels Private Limited and Bird Catering and Lounges Private Limited.

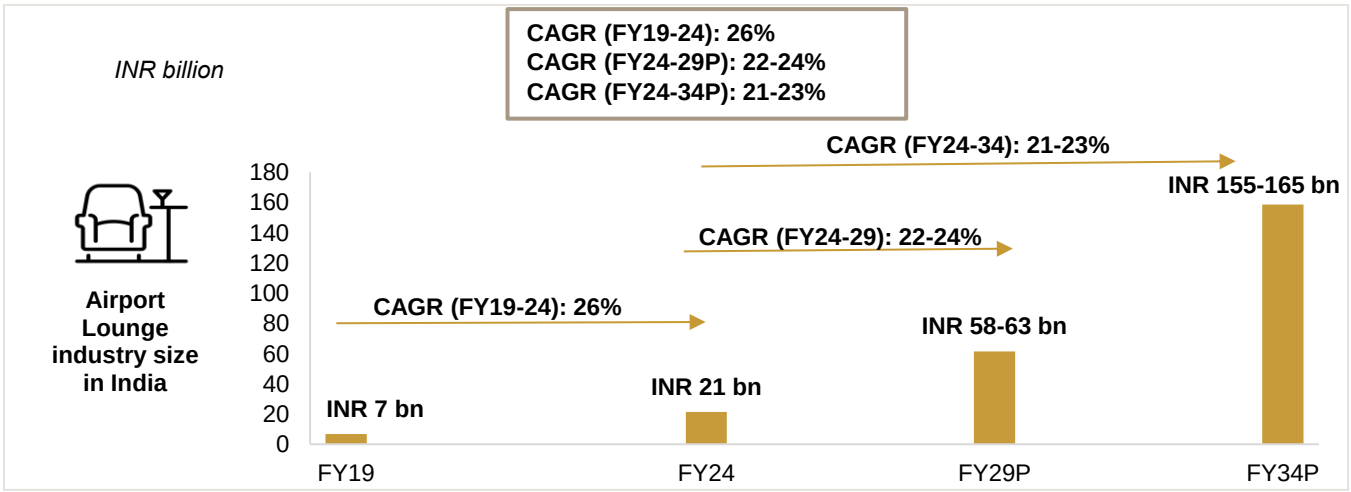
India's airport lounge segment posted strong growth with increasing penetration

The Indian lounge industry grew at ~26% CAGR from FY19 to FY24, to ~INR 21 billion. Multiple factors contributed to this growth:

- Expansion of airport infrastructure: Operational airports in the country increased to 135 in FY24 from 77 in FY16. The country has also seen expansion and modernisation of existing airports, such as Delhi, Mumbai and Bengaluru airports, with more space for premium services such as lounges.
- Increase in number of credit and debit cards: 70-80% of lounge access at Indian airport lounges is presently via credit and debit cards. Outstanding credit cards issued in India rose to 102 million in FY24 from 47 million in FY19, representing a ~17% CAGR, thereby providing an impetus to industry growth.
- Increasing uptake of frequent flyer / loyalty programmes of airlines, e.g. Club Vistara (Vistara), Flying Returns (Air India) and lounge membership programmes such as Priority Pass in recent years.
- Evolving customer preferences to get access to quality food and rest before travel.

CRISIL MI&A Research projects that by FY34, the number of lounges in India is expected to almost double to 155-165.

Figure 47: Review and outlook of growth in airport lounges in India



Note: P - Projected.

Source: CRISIL MI&A

Preference for premium services and rising traffic to propel growth

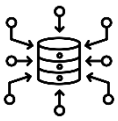
A rising middle class with higher disposable incomes seeking premium services will drive the growth of the Indian lounge industry. Domestic passengers volume is expected to increase to 680-700 million by FY34 from 307 million in FY24, which is a CAGR of 8-9%. Similarly, international passenger departures and arrivals are expected to increase to 130-150 million in FY34 vs 70 million in FY24, at a CAGR of 6-8%.

Additionally, capital expenditure of INR 600-650 billion has been earmarked between FY25-FY29 towards new airports in India. As a result, the lounge industry is expected to clock a CAGR of 21-23% between FY24-34, reaching INR 155-165 billion. Growth of the Indian lounge industry in value terms is expected to outpace growth in the number of lounges, as footfalls (% of total passengers at an airport visiting lounges) are expected to increase from current levels.

5.3 Key industry drivers

Figure 48: Key growth drivers in airport lounge industry

Rising passenger traffic volume	Improving airport infrastructure	Low Penetration of credit cards in India	Airline frequent flyer / first class / business class
			

Increase in lounge membership programmes	India's potential as a transit hub
	

1. Rising passenger traffic volume

Indian domestic passenger traffic recorded a 9.2% CAGR between FY15-FY24. Domestic air passenger traffic grew 13% year-on-year in FY24 to 307 million passengers, comfortably surpassing the pre-COVID levels of fiscal 2019-2020. Passenger traffic has grown on a high base of fiscal 2023, driven by a marginal drop in fares as crude-oil prices cooled off, coupled with improved capacity deployment by airlines.

Even though the growth is expected to moderate as the COVID-19 recovery period wanes, domestic passenger traffic is expected to clock 9-10% CAGR between FY24 and FY29 and reach 470-490 million and rise to 680-700 million by FY34. In the coming years, travel frequency of Indian travellers is expected to grow faster than global average driven by growing middle-class, spend on experiences, expansion of low-cost carriers, government initiatives and policy push. This surge in passenger traffic is expected to lead to an increased demand for airport F&B services. For details on passenger traffic trend please see An overview of the Indian air travel industry.

2. Improving airport infrastructure to help penetration of lounges

In emerging economies such as India, where air travel is increasingly becoming accessible to a burgeoning middle-class due to a growing number of LCCs and rising per-capita income, the construction of new airports and the expansion of existing ones with new terminals are providing to be a substantial boost to this industry. Additionally, airports are investing in technologies to improve utilisation of runway capacity to increase airline landings per hour, which is expected to increase the traffic at airports.

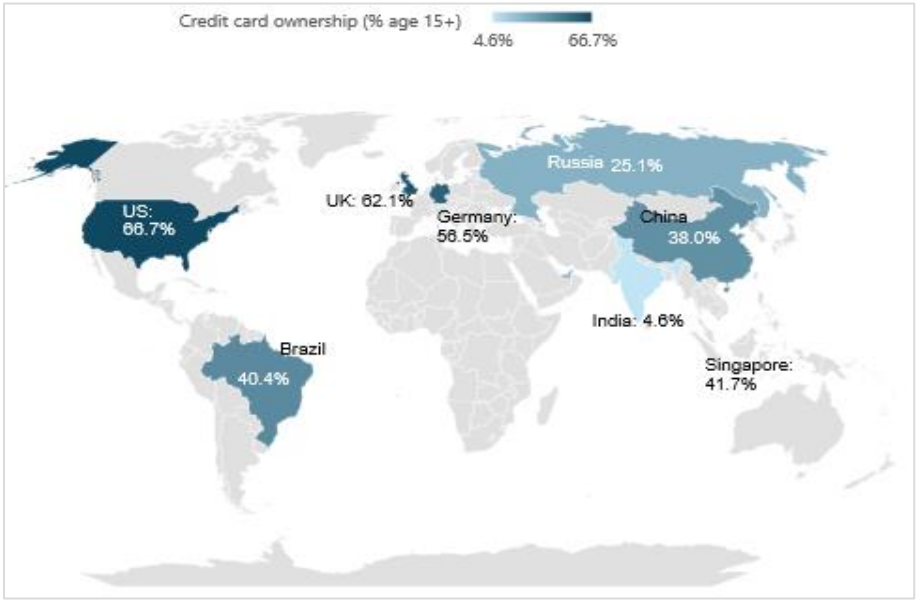
For example, in India, the number of operational airports almost doubled over the past eight years, which is poised to drive substantial growth in the demand for travel QSR outlets and lounges at airports. This expansion has enhanced connectivity across the country, making air travel more accessible to a larger population. Improved infrastructure and increased regional connectivity have facilitated easier and more efficient travel, leading to a rise in domestic, as well as international passenger volumes. Additionally, airport capital expenditure in India is expected to be in the range of INR 600-650 billion between FY25-FY29. According to CRISIL MI&A estimates, there are 30-35 airports in India where some form of capital expenditure (greenfield or brownfield) is being made at present. For details on growing airport infrastructure please refer An overview of airport infrastructure and airline fleet size in India.

3. Penetration of credit cards in India very low vs select key economies

As per World Bank data, the % of population above 15 years in India who own credit cards was 4.6% in CY21, which was the lowest among select key economies. A large part of the reasons for the low penetration is cultural attitude towards credit and rural-urban divided. The USA had the highest % of the population above 15 years of age with credit cards, at 66.7%.

However, the increasing penetration of the digital economy is expected to see the uptake in credit cards increase exponentially in India, spurred by rising income levels, urbanisation and the government's push for a cashless economy.

Figure 49:Credit card ownership (% 15+ years) as of CY21

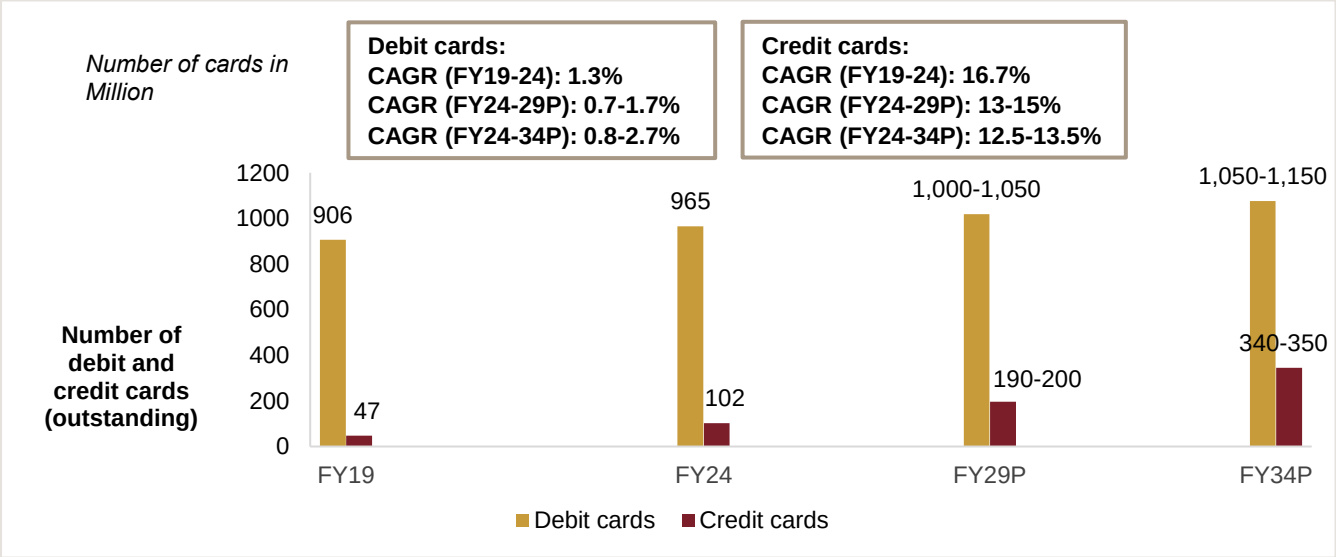


Source: World Bank, CRISIL MI&A

Outstanding credit cards clocked CAGR of 17% between FY19 and FY24

The credit card industry in India has seen significant growth in the past five years, expanding at a CAGR of 16.7%, from 47 million outstanding cards in FY19 to 102 million cards at end-FY24. Debit cards have also grown but at a slower CAGR of 1.3%, from 906 million outstanding cards in FY19 to 965 million in FY24. The percentage of debit and credit cards offering lounge access presently is still very low in India but is expected to grow in the coming years. As credit and debit cards make up 70-80% (as of date) of lounge access at Indian airports, growth in outstanding credit and debit cards will benefit Indian lounge operators. In addition, consumer preference towards credit card with airport lounges access is expected to further drive the airport lounge penetration in India.

Figure 50:Review and outlook on outstanding credit and debit cards in India



Note: P - Projected.

Source: CRISIL MI&A

Further, all the leading banks in India offer credit cards which provide lounge access at the airports. Some of them are as follows:

Table 35: Credit cards offering lounge access among leading banks

Bank	Credit card with lounge access*
SBI	SBI Elite card, SBI card MILES, SBI Prime, SBI Card Pulse.
HDFC Bank	Infinia credit card, Regalia Gold credit card, Regalia credit card, Tata Neu Infinity HDFC Bank Credit Card.
ICICI Bank	ICICI Bank Diamant Credit Card, ICICI Bank Emeralde Credit Card, ICICI Bank Emeralde Private Credit Card, Saphhiro Credit card.
Kotak Bank	Mojo Platinum Credit Card, Royale Signature Credit Card, Privy League Signature Credit card, Kotak 811 Credit card.
Axis Bank	Axis Bank Atlas Credit Card, Axis Bank Burgundy Private Credit Card, Axis Bank Reserve Credit Card.

*Note: * The above-mentioned list is indicative in nature.*

Source: Company websites, CRISIL MI&A

4. Expansion of airline frequent flyer programmes to boost the Indian lounge industry

Indian airlines have seen a steady increase in the number of frequent flyer members, driven by the expansion of air travel and increased customer loyalty initiatives. Elite status members are offered lounge access as a key benefit. In addition, airlines have partnered with third-party operators to provide lounge access to their frequent flyer members and premium ticket holders. Further, Indian airlines' participation in global alliances such as Star Alliance (Air India) has facilitated greater lounge access for frequent flyers traveling on international routes. Code-share agreements between Indian and international airlines have also contributed to increased lounge access.

5. Increase in lounge membership programmes gives Indian lounge operators access to international passengers

Global membership programmes such as Priority Pass and Dragon Pass provide access to more than 1,300 lounges worldwide. These programmes allow a broader range of travellers, including those flying in economy class to access airport lounges. The membership is offered complimentary by a few Indian banks to their premium customers and can be purchased directly as well. Partnership with these programmes also gives Indian airport lounge operators access to international passengers and increases domestic footfall.

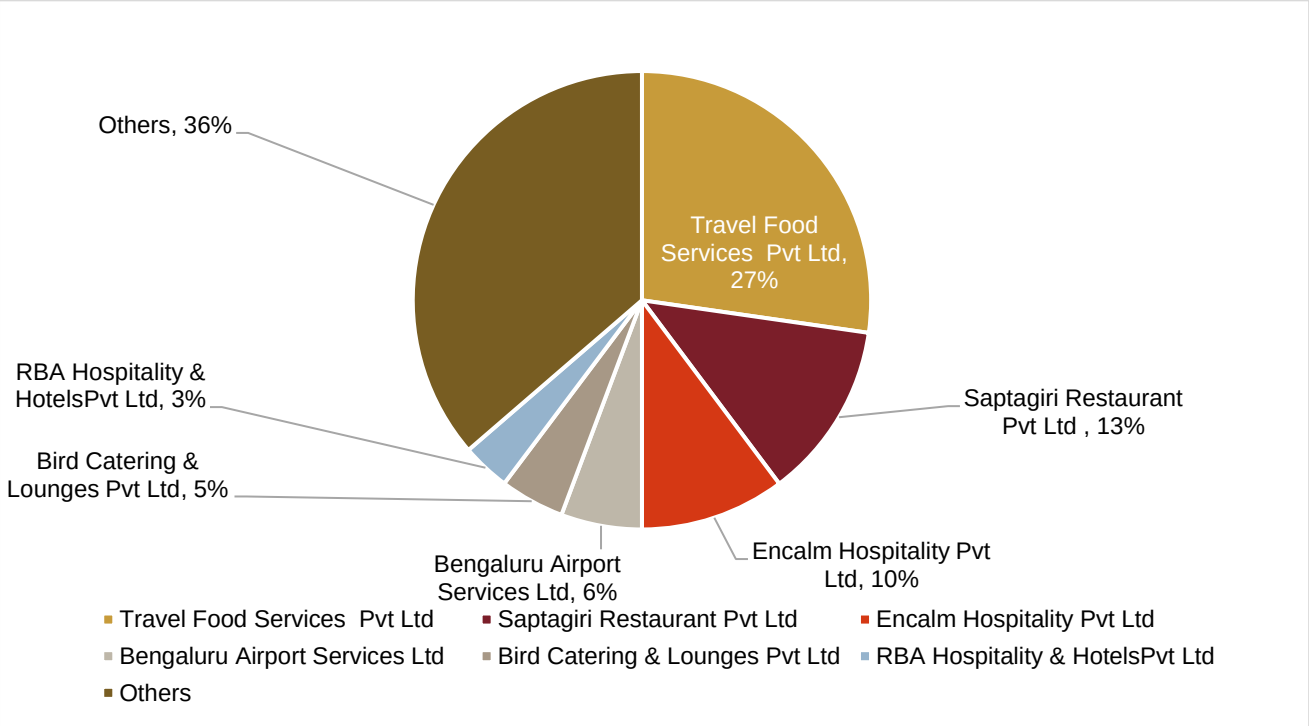
6. India has the potential to emerge as a global transit airport hub

India's ideal location makes it a natural transit point for flights between Europe, North America, the Middle East and Asia-Pacific, which allows for shorter flight paths and more efficient connections for international travellers. India's location also provides convenient access to growing markets in South Asia, Southeast Asia and Africa, making it an attractive transit hub for airlines looking to serve these regions. International aircraft movements in India increased by 16.5% in FY24 to 0.42 million from 0.37 million in FY23 as per data provided by Airports Authority of India. Development of airports with modern infrastructure and facilities of global standards will contribute to India's growth in becoming a global transit hub. Major Indian airports such as Delhi's Indira Gandhi International Airport, Mumbai's Chhatrapati Shivaji Maharaj International Airport and Bengaluru's Kempegowda International Airport have undergone significant upgrades, offering state-of-the-art facilities of global standards. These airports accounted for 55% of total international passenger traffic in India in FY24. Additionally, the presence of low-cost carriers in India offers affordable travel options for passengers, making Indian airports attractive for cost-conscious travellers looking for convenient transit points.

5.4 Top 3 lounge operators command ~50% share in number of lounges

Travel Food Services (TFS) Limited, Saptagiri Restaurant Private Limited and Encalm Hospitality Private Limited collectively run ~40-50 airport lounges across the country as of September 30, 2024, commanding ~50% share in terms of number of operational airport lounges in India. Bengaluru Airport Services Limited, Bird Catering & Lounges Private Limited and RBA Hospitality & Hotels Private Limited are the other key players. TFS operated the largest network of private airport lounges in India with 24 lounges across 8 airports as of March 31, 2024. The company operates some of the key lounges like Adani Lounge International (Mumbai), 080 Lounge (Bengaluru), Global Lounge Kuala Lumpur International Airport (Malaysia). Adani Lounge International (Mumbai) won the World Travel award while the latter two lounges won the FAB award, (an international awards programme focused on the F&B sector).

Figure 51: Estimated market share of lounge operators in India (as of September 2024) – preliminary estimates



Source: Airport websites, company websites, CRISIL MI&A

Table 36: key risks and challenges for airport retail, airport travel QSR and airport lounges

Key risks challenges	Details
Airport travel retail, airport travel QSR and airport lounges	
Regulatory clearances and approvals 	Airports are highly regulated establishments and conducting operations on the airport premises require lots of clearances and approvals. Operating lounges and F&B outlets at the airports also require clearances from respective airport and government authorities related to various operations such as staffing and security. Taking approvals and adhering to government protocols can become a challenge for lounge and airport travel QSR operators.
Cost constraints 	Lounges and F&B outlets have various operating and fixed costs associated with running operations at the airports in terms of airport fees/rentals and operational costs such as employee costs and material costs. In addition, capex per square feet cost for running these outlets is also high owing to large space and other requirements. Lounge and airport travel QSR players have to manage these costs to run efficient operations as increase in costs can negatively affect the profitability of the business.
Staff management 	Airports have different protocols and security requirements for all the staffs and employees working on the airport premises. Recruiting and managing staff for lounge and airport travel QSR players can become challenging with the required approvals and regulatory clearances. In addition, providing training to the employees is also a critical factor for lounge and F&B players as it may impact the service quality offered.
Product pricing for airport travel QSR players 	For airport travel QSR players operating QSR outlets at airports, product pricing is one of the critical factors. Players have to be conscious of consumer's needs so as to price the offerings accordingly and at the same time they have to be cautious of the business impact of the product pricing as they also have to cater to higher costs arising out of high rent, high capex, and other operational costs. Maintaining a balance of price and profitability is one of the key challenges for F&B operators.
Crowd management for lounges 	With rising accessibility options for lounges across the global airports, the lounges at times can become overcrowded. Lounge operators have to continuously monitor the crowd and capacity available to provide desired experience to the consumers. Also, certain time slots could see a rush compared to others which impacts the capacity available at the lounges.

Source: CRISIL MI&A

6. Overview of highway QSR and railway station QSR industries in India

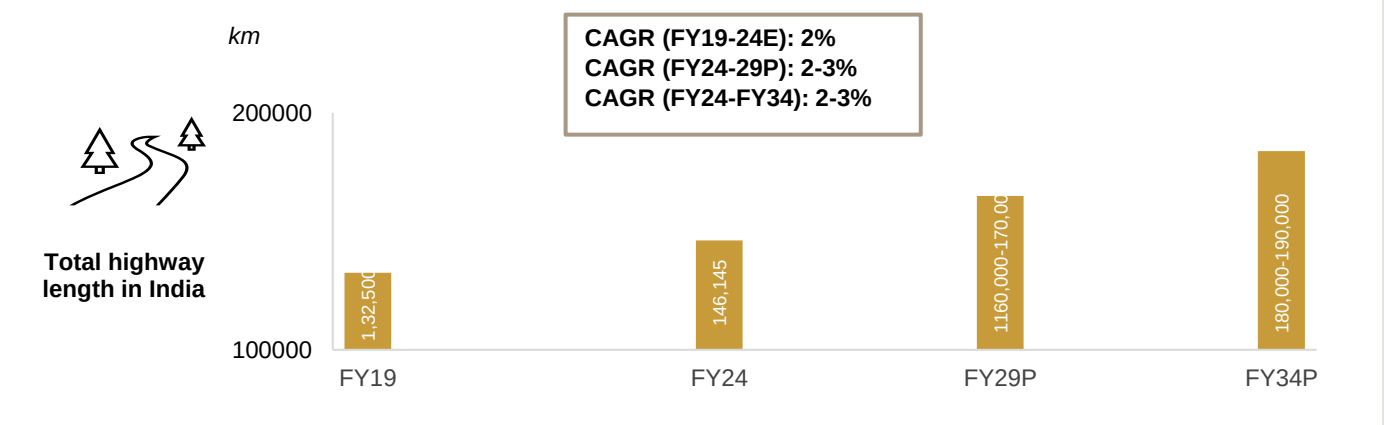
The National Highways Authority of India (NHAI) has been actively pushing the development of wayside amenities to enhance travel experience and support the growing national highway infrastructure. The essential amenities to improve travel experience include food, rest areas, fuel and sanitation. These are meant to cater to a diverse set of travellers, including long-distance motorists, tourists, commercial vehicle passengers and truck drivers. The primary vision is to ensure safe, clean and convenient stopovers on highways, which boosts tourism and in turn the economy by encouraging more road travel.

6.1 Highway construction and expressways

Steady rise in NHAI highway construction

As of FY24, India has national highway network of approximately 146,145 km increasing from 132,500 km in FY19 registering CAGR of 2%. Along with the total highway length, NHAI's annual highway construction has also risen steadily from 3,380 km in FY19 to 6,644 km in FY24 registering a healthy CAGR of 14% in the given period. Acceleration in project awards to concessionaires, a sharper focus on resolving land acquisition issues and 'Atmanirbhar Bharat' initiatives to ease liquidity for road engineering, procurement and construction (EPC) players helped speed up the execution of NHAI projects. Higher awarding and timely provision of appointed dates for many projects have further expedited execution in recent years. The government's infrastructure push, policy initiatives and increase in highway construction per day are expected to take annual highway construction (greenfield and brownfield both) to 6,500-7,000 km by FY29 and 6,500-7,500 km by FY34 at a pace of 18-20 km per day.

Figure 52: Total length of highways in India



Note: P - Projected.

Source: NHAI, CRISIL MI&A

Completion of key expressways boosts national network

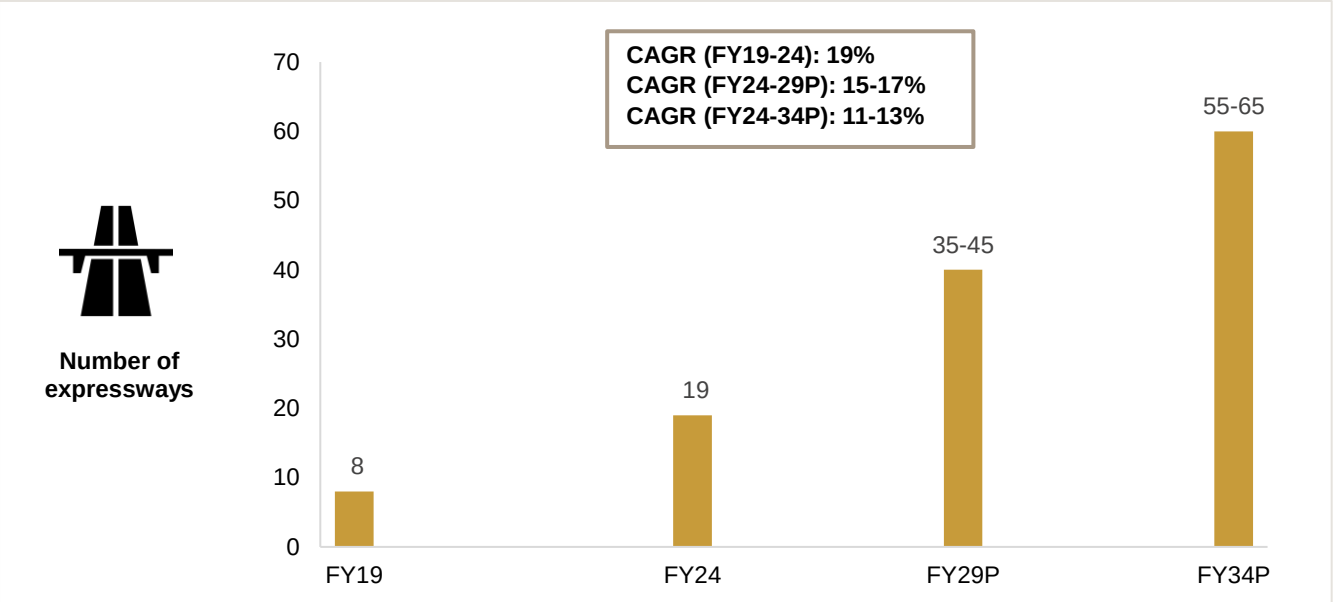
Expressways are highways with four to eight lanes which provide controlled access to the road network. They offer superior highway facilities with higher specifications, with more lanes, better surface, divided carriageway, controlled access grade separations at cross-roads and fencing. A key function of expressways is to reduce travel time, as they permit only fast-moving vehicles and are meant to carry through traffic. In the last few years, many under-construction projects were completed, expanding the expressway network in the country. As of FY24, India has 19 operational

expressways having total length of approximately ~5,000 km. However, in comparison to peers, India still lags in terms of length of expressways. As of 2021, China had total expressways length of ~170,000 km while the USA had a total expressways length of 76,000 km. This indicates India still has further room to develop expressways across the country.

Some expressways completed include:

- Amritsar-Jamnagar Expressway (Length:500 km, Operational from: July 2023)
- Delhi-Panipat Expressway (Length:24 km, Operational from: July 2023)
- Mumbai-Nagpur Expressway (Length:630 km, Operational from: March 2024)
- Dhanbad-Bokaro-Ranchi-Jamshedpur Industrial Expressway (Length:400 km, Operational from: August 2023)
- Eastern Peripheral Expressway (Length: 135 km, Operational from: May 2018)

Figure 53: Review and outlook on India's expressways (number of expressways)



Note: P - Projected, the number of expressways includes state and national expressways.

Source: CRISIL MI&A

Policy initiatives like Bharatmala Pariyojana to increase expressway network

The Bharatmala Pariyojana is an umbrella project of the central government since CY15 that aims to improve efficiency in the roads sector. It is expected to supersede the National Highways Development Project (NHDP) and envisages the construction of 65,000 km of highways across the country. Awarding under its first phase has been focused on high-value projects, expected to support expressway the growth of in the medium term, and key greenfield projects like the Delhi-Mumbai Expressway, Amritsar-Jamnagar Expressway (Phase 2) and Surat-Chennai Expressway, slated to be completed in the near to medium term. The country is expected to have 35-45 expressways by FY29 and 55-65 by FY34.

Table 37: Key upcoming expressways

Sr.No.	Expressway	States	Length (km)	Tentative completion data
1	Delhi-Mumbai Expressway	Delhi, Haryana, Rajasthan, Madhya Pradesh, Gujarat, Maharashtra	1,350	October 2025
2	Surat-Chennai Expressway	Gujarat, Maharashtra, Telangana, Karnataka, Andhra Pradesh, Tamil Nadu	1,270	December 2026
3	Amritsar-Jamnagar Expressway (Phase 2)	Punjab, Haryana, Rajasthan, Gujarat	1,256	December 2025
4	Delhi-Amritsar-Katra Expressway	Delhi, Haryana, Punjab, Jammu and Kashmir	687	December 2026
5	Bengaluru-Vijayawada Expressway	Karnataka, Andhra Pradesh	624	2025-2026
6	Ganga Expressway	Uttar Pradesh	594	December 2024
7	Raipur–Visakhapatnam Expressway	Chhattisgarh, Odisha and Andhra Pradesh	465	December 2025
8	Nagpur-Vijayawada Expressway	Maharashtra and Andhra Pradesh	405	December 2027

Source: NHAI, News articles, CRISIL MI&A

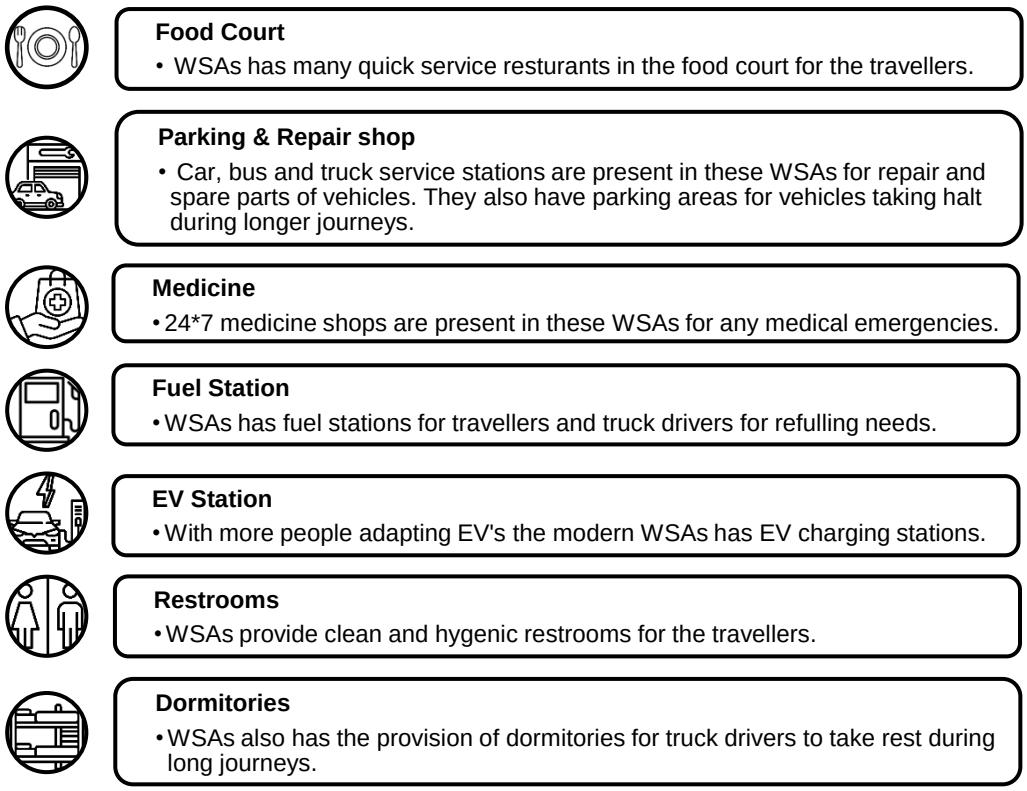
Figure 54: Existing and upcoming expressways in India

Note: Red lines indicate the existing expressways, and blue lines indicate upcoming expressways.
Amritsar to Jamnagar expressway is currently under construction for phase 2, in the above chart it has been added a part of existing expressways.
Source: CRISIL MI&A

6.2 Overview of the wayside amenities industry

Wayside amenities (WSAs) along national highways and expressways are essential to making travel safe, comfortable and convenient and to reduce fatigue in a long-distance journey. Some key WSAs include fuel stations, electric charging facilities, food court, restaurants, retail shops, ATMs, toilets and shower facilities, playing area for children and clinics.

Figure 55: Key WSAs can/will include



Source: NHAI, CRISIL MI&A

NHAI aims to develop 1,000 WSA sites

The NHAI aims to establish a total of 1,000 WSAs at strategic locations along national expressways and highways, spaced approximately every 40 to 60 km. These sites are expected in more than 22 states, covering over 3,000 hectares. The WSAs are being developed under a lease-based Public-Private Partnership (PPP) model. The NHAI has notified permissible uses for these WSA sites with the potential to establish various facilities. The table below describes the development opportunity at these sites.

As per the latest available NHAI brochures, of the operational WSA sites, the North region accounts for 69, followed by the South (44), East (40) and West (23). Of the proposed WSA sites. The Delhi-Mumbai Expressway alone will have 94, whereas other greenfield expressways and highways will have 376. Please note that table below shows

segregation of 600+ WSA as per brochure available on NHAI. However, as mentioned earlier, as per the latest NHAI's announcement, a total of 1,000 WSA includes the ones mentioned in the table below.

Table 38: Overview of current and proposed WSA sites

Region	States	Sites
Current operational sites		
North	Haryana, Jammu & Kashmir, Punjab, Uttar Pradesh	69
East	Odisha, Jharkhand, Assam, West Bengal, Bihar	40
South	Tamil Nadu, Karnataka, Andhra Pradesh, Kerala, Telangana	44
West	Rajasthan, Madhya Pradesh, Gujarat, Maharashtra, Chhattisgarh	23
Proposed sites		
Delhi Mumbai Expressway	Rajasthan, Madhya Pradesh, Gujarat, Maharashtra, Haryana	94
Greenfield Expressways/ Highways	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal	376*

*Note: *-As per the latest available NHAI document on WSAs. The number of sites as per this document is 600+.*
Source: NHAI, CRISIL MI&A

NHAI, NHLML are nodal agencies for WSAs, while private partners operate and maintain them through various PPP

The NHAI and its wholly owned subsidiary, National Highways Logistics Management Limited (NHLML), are the nodal agencies for developing WSAs. The NHAI acquires the land and permissions, while the NHLML develops the amenities with private partners. Private partners build, operate and maintain the WSAs.

Figure 56:Structure of the wayside amenities industry

Land acquisition: NHAI acquires land and obtains the necessary permissions.
Supervision: NHAI supervises the development of the WSA.

Developement: NHLML, a wholly owned subisdary of NHAI is responsible for the development of WSAs along with private partners.

Development: The private partners develop the WSAs.
Operation: The private partners operate the amenities.
Maintenance: The private partners maintain the WSAs for 15-30 years.

Source: NHAI, CRISIL MI&A

Table 39:WSA development opportunity

Development opportunity	Details
Permissible use under WSA	• Fuel stations • Food court/Dhaba • Hotel and convention center • Guest and meeting rooms • Banquet and wedding halls • Motels • Warehouse/logistic facilities • Automobile showrooms and workshops • Retail arcades & specialty restaurants • Convenience stores, • ATMs • Truck user zones & parking space • Truckers' dormitory/ self-service laundry/ cooking space
Mandatory facilities for WSA	• Clean washrooms & drinking water • Bus and car parking • Electric charging stations • Children's play area and landscaping • Medical clinic • First aid facilities • Minor service areas • Doctor on call • Village haat (Gram Bazaar) and local craft shops

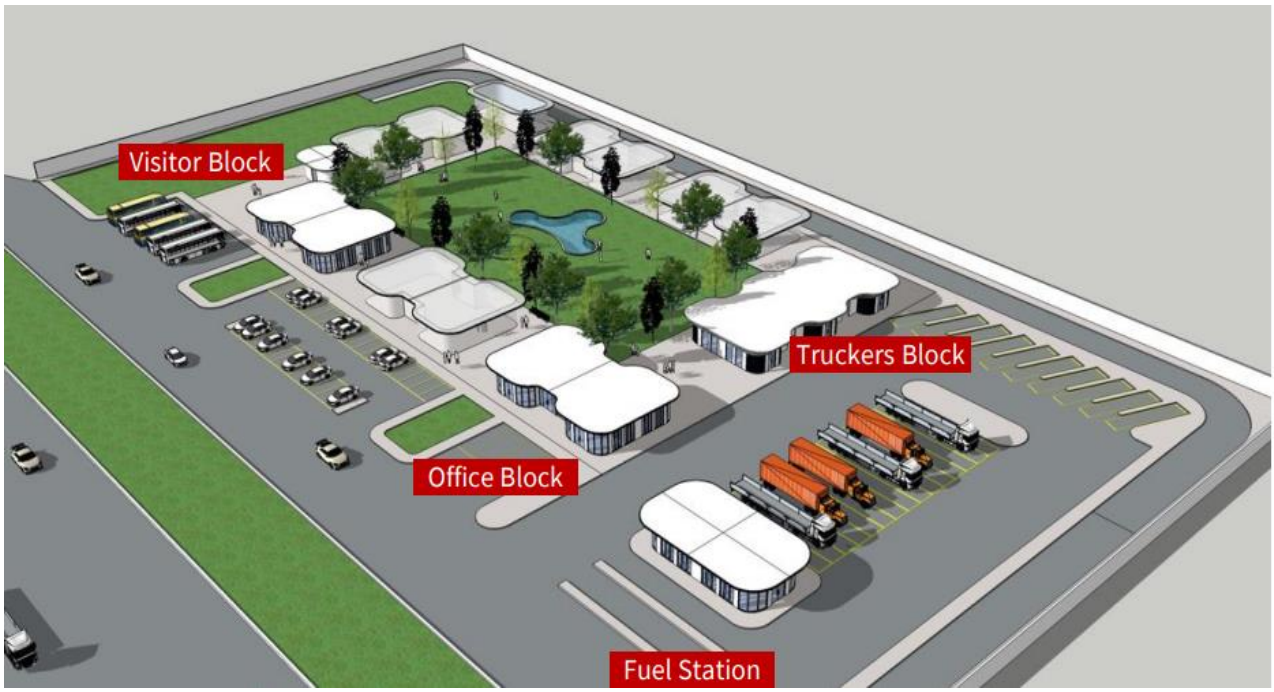
Source: NHAI, CRISIL MI&A

Current WSA in India needs improvements

The majority of the WSAs along the highways in India are still unorganized and provide very basic services to the passengers. However, these WSAs in many instances lack key requirements which are essential for travellers like hygienic washrooms, variety of F&B offerings, air-conditioning, ample seating capacity, high quality spaces, uninterrupted operations etc. Currently many of the WSAs lack these requirements. To tackle this, the government has envisaged developing WSAs in accordance with global standards and to provide standardized services across the WSAs developed. To achieve this, the government is now seeking bids from private players to develop WSAs while keeping up with global benchmarks.

According to NHAI guidelines the new WSAs will have following mandatory services- clean washrooms & drinking water, bus & car parking, electric charging station, children play area & landscaping, medical clinic, first aid, minor service area, doctor on call, village haat (gram bazaar), local craft shops. Apart from this, WSAs are allowed to have fuel stations, food court/Dhaba, hotel & convention centre, guest and meeting rooms, banquet & wedding Hall, warehouse/logistic facilitates, automobile showrooms, Auto workshops, Retail arcade and specialty restaurants, convenience store ATMs, truck user zone and parking, truckers dormitory/ self-laundry/ self-cooking.

Figure 57:Indicative view of WSAs proposed at Delhi-Mumbai Expressway



Source: NHAI, CRISIL MI&A

6.3 The highway travel QSR industry in India

Highway Quick Service Restaurants (QSRs) in India have rapidly grown in popularity, catering to the needs of travellers and locals alike. Positioned alongside national highways, these QSRs offer a convenient, quick, and reliable dining option for the increasing number of commuters in India. They cater to a diverse set of customers ranging from long-distance truck drivers to families on road trips, and tourists exploring the country by road.

The Indian highway QSR landscape includes a mix of branded QSR outlets, non-branded QSR outlets and restaurants (Dhabas and restaurants which are accessed majorly by truckers are excluded from Highway QSR sizing). The sizing includes all national highways in India.

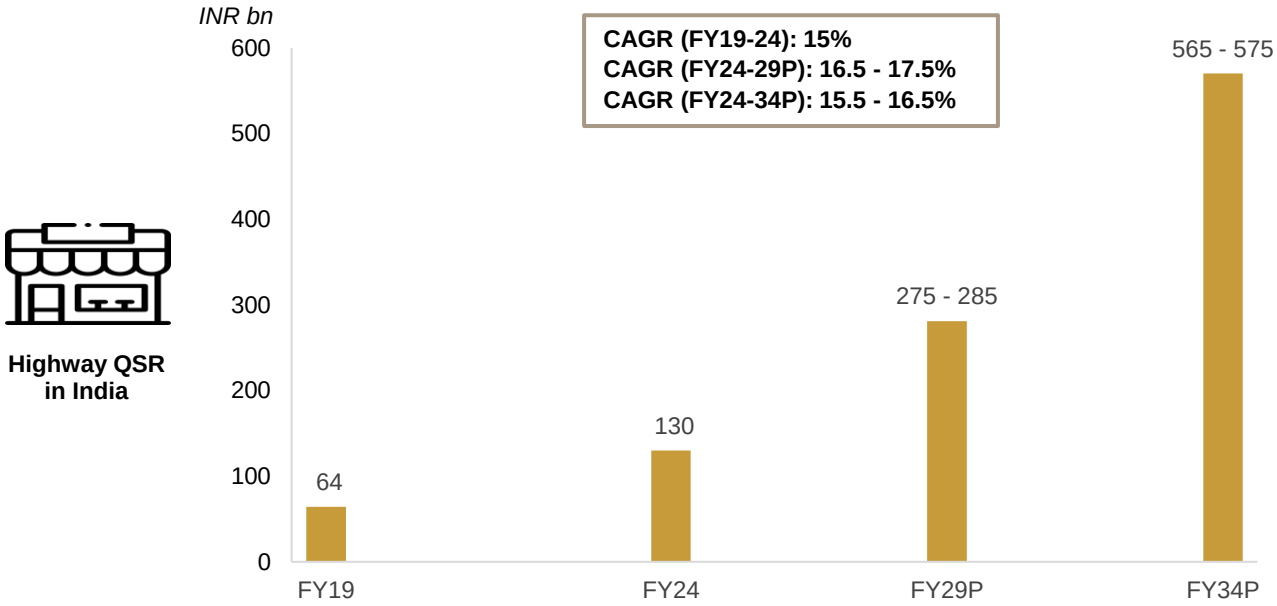
The growth in highway QSRs is encouraged by India's changing travel habits and demand for roadside dining. These QSRs majorly focus on creating a clean, accessible, and standardized experience, often incorporating amenities like clean restrooms, parking, and secure seating areas, which are especially valued by travellers.

Infrastructure development and travel demand to drive highway QSR growth

Over the past few years from FY19 to FY24, the highway QSR industry has grown at a CAGR of 15.2% reaching INR 130 billion in FY24 from INR 64 billion in FY19. Multiple factors are driving this growth including:

- **Highway construction and network**: India's national highway network has increased from 132,500 km in FY19 to 146,145 km in FY24. Additionally, the pace of construction of national highways has risen steadily to ~18 km per day in FY24 which was ~11km per day in FY20. As the highway network has continued to expand, it has led to an increase in the number of travellers and commuters, resulting in a higher demand for food and beverages on the highways.
- **Increasing road trips, rise in disposable income and changing consumer preferences**: With improving highway infrastructure, more people are choosing road trips for leisure, convenience and adventure, which is increasing the demand for QSRs along the highways. Furthermore, the rise in disposable income has led to increased car ownership and changing consumer preferences have contributed to an increase in spending capacity, allowing people to indulge in more frequent purchases at QSRs.

Figure 58: Overview and outlook on the highway QSR industry



Note: P - Projected.

Source: CRISIL MI&A

- **Modernization of highways**: With the government prioritizing the expansion and modernization of national highways, the highway QSR market is set for substantial growth in the coming years as food outlets move into previously underserved regions. As India's road infrastructure advances and vehicle penetration increases, highway QSRs are poised to become an essential part of the travel ecosystem.
- **Government initiatives**: Government initiatives to promote tourism and improve amenities along national highways encourage private investments in highway facilities, including QSRs. The 'Bharatmala Pariyojana' project, focuses on enhancing road connectivity, is expected to benefit QSR expansion as well.
- **Way side amenities expansion**: As detailed in the above section, NHAI aims to establish a total of 1,000 WSAs at strategic locations along national expressways and highways, spaced approximately every 40 to 60 km. Offering convenience and a broad selection of food options, highway QSRs will increasingly meet the needs of travellers, contributing to a more seamless and efficient travel experience.

Driven by these factors, the highway QSR industry is expected to exhibit strong growth in the long term to reach INR 565-575 billion by FY34 at a CAGR of 15.5 – 16.5% between FY24-34.

6.4 The expressway travel QSR industry in India

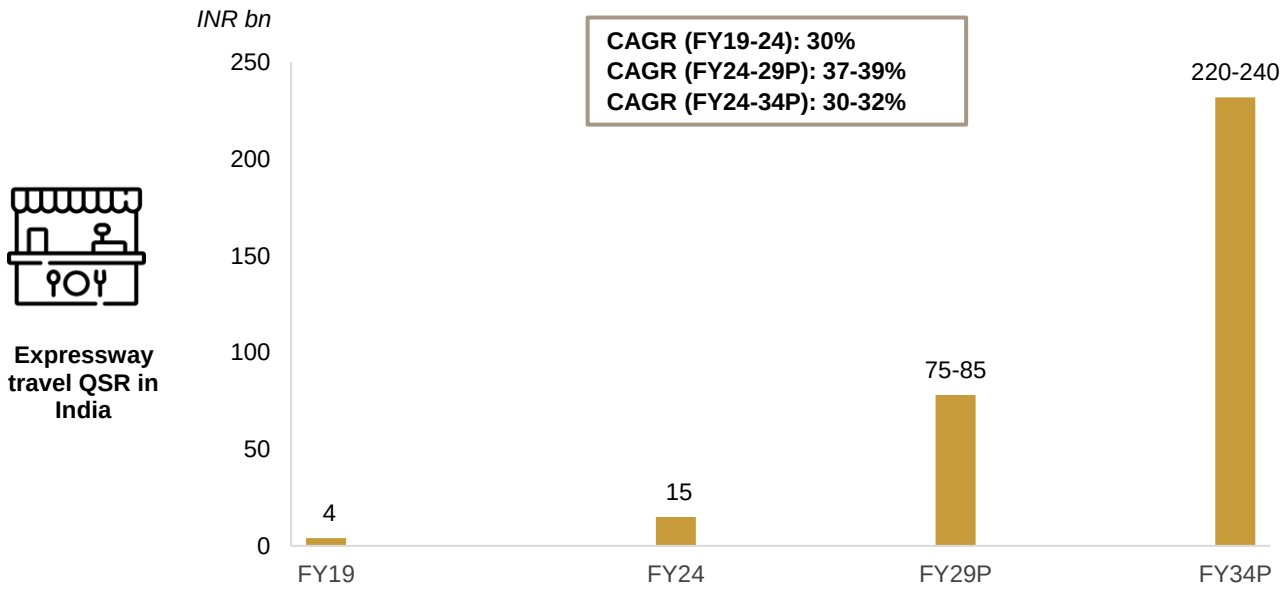
Expressway infrastructure presents a substantial retail opportunity, especially for food and beverages (F&B) players. As access to expressways is controlled via tolls, F&B outlets have to align with the access points. The advantage, however, is that the designated retail hub is the only option for passengers looking for food and other basic amenities, as the next such facility could be 40-60 km ahead. Consequently, there is a higher probability of conversion of passengers to customers at these retail hubs. Currently, the F&B space at expressways is dominated by QSR chains and outlets of domestic & local as well as global brands at some of the expressways.

For the sizing of the expressway travel QSR industry, national QSR chains and regional/local brands have been considered. Dhabas and restaurants mainly catering to truckers have been excluded in the calculation of the market size.

Better road infrastructure, higher traveller spends support robust growth

Expressway travel QSR industry in India has seen robust growth in recent years, with the number of expressways in the country increasing from eight in FY19 to 19 in FY24. This, coupled with an increase in spending by travellers in terms of ticket size, has helped the industry grow from INR 4 billion in FY19 to INR 15 billion in FY24.

Figure 59: Overview and outlook on the expressway travel QSR industry



Note: P - Projected.

Source: CRISIL MI&A

Increased private participation, entry of organised F&B retail operators to push growth

The Indian road retail landscape is evolving, with the traditional need-based retail opportunity being transformed into a mass-scale retail business opportunity. More organised F&B operators/retailers are entering the expressway QSR industry for example Travel Food Services Limited, Devyani International Limited, Westlife Development Limited, Sapphire Foods India Limited, Restaurant Brands Asia Limited etc. The government's push for increased private sector participation in the development of the WSAs is also driving growth of the overall F&B retail infrastructure along expressways. Also, with increased standardization of WSA services, it's an opportunity for organized QSR players to tap into this market. The need for premium and standardized brands is also driving increased penetration of organized QSR players in this segment. Expressway QSR also presents an opportunity for organized QSR players who can tie up with fueling stations and drive the footfall growth at these sites by managing non-fuel part with their experience and expertise in handling higher footfalls. Moreover, an additional 15-25 expressways expected to come up by FY29 would boost the opportunity for expressway QSR players.

Driven by these factors, the expressway QSR industry is expected to exhibit strong growth in the near term to reach INR 75-85 billion by FY29 and INR 220-240 billion by FY34.

Advantages of organized F&B operators in expressway QSR segment

Wayside amenity developers could typically have limited expertise in terms of operating QSRs and other retail outlets. Organised QSR operators can have agreement with developers to run QSR and other retail outlets at these locations providing one point contact and can bring in multiple brands & handle all the infrastructure. Brands too could prefer organized QSR operators as they have experience in maintaining standards, and the quality of the brand mix at these locations. Also, these organized travel QSR players have expertise in operating various amenities at these locations like fuel stations, motels and QSR outlets. Thus, providing developers as well as brands with key operational advantages.

Table 40:Key drivers for WSAs, expressway travel and highway QSR industry

Sr.No.	Key drivers	Details
1	**Improving road infrastructure driving demand** 	Development of high-quality road infrastructure, both highways and expressways, at a rapid pace has led to increase in road being considered as preferred mode of transport for travellers. This is expected to increase the need for WSAs for these travellers.
2	**Need for quality WSAs** 	Travellers are seeking high quality WSAs with clean washrooms, restrooms, hygienic food outlets with different options to choose from and a better overall experience.
3	**Increased tourism and road travel** 	People are increasingly looking to explore new places, especially after the COVID-19 pandemic. They are exploring destinations by road especially younger generations. In addition, there is increase trend for drive through outlets along highways where passengers stop and buy F&B on the go. As more people travel by road, there is an increase in the demand for these QSRs.
4	**Rise of spiritual tourism** 	The government has launched the 'Pilgrimage Rejuvenation and Spiritual Augmentation Drive' (PRASAD) scheme to focus on developing and identifying pilgrimage sites across India for enriching the spiritual tourism experience. As per the ministry of tourism report, in the first 5 days after the inauguration of Ayodhya Ram Mandir 1.3 million devotees had visited Ayodhya Dham in January 2024, 85 million people visited Kashi in 2023. This shows increasing spiritual tourism influx in country.
5	**Increased private sector participation for development of WSAs** 	WSAs were earlier developed by road contractors or concessionaires via public-private partnership arrangement, wherein WSAs are operated and maintained by the road concessionaire. The NHAI, which is the nodal agency for the development of WSAs, has now scrapped the requirement to develop WSAs along new highways and expressways by road contractors and concessionaires. It is now seeking bids from private players to develop WSAs in keeping with global benchmarks. This augurs well for the expressway QSR space as development of modern infrastructure is essential for overall retail growth on expressways.
7	**Budgetary support for highway infrastructure** 	The total expenditure of the Ministry of Road Transport and Highways in FY25 is estimated to be INR 2,780 billion. ~61% of the ministry's total expenditure is towards the NHAI, which indicates the government's focus on improving highway connectivity. In addition, the government has made provisions for expenditure on development of national highways, including projects relating to expressways, six-laning of crowded stretches of the Golden Quadrilateral and two-laning of highways under the National Highways Development Project (NHDP).

Sr.No.	Key drivers	Details
8	**Increased passenger vehicles sales and healthy potential for penetration** 	Growing passenger vehicle sales could support footfall growth for the expressway QSR industry and is a key underlying driver for the industry. In addition, growing penetration of Electric Vehicles (EVs) which are required to be charged after certain distance could create demand for fuel stations and in turn QSR players. Passenger vehicle sales have grown at a 5% CAGR from FY14 to FY24. CRISIL MI&A expects PV sales to clock a 5-7% CAGR from FY24 to FY29, supported by continuous improvement of economic activities, increasing average income and affordability of vehicles along with a recovery of entry-level consumer sentiments. Growth will also be aided by a modest increase in the cost of vehicle acquisition, rising penetration per 1,000 people, as well as a deeper reach in the rural markets. Further, India's car market is extremely underpenetrated compared with most developed economies and some developing nations. As of FY24, India had ~32 passenger vehicles per 1,000 people. This number is expected to increase to 40 by FY29, which is significantly lower than the numbers in developed nations and even Brazil (~260), Russia (~305), and China (~110) (the three, along with India, are a part of the BRIC block) based on per-capita GDP. Thus, India offers a significant growth potential for passenger vehicle sales.

Source: NHAI, CRISIL MI&A

Table 41: Key risks and challenges

Expressway travel and highway QSR	
Delay in construction 	The construction of highways / expressways is dependent on several factors like land acquisition, funds availability, government clearances etc. Any delay in these processes may hamper the timelines for construction. Delay in construction often leads to cost overruns which could stretch the construction budgets. The delay in construction will also impact construction of wayside amenities like F&B and QSR outlets. Thus, timely completion of the is one of the critical factors for expressway QSR players.
Traffic seasonality 	Traffic on highways / expressways is subject to seasonality. Some periods of the year may see increase in traffic while some periods like monsoon may see a dip in the traffic on a particular highway / expressway. Since footfall at highway / expressway QSR is dependent on traffic at that particular highway / expressway, the seasonality could be a challenge for a QSR player.
Changing government regulations 	Government plays significant role in awarding highway/expressway wayside amenities contracts to vendors. Any change in awarding process, length of contract, eligibility criteria, may impact how wayside amenities are awarded and operated.

Source: CRISIL MI&A

6.5 The railway station QSR industry in India

The railway station QSR sector in India has evolved significantly over the years. It has transformed from basic pantry car services and platform stalls to a sophisticated system of branded, hygienic, and reliable dining options. Historically, railway catering offered limited variety and quality, with passengers relying mostly on pantry cars in addition to station vendors for quick meals or snacks. However, in the past decade, Indian Railways and the Indian Railway Catering and Tourism Corporation Limited (IRCTC) have introduced kiosks, food courts, plazas and modern food services at railway stations by partnering with private vendors, which also include established QSR brands.

To assess railway station QSR, only unpackaged food sold at railway stations in India including all snacks, thalis, branded QSRs has been considered.

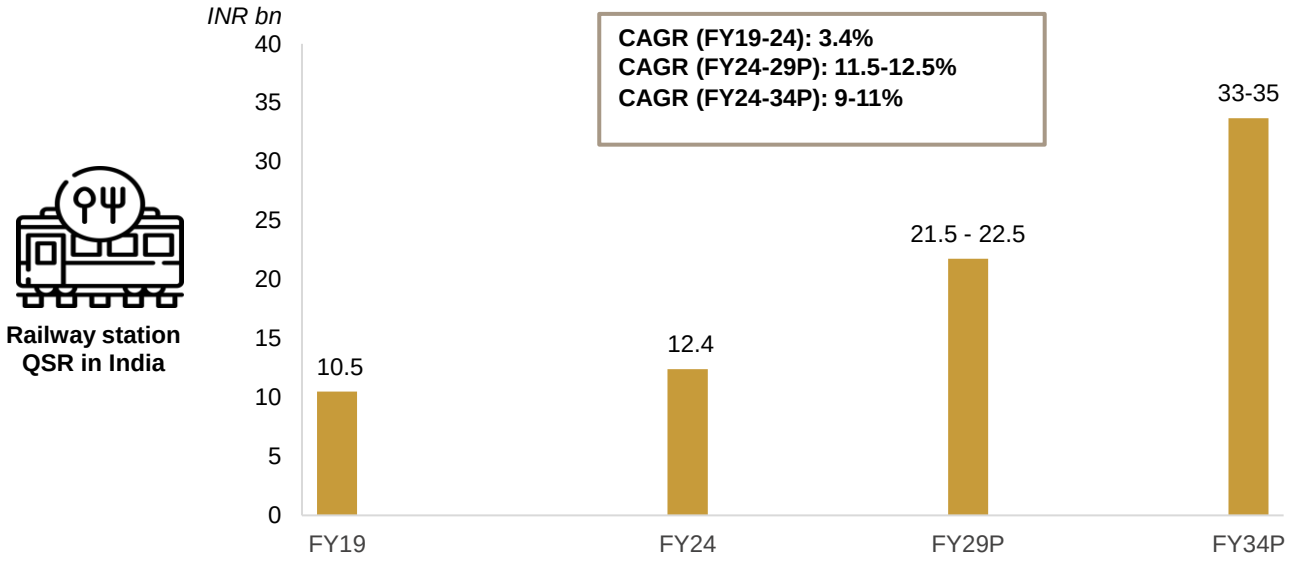
Infrastructure development, young demographic and demand for hygienic food options expected to aid the growth in railway station QSR industry

The growth of Quick Service Restaurants (QSR) at Indian railway stations is being driven by shift towards convenient, quality dining experiences with increased emphasis on hygienic and branded food options. Key factors responsible for this growth include:

- **Domestic tourist visits in India:** The growth is also being aided by growing domestic tourist visits in India, which have seen strong growth in the last few years, with over 2.5 billion domestic tourist visits in CY23, a growth of 45% over CY22 and already 8% above pre-COVID levels (2.3 billion in CY19). This rise in domestic tourism is benefiting the railway station QSR industry as more people travel by train.
- **Young population**: India has a young population, and this young population is more familiar with QSRs. Travellers from this demographic look for branded options, benefiting the QSR players at railway stations.
- **Public-Private Partnerships**: Indian Railways is promoting Public-Private partnerships to attract private investment in railway infrastructure which is facilitating QSR growth at railway stations.
- **Redevelopment of railway stations**: Railway stations in India are being redeveloped with better amenities, and designated food courts, creating more space for QSRs at railway stations.
- **Government initiatives**: In addition, government initiatives such as “Eat Right Station” to improve hygiene and food safety standards at stations has aided the growth of railway station QSR industry in India.

As a result, the industry has grown at a CAGR of 3.4% between FY19 and FY24 to reach INR 12.4 bn from INR 10.5 bn.

Figure 60: Overview and outlook on the railway station QSR industry



Note: P - Projected.

Source: CRISIL MI&A

Going ahead, the railway station QSR industry is poised to grow at a CAGR of 9-11% between FY24 to FY34 from INR 12 bn in FY24 to INR 33-35 bn in FY34. The growth is expected to be driven by government efforts to improve station infrastructure through **Amrit Bharat Station Scheme**, focused on station redevelopment, opening opportunities for vendors to set up food plazas to serve travellers. The scheme currently intends to upgrade and modernize a total of 1,275 stations across the Indian Railway system. These enhancements encompass bettering station accessibility, waiting areas, toilet facilities, food, lift and escalator installations as needed, cleanliness, offering free Wi-Fi, setting up kiosks for local products, enhancing passenger information systems, establishing executive Lounges, designating spaces for business meetings, incorporating landscaping, and catering to the unique requirements of each station. With improved seating, waiting areas and facilities, passengers tend to spend more time at railway stations, increasing the likelihood of them visiting and eating at QSR outlets. Further, enhanced cleanliness, digital transactions are also expected to drive the growth for Indian railway station QSR industry.

Table 42:Key drivers for railway station QSR industry in India

Sr.No.	Key drivers	Details
1	**Development of station infrastructure**	The Amrit Bharat Station Scheme, focused on modernisation/upgradation railway stations across India, is creating new opportunities for vendors to set up food plazas that cater to the rising number of passengers. This scheme aims to develop aesthetic platforms and improve passenger amenities, among others. With improved station infrastructure, food plazas can offer quick, reliable dining options, meeting the growing demand for quality food during transit. This redevelopment not only enhances passenger convenience but also encourages quick-service restaurants (QSRs) to expand within stations.

Sr.No.	Key drivers	Details
2	**Promotion of private public partnership (PPP) models** 	The Indian Railways has been actively promoting PPP models to attract private players in the QSR sector. This allows leading QSR brands to operate within railway stations, improving food quality and variety for passengers.
3	**Increased tourism through train travel** 	Indian Railways introduced the concept of operating tourist trains on theme-based circuits under the banner of 'Bharat Gaurav' Tourist Trains. These theme-based tourist circuit trains aim to showcase India's rich cultural heritage and magnificent historical places. This unique appeal of Bharat Gaurav trains enhances passenger footfall at key stations by attracting domestic and foreign tourists. These travellers often seek fast, convenient food options during transit, creating demand for railway station QSRs.

Source: CRISIL MI&A

Table 43: Key risks and challenges in railway station QSR industry in India

Sr. no.	Key challenge	Details
1	**Fluctuations in footfall and inventory management** 	Railway stations experience fluctuating footfall based on train schedules. The footfall may vary based on festive season, political events, national holidays, among others. Further, it can also be seen that railway passenger traffic is yet to reach the pre-pandemic levels. As per FY24 provisional estimates the railway passenger traffic originating at Indian Railways is 6,730 million which is lower than 8,439 million in FY19. These fluctuations may impact revenue of a railway station QSRs. Further, managing inventory to avoid food wastage while meeting peak demand can act as a challenge.
2	**Hygiene and quality controls** 	Another challenge is maintaining consistent hygiene and quality standards at busy, high-traffic railway stations. Given limited preparation space, ensuring food safety becomes crucial but challenging. Poor hygiene or inconsistent quality can damage a brand's reputation and erode customer trust.
3	**Supply chain and logistical challenges concerning remote locations** 	Railway station QSRs located in remote location often face challenges in the form of limited accessibility and unreliable transportation schedules, making timely delivery of fresh ingredients difficult. Lack of local suppliers' forces these QSRs to depend on distant sources, leading to higher transportation costs and potential spoilage of perishable items. Additionally, inconsistent power supply in these remote areas can also impact food storage and preparation, resulting in food wastage.

Source: CRISIL MI&A

7. Competitor analysis

Travel Food Services Limited (TFS) is a Travel QSR and private lounge operator with presence in India and selected international markets. For the competitor analysis we have considered companies in three industries i.e., high-street QSR, travel QSR and lounges. Devyani International Limited, Jubilant Foodworks Limited, Restaurant Brands Asia Limited, Sapphire Foods India Limited and Westlife Foodworld Limited are some of the key players operating in the high-street QSR space. In addition to TFS. HMSHost Services India Private Limited, and Encalm Hospitality Private Limited are some of the key players operating in the travel QSR and lounge space in India. In this section, we have provided competitive benchmarking for Lounges and QSR industries by analysing key operating players present in the respective industries.

Data has been obtained from publicly available sources, including annual reports and investor presentations of listed players, regulatory filings, rating rationales, and/or company websites and social media pages.

Note: The peers for competitor analysis is not an exhaustive list and is an indicative list. Peers have been selected based on the product and service offerings and comparable revenue range. Further, it is to be noted that peers for highway QSR could differ from those of airport QSR.

The following nomenclature has been used in this section of report as legal entity name: representative company name:

High-street QSR players:

- Devyani International Limited: Devyani International
- Jubilant Foodworks Limited: Jubilant Foodworks
- Restaurant Brands Asia Limited: Restaurant Brands Asia
- Sapphire Foods India Limited: Sapphire Foods
- Westlife Foodworld Limited: Westlife Foodworld

Travel QSR players

- Travel Food Services Limited: TFS
- HMSHost Services India Private Limited: HMSHost Services
- Lite Bite Foods Private Limited: Lite Bite Foods

Lounge players:

- Travel Food Services Limited: TFS
- Bird Catering and Lounges Private Limited: Bird Catering and Lounges
- Encalm Hospitality Private Limited: Encalm Hospitality
- Saptagiri Restaurant Private Limited: Saptagiri Restaurant
- RBA Hospitality and Hotels Private Limited: RBA Hospitality

7.1 Overview of players considered

Table 44: Brief overview of players considered

Company Name	Year of Incorporation	Format/Key business areas	Key brand portfolio	Presence
High street QSR players				
Devyani International Limited	1991	High-street QSR, Travel QSR*	KFC^, Pizza Hut^, Costa Coffee, Vaango, The Food Street	India, Thailand, Nigeria, Nepal
Jubilant Foodworks Limited	1995	High-street QSR	Domino's^, Popeyes, Dunkin, Hong's Kitchen, Coffy	India, Turkey, Azerbaijan, Georgia, Bangladesh, Sri Lanka
Restaurant Brands Asia Limited	2013	High-street QSR	Burger King, Popeyes (Indonesia)	India, Indonesia
Sapphire Foods India Limited	2009	High-street QSR	KFC^, Pizza Hut^, Taco bell (Sri Lanka)	India, Sri Lanka, Maldives
Westlife Foodworld Limited	1982	High-street QSR	McDonald's	India
Travel QSR players				
TFS	2007	Travel QSR, Lounges	KFC, Idli.com, Cafeccino, Wagamama, Subway, The Coffee Bean & Tea Leaf, Krispy Kreme, Domino's Pizza, Dilli Streat, Bikanervala, Adani Lounge, 080 Lounge, Pizzeria, Araya, etc.	India, Malaysia, Hong Kong
HMSHost Services India Private Limited	2006	Travel QSR	KFC, Pizza Hut, Illy, Taste of India, Idli Factory	India
Lite Bite Foods Private Limited	2002	Restaurants, Travel QSR	Punjab Grill, Tres, Zambar, Baker Street, Clink Bar, Begum Noor Jahan Biryani, You Mee, Asia Seven, Shizusan, Pino's, Naashto, Hahn's Kitchen, Lite Bite Biryani	India
Lounge players				
TFS	2007	Travel QSR, Lounges	KFC, Idli.com, Cafeccino, Wagamama, Subway, The Coffee Bean & Tea Leaf, Pizza Hut, Krispy Kreme, Domino's Pizza, Dilli Streat, Bikanervala, Adani Lounge, 080 Lounge, Pizzeria, Araya, etc.	India, Malaysia, Hong Kong
Bird Catering and Lounges Private Limited	2008	Travel QSR, Lounges	Bird Lounge	India
Encalm Hospitality Private Limited	2021	Lounges	Atithya, Encalm Lounge, Encalm Spa, Enwrap, Encalm Prive,	India
Saptagiri Restaurant Private Limited	2000	Travel QSR, Lounges	Primus Lounge	India
RBA Hospitality and Hotels Private Limited	2013	Travel QSR, Lounges	Grabbit, Tasty Trip, Shakes n Flakes, Mangalore Tiffin Point, RBA Dosa Express, Coffee and More, Binny's Kitchen, Paahun	India

Note: Devyani International has major presence in high-street QSR, however it has smaller presence in travel QSR through 'The Food Street' and its existing franchise brands. Most of the times, operating brands at airports requires concession*

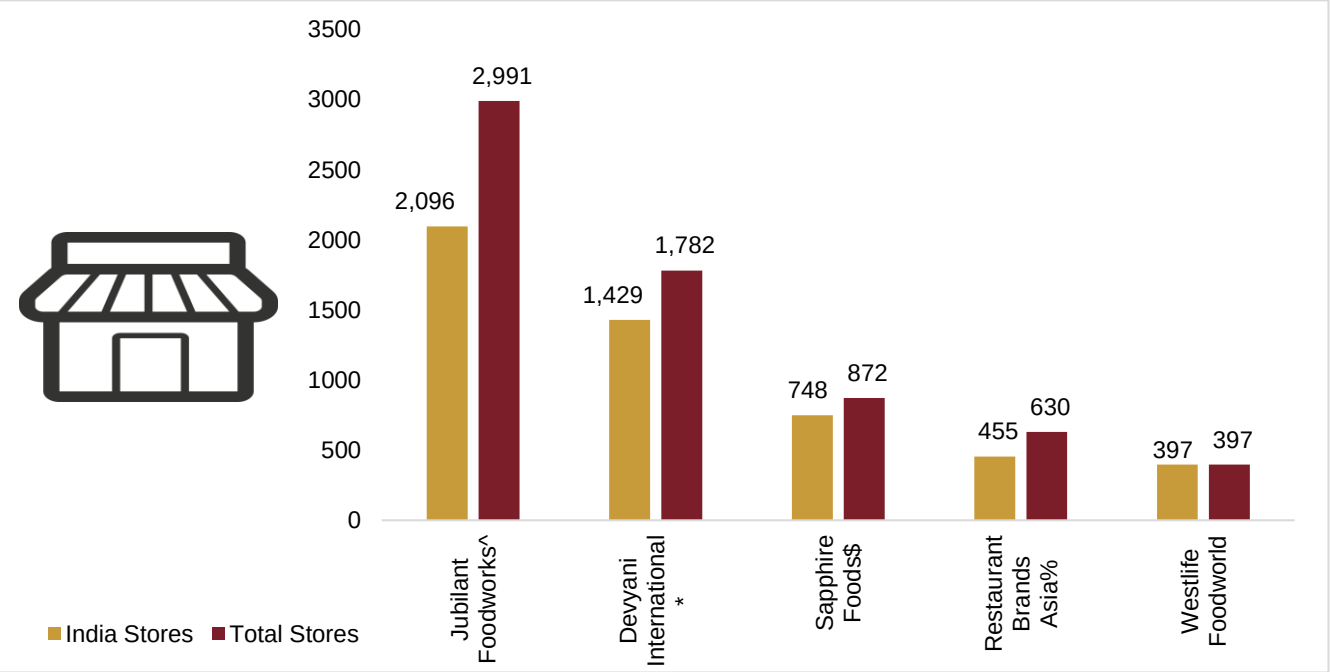
agreements, travel QSR players like Travel Food Services operate these brands at travel locations while same brands are operated by master franchisors like Devyani International, Sapphire Foods at high-street locations.

^Presence through High-street QSR.

Source: Annual Reports, Company Website, CRISIL MI&A

7.2 Key high-street QSR and travel QSR Operational Parameters

Figure 61: Number of stores for high street QSR players (FY24)



Note:

** For Devyani International, the total number of stores is inclusive of 353 stores in Thailand, Nigeria, and Nepal.*

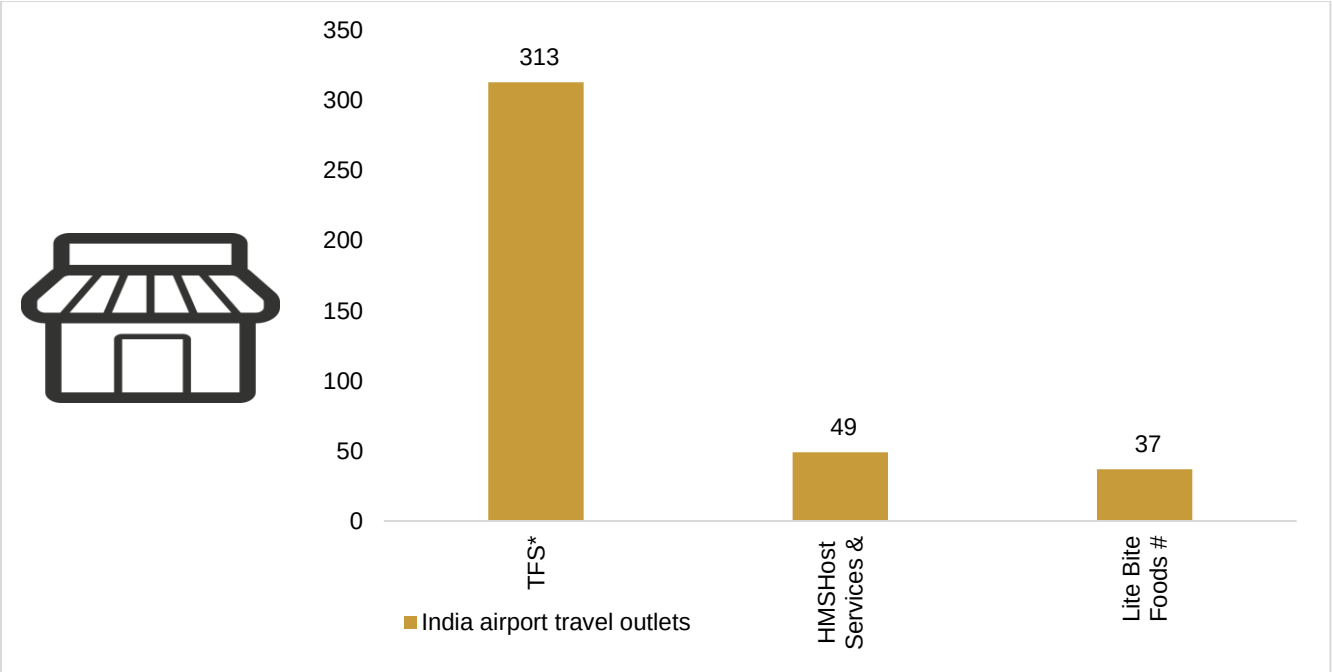
^ For Jubilant Foodworks, the total number of stores is inclusive of 895 stores in Turkey, Azerbaijan, Georgia, Bangladesh and Sri Lanka.

% Restaurant Brands Asia, the total number of stores are inclusive of 175 stores in Indonesia.

$ Sapphire Foods, total stores are inclusive of 124 stores in Sri Lanka and Maldives.

Source: Annual reports, CRISIL MI&A

Figure 62: Number of stores at airports for travel QSR players (FY24)



**Note: Number is based on system wide presence including associates and joint ventures*

& For HMSHost Services, the company operates a total of 51 stores with 49 stores operated in the F&B segment.

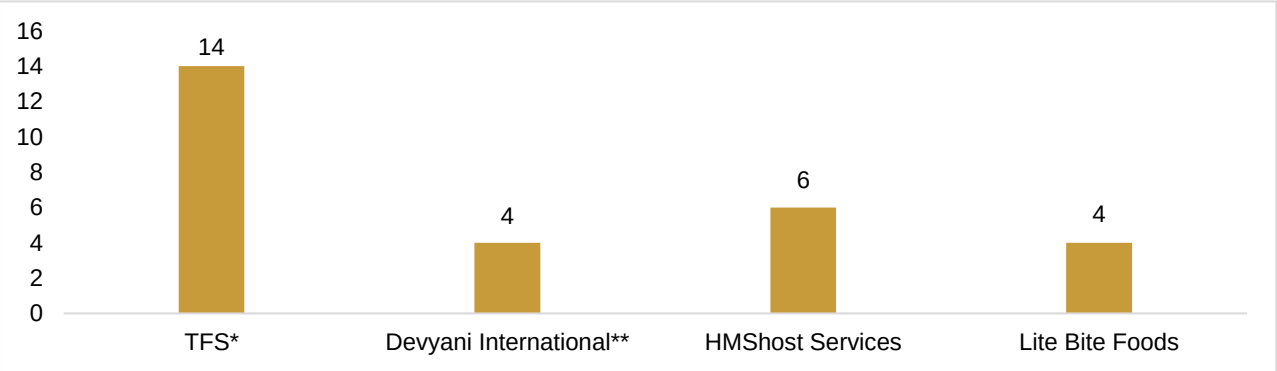
 # For Lite Bite Foods, the company has a total of more than 150 outlets which is inclusive of the outlets operated by its subsidiary Lite Bite Travel Foods Limited. Among these 37 are operated out of airports with 26 outlets at CSMT airport, Mumbai, 5 outlets at IGI Airport, Delhi, 5 outlets ats SVP airport, Ahmedabad and 1 outlet at KIA, Bengaluru.

Devyani International operates Food Street (food courts) across 4 airports in India as per data on their website. However, the number of stores for these food courts is not available. Hence, it has been excluded in the above table.

Source: Annual reports, CRISIL MI&A

- TFS operated the largest network of travel QSR outlets and airport travel QSR outlets in India as of March 31, 2024. TFS operated 313 airport travel QSR outlets as of March 31, 2024 followed by HMSHost Services with 49 operational outlets at airports and Lite Bite Foods with 37 operational outlets at airports during as of March 31, 2024.
- As of June 2024, TFS operated 367 outlets in India of which 335 are airport travel QSR outlets, the rest are highway QSR outlets.

Figure 63: Presence in terms of airports for Travel QSR players in India



Note:

**Note: Number is based on system wide presence including associates and joint ventures*

***For Devyani International, the number shown in the above table shows the presence of their food court 'The Food Street' across airports, if a player is present at domestic and international terminal of a single city, it is counted as one airport.*

Source: Annual reports, CRISIL MI&A

Table 45: Overview of key operational parameters for high-street QSR players (FY24)

Company name	SSSG growth	ADS(INR)	Number of brands	Net Store additions[$$]
TFS	18.01%	NA	117**	87** &
Devyani International	NA[##]	NA[#]	4@@	245
Jubilant Foodworks	NA	NA	5	233
Restaurant Brands Asia	2.9%***	1,17,000[%]	2	64
Sapphire Foods	NA[###]	NA[####]	3	121
Westlife Foodworld*	(1.5%*)	NA	1	40

NA: Not Available.

Note: SSSG- Same Store Sales Growth, ADS- Average Daily Sales per store

ADS value mentioned is for India business for the respective brands.

 # for Devyani International, at a brand level ADS is as follows

- *KFC India: INR 105,187*
- *Pizza Hut India: INR 36,768*
- *Costa Coffee India: INR 32,710*
- *Vaango India: INR 30,000*

for Devyani International, at a brand level KFC India has a SSSG growth of (4.6%), Pizza Hut India at (10.9)%, Costa Coffee India at 8.7% and Vaango India at 4.9% during fiscal 2024.

for- Saphire foods, at a brand level KFC has a SSSG growth of (1.1%), Pizza Hut at (16)% during fiscal 2024.

for Sapphire Foods, at a brand level ADS is as follows

- *KFC India: INR 125,000*
- *Pizza Hut India: INR 46,000*

$$ The net store additions mentioned are at India level.

** Westlife Foodworld report SSSG at an overall level.*

*** Number is based on system wide 76 brand partners including associates and joint ventures and also including their own in-house brands.*

& - The net store additions value is for total travel QSR outlets.

**** SSSG growth for Restaurant Brands Asia is for India business.*

% Average daily sales per store is for India business.

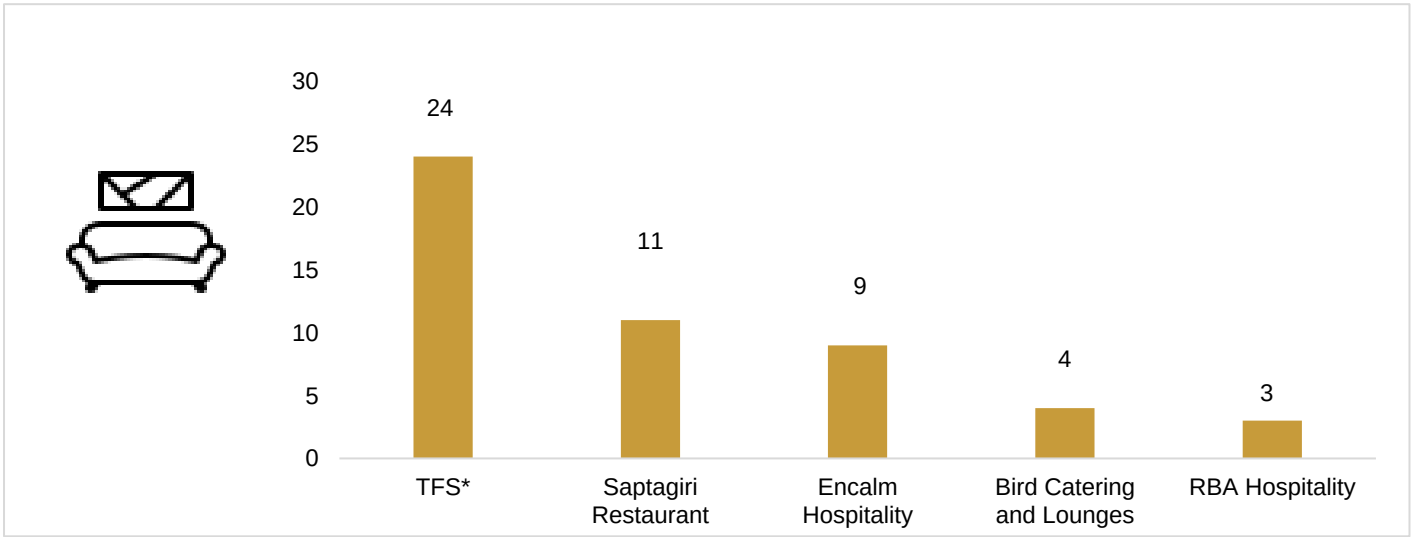
@@ Other than KFC, Pizza Hut and Costa Coffee, other brands include Vaango. The Food Street has not been considered as it is a food court basis the description on the company website accessed in December 2024.

NA-Not available.

Source: Annual reports, Company filings, CRISIL MI&A

7.3 Key lounges operational parameters

Figure 64: Number of Lounges of key players (FY24)

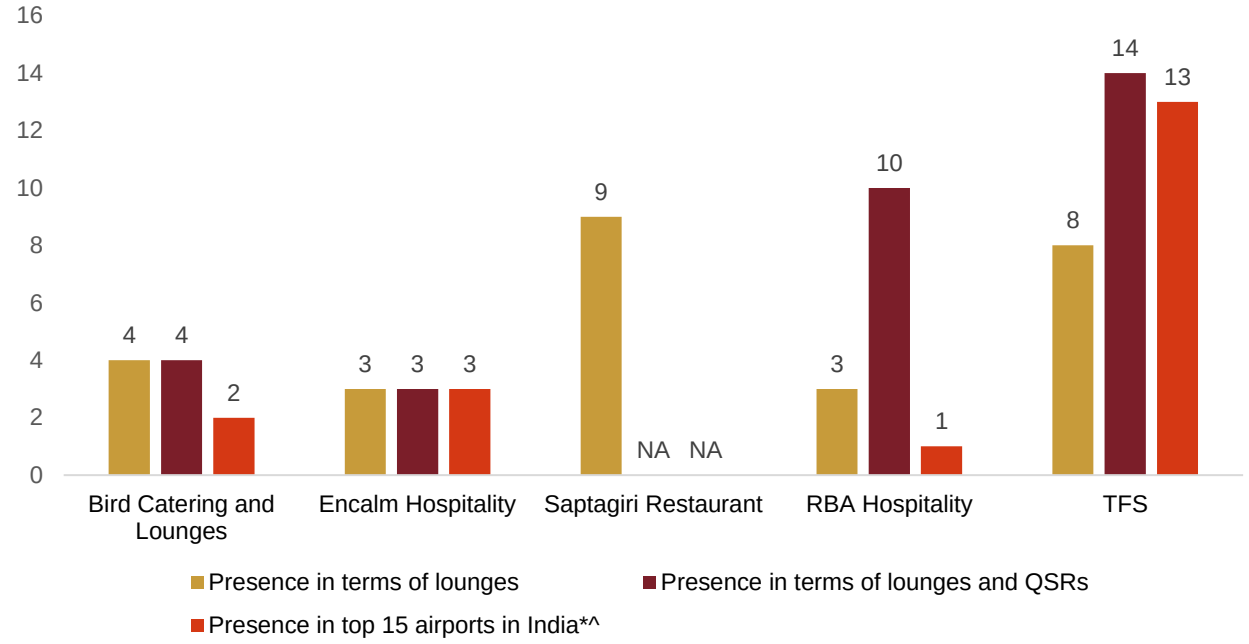


**Note: Number is based on system wide presence including associates and joint ventures*

Source: Company website, Credit ratings, CRISIL MI&A

- TFS operated the largest network of private lounges in Indian airports as of March 31, 2024, with 24 operational lounges across 8 airports. This is followed by Saptagiri Restaurant which has 11 operational lounges across 9 airports and Encalm Hospitality with 9 operational lounges across 3 airports as of March 31, 2024.

Figure 65: Presence in terms of airports



Note: NA stands for not available
** Top 15 airports have been identified as per FY24 passenger traffic. They include Ahmedabad, Assam Guwahati, Bengaluru, Bhubaneswar, Chennai, Delhi, Goa MOPA, Goa, Hyderabad, Jaipur, Kochi, Kolkata, Lucknow, Mumbai and Patna.*
^ Presence through both lounges and QSRs.
Source: Company website, CRISIL MI&A

Table 46: Share of passenger traffic among the select airports considered*

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Passenger traffic at airports considered* (Million)	134	243	280
Overall passenger traffic at top 20# Indian airports (Million)	155	274	313
Overall passenger traffic at all Indian airports (Million)	189	327	376
Share of passenger traffic at airports considered* in top 20# Indian airports	87%	89%	88%
Share of passenger traffic at airports considered* in all Indian airports	71%	74%	74%

 # Top 20 airports have been identified based on the passenger traffic during the fiscal year assessed.

** Airports considered include Assam, Guwahati, Ahmedabad, Bengaluru, Bhubaneswar, Chennai, Delhi, Goa, Goa MOPA, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai, Thiruvananthapuram.*

Source: AAI, CRISIL MI&A

- TFS has a network of travel QSR outlets and lounges which are spread across 14 airports in India as of Q1FY25 (which include Assam, Guwahati, Ahmedabad, Bengaluru, Bhubaneswar, Chennai, Delhi, Goa, Goa MOPA, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai and Thiruvananthapuram). In fiscal 2024, these airports served 74% of the total air passenger traffic. They accounted for 280 million air passenger traffic i.e., 88% of total air passenger traffic of the top 20 Indian airports in fiscal 2024.
- TFS has a network of travel QSR outlets and lounges across 14 airports with 13 of these airports being among the top 15 largest airports in India by passenger traffic.
- TFS operates a higher number of brands when compared to other airport travel QSR players. It is followed by other airport travel QSR players such as HMSHost Services and Lite Bite Foods.

7.4 Key Financial Parameters

Table 47: Revenue from operations (INR Million)

Revenue from Operations (INR Million)	FY22	FY23	FY24	Q1FY25	CAGR (FY22-24)
TFS	3,896.09	10,671.50	13,963.22	4,098.64	89.31%
High-street QSR players					
Jubilant Foodworks	43,961.22	51,582.47	56,540.88	19,330.64	13.41%
Devyani International	20,840.10	29,977.23	35,563.17	12,219.01	30.63%
Sapphire Foods	17,215.72	22,655.74	25,942.79	7,182.89	22.76%
Restaurant Brands Asia	14,902.73	20,542.79	24,370.58	6,466.86	27.88%
Westlife Foodworld	15,764.90	22,781.79	23,918.11	6,163.29	23.17%
Travel QSR players					
Lite Bite Foods	2,749.48	5,345.48	6,516.21	NA	53.95%
HMSHost Services	2,233.63	4,316.26	NA	NA	NA
Lounge players					
Encalm Hospitality*	39.85	1,429.30	6,738.50	NA	1200.37%
Saptagiri Restaurant*	365.85	900.40	NA	NA	NA
RBA Hospitality*	93.39	263.02	392.98	NA	105.13%
Bird Catering and Lounges*	35.78	146.30	NA	NA	NA

Note:

The data for all the companies except Bird Catering and Lounges, Encalm Hospitality, Saptagiri Restaurant and RBA Hospitality have been represented on a consolidated basis.

** Standalone.*

NA stands for not available

Financials for HMSHost Services India Private Limited, Bird Catering and Lounges Private Limited, Lite Bite Foods Private Limited, Devyani International Limited, Jubilant Foodworks Limited, Restaurant Brands Asia Limited, Sapphire Foods Limited and Westlife Foodworld Limited are as per IND-AS standards.

Financials for Encalm Hospitality Private Limited, Saptagiri Restaurant Private Limited, RBA Hospitality and Hotels Private Limited are as per I-GAAP standards.

The above table is arranged in the order of the latest available revenue from operations from highest to lowest in the segment they operate (except for TFS).

Source: Company filings

- Revenue and profitability of players in the travel QSR industry are strongly correlated to consumer discretionary spending, which is influenced by general economic conditions, unemployment levels, availability of discretionary income and consumer confidence.
- TFS is the leading player* in the Indian airport travel QSR market based on revenue in fiscal 2024.
- TFS is the leading player* in India's airport lounge sector based on revenue in fiscal 2024.
- TFS has a market share* of 24% in the Indian airport travel QSR sector and a market share* of 45% in India's airport lounge sector in fiscal 2024 based on revenue. Market share has been calculated by dividing the segmental revenue* of TFS from the airport travel QSR sector and airport lounge sector by the total industry size of respective sectors for fiscal 2024.

**Note: Is based on total revenue including associates and joint ventures*

Table 48: Profit After Tax (PAT) (INR Million)

PAT (INR Million)	FY22	FY23	FY24	Q1FY25	CAGR (FY22-24)
TFS	50.30	2,512.99	2,980.17	595.46	669.70%
High-street QSR Players					
Jubilant Foodworks	4,180.89	3,530.34	4,000.73	580.24	-2.18%
Devyani International	1,551.15	2,625.14	(96.52)	224.30	NM
Sapphire Foods	459.85	2,331.91	519.56	81.86	6.29%
Restaurant Brands Asia	(2,351.54)	(2,418.02)	(2,367.38)	(521.89)	NM
Westlife Foodworld	(16.66)	1,115.80	692.11	32.55	NM
Travel QSR players					
Lite Bite Foods	(1,522.33)	(1,890.09)	(2,385.82)	NA	NA
HMSHost Services	269.73	245.22	NA	NA	NA
Lounge Players					
Encalm Hospitality*	(57.29)	98.89	1,105.43	NA	NM
Saptagiri Restaurant*	31.91	41.79	NA	NA	NA
RBA Hospitality*	4.21	12.69	14.50	NA	85.50%
Bird Catering and Lounges*	(44.39)	(97.29)	NA	NA	NA

Note:

The data for all the companies except Bird Catering and Lounges, Encalm Hospitality, Saptagiri Restaurant and RBA Hospitality have been represented on a consolidated basis.

** Standalone.*

NA stands for not available

NM: Not meaningful

The above table is arranged in the order of latest available revenue from operations from highest to lowest in the segment they operate (except for TFS)

Source: Company filings

Table 49: PAT Margin (%)

PAT Margin (%)	FY22	FY23	FY24	Q1FY25
TFS	1.14%	22.77%	20.38%	14.00%
High-street QSR players				
Jubilant Foodworks	9.42%	6.78%	7.02%	2.98%
Devyani International	7.39%	8.66%	(0.27%)	1.82%
Sapphire Foods	2.61%	10.15%	1.98%	1.13%
Restaurant Brands Asia	(15.55%)	(11.57%)	(9.64%)	(7.90%)
Westlife Foodworld	(0.10%)	4.85%	2.87%	0.52%
Travel QSR players				
Lite Bite Foods	(52.34%)	(33.91%)	(36.16%)	NA
HMShost Services	10.85%	5.59%	NA	NA
Lounge players				
Encalm Hospitality*	(139.90%)	6.91%	16.37%	NA
Saptagiri Restaurant*	8.61%	4.61%	NA	NA
RBA Hospitality*	4.41%	4.79%	3.64%	NA
Bird Catering and Lounges*	(113.70%)	(64.48%)	NA	NA

Note:

The data for all the companies except Bird Catering and Lounges, Encalm Hospitality, Saptagiri Restaurant and RBA Hospitality have been represented on a consolidated basis.

** Standalone.*

The above table is arranged in the order of latest available revenue from operations from highest to lowest in the segment they operate (except for TFS).

PAT margin = PAT / Total income

Source: Company filings

Player-wise key financial parameters (As reported by the players)

Table 50: Travel Food Services (consolidated)

Travel Food Services	Units of Measurement (UoM)	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NR	NR
Operating EBITDA Margin	%	NR	NR	NR	NR
EBITDA	INR Million	1,402.74	4,580.54	5,498.90	1,328.88
EBITDA margin	%	36.00%	42.92%	39.38%	32.42%
Cash flow from Operations	INR Million	774.38	3,221.47	3,687.60	1,183.55
Net debt	INR Million	(633.09)	(1,033.84)	(576.88)	(1,065.72)
Cash conversion cycle	Days	(92)	(57)	(67)	(77)
Inventory days	Days	32	15	14	15
Payable days	Days	157	100	110	122

Travel Food Services	Units of Measurement (UoM)	FY22	FY23	FY24	Q1FY25
ROE	%	1.21%	37.79%	36.57%	6.85%
RoCE	%	13.52%	53.87%	49.97%	11.06%

Source: Company filings

Table 51: Jubilant Foodworks (consolidated)

Jubilant Foodworks	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	11,516.00	11,435.00	NR
Operating EBITDA margin	%	NR	22.30%	20.20%	NR
EBITDA	INR Million	11,087.76	11,515.52	11,434.79	3,831.00
EBITDA margin	%	25.20%	22.30%	20.20%	19.80%
Cash flow from Operations	INR Million	9,300.29	10,261.57	10,096.41	NR
Net debt	INR Million	NR	0.00	13,628.80	NR
Cash conversion cycle	Days	NR	NR	NR	NR
Inventory days	Days	NR	NR	NR	NR
Number of days of accounts payables	Days	NR	NA*	NA*	NR
ROE	%	24.70%	17.70%	18.70%	NR
RoCE	%	21.60%	16.50%	13.00%	NR

Note:

NR: Not reported by the company considered

**Payable days stands at 50 and 51 as of FY23 and FY24 respectively in company's annual reports.*

Source: Company filings

Table 52: Devyani International (consolidated)

Devyani International	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	2,995.00	4,348.00	3,807.00	1,414.00
Operating EBITDA margin	%	14.40%	14.50%	10.70%	11.60%
EBITDA	INR Million	4,760.00	6,551.00	6,524.00	2,234.00
EBITDA margin	%	22.80%	21.90%	18.30%	18.30%
Cash flow from Operations	INR Million	4,505.89	6,369.97	5,924.67	NR
Net debt	INR Million	NR	147.68	7,425.10	NR
Cash conversion cycle	Days	NR	NR	NR	NR
Inventory days	Days	NR	NR	NR	NR
Number of days of accounts payables	Days	NR	NA*	NA*	NR
ROE	%	NR	NR	NR	NR
RoCE	%	NR	NR	NR	NR

Note:

NR: Not reported.

**Payable days stands at 41 as of FY23 and FY24 in company's annual reports.*

On a standalone basis

- *ROE of the company stands at 25.73%, 27.44% and (0.58%) as of FY22, FY23 and FY24 respectively.*
- *RoCE of the company stands at 14.21%, 23.97% and 1.12% as of FY22, FY23 and FY24 respectively.*

Source: Company filings

Table 53: Sapphire Foods (consolidated)

Sapphire Foods	UoM	FY22	FY23	FY24	Q1FY25
Adjusted EBITDA	INR Million	1,615.00*	2,647.00	2,717.00	707.00
Adjusted EBITDA margin	%	9.40%*	11.70%	10.50%	9.90%
EBITDA	INR Million	3,054.00	4,343.22	4,717.46	1,242.06
EBITDA margin	%	17.80%	19.20%	18.20%	17.30%
Cash flow from Operations	INR Million	3,948.90	3,818.21	4,487.50	NR
Net debt	INR Million	NR	NR	NR	NR
Cash conversion cycle	Days	NR	NR	NR	NR
Inventory days	Days	NR	NR	NR	NR
Number of days of accounts payables	Days	NR	NA^	NA^	NR
ROE	%	6.20%	20.60%	4.10%	NR
RoCE	%	7.20%	9.80%	5.60%	NR

Note:

**Adjusted EBITDA and Adjusted EBITDA margin for FY22 has been normalized for additional incentive from Yum accrued in that year.*

^Payable days stands at 49 and 45 as of FY23 and FY24 respectively in company's annual reports.

NR: Not reported by the company considered.

Source: Company filings

Table 54: Restaurant Brands Asia (consolidated)

Restaurant Brands Asia	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NR	NR
Operating EBITDA margin	%	NR	NR	NR	NR
EBITDA^	INR Million	965.00	1,115.00	2,671.00	658.00
EBITDA margin	%	6.50%	5.40%	11.00%	10.20%
Cash flow from Operations	INR Million	775.31	1,242.99	3,461.18	NR
Net debt	INR Million	(434.55)	97.63	1,389.08	NR
Cash conversion cycle	Days	NR	NR	NR	NR
Inventory days	Days	NR	NR	NR	NR
Number of days of accounts payable	Days	NA^^	NA**	NA**	NR
ROE	%	NR	NR	NR	NR
RoCE	%	NR	NR	NR	NR

Note:

NR: Not reported by the company considered.

^excludes store closure expenses & loss on termination of lease.

^^ On a standalone basis the company has payable days of 64 days as of FY22.

*** Payable days stands at 47 and 43 as of FY23 and FY24 respectively in company's annual reports.*

On a standalone basis

- *ROE of the company stands at (7.00%), (4.00%) and (4.00%) as of FY22, FY23 and FY24 respectively.*
- *RoCE of the company stands at (4.77%), (3.79%) and (3.73%) as of FY22, FY23 and FY24 respectively.*
- *Inventory turnover ratio* (in days) of the company stands at 5 days, 4 days and 4 days as of FY22, FY23 and FY24 respectively.*
- *Trade Receivable turnover Ratio* (in days) of the company stands at 3 days, 3 days and 3 days as of FY22, FY23 and FY24 respectively.*
- *Trade Payable turnover Ratio* (in days) of the company stands at 64 days, 47 days and 43 days as of FY22, FY23 and FY24 respectively.*

** Nomenclature as reported by the company.*

Source: Company filings

Table 55: Westlife (consolidated)

Westlife	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	2,071.50	3,930.80	3,780.40	799.70
Operating EBITDA margin	%	13.10%	17.30%	15.80%	13.00%
EBITDA	INR Million	2,169.60	3,943.85	3,877.89	NR
EBITDA margin	%	NR	NR	NR	NR
Cash flow from Operations	INR Million	1,705.76	3,485.16	3,395.54	NR
Net debt	INR Million	1,778.74	1,987.50	2,249.14	NR
Cash conversion cycle	Days	NR	NR	NR	NR
Inventory days	Days	NR	NR	NR	NR
Number of days of accounts payables	Days	NR	NA^	NA^	NR
ROE	%	NR	NR	11.90%	NR
RoCE	%	10.70%	31.20%	23.70%	NR

Note:

NR: Not reported by the company considered.

^Payable days stands at 100 and 104 as of FY23 and FY24 respectively in company's annual reports.

Source: Company filings

Table 56: Lite Bite Foods (consolidated)

Lite Bite Foods	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NR	NA
Operating EBITDA margin	%	NR	NR	NR	NA
EBITDA	INR Million	NR	NR	NR	NA
EBITDA margin	%	NR	NR	NR	NA
Cash flow from Operations	INR Million	210.50	967.84	946.28	NA
Net debt	INR Million	NR	NR	NR	NA

Lite Bite Foods	UoM	FY22	FY23	FY24	Q1FY25
Cash conversion cycle	Days	NR	NR	NR	NA
Inventory days	Days	NR	NR	NR	NA
Payable days	Days	NR	NR	NR	NA
ROE	%	NR	NR	NR	NA
RoCE	%	NR	NR	NR	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

Table 57: HMSHost Services (consolidated)

HMSHost Services	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NA	NA
Operating EBITDA margin	%	NR	NR	NA	NA
EBITDA	INR Million	NR	NR	NA	NA
EBITDA margin	%	NR	NR	NA	NA
Cash flow from Operations	INR Million	509.32	784.75	NA	NA
Net debt	INR Million	NR	NR	NA	NA
Cash conversion cycle	Days	NR	NR	NA	NA
Inventory days	Days	NR	NR	NA	NA
Payable days	Days	NR	NR	NA	NA
ROE	%	39.00%	26.00%	NA	NA
RoCE	%	35.00%	28.00%	NA	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

Table 58: Encalm Hospitality (standalone)

Encalm Hospitality	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NR	NA
Operating EBITDA margin	%	NR	NR	NR	NA
EBITDA	INR Million	NR	NR	NR	NA
EBITDA margin	%	NR	NR	NR	NA
Cash flow from Operations	INR Million	(193.95)	(398.38)	1,213.51	NA
Net debt	INR Million	NR	NR	NR	NA
Cash conversion cycle	Days	NR	NR	NR	NA
Inventory days	Days	NR	NR	NR	NA
Payable days	Days	NR	NR	NR	NA

Encalm Hospitality	UoM	FY22	FY23	FY24	Q1FY25
ROE	%	100.17%	573.05%	171.54%	NA
RoCE	%	(21.62%)	31.55%	114.30%	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

Table 59: Saptagiri Restaurant (standalone)

Saptagiri Restaurant	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NA	NA
Operating EBITDA margin	%	NR	NR	NA	NA
EBITDA	INR Million	NR	NR	NA	NA
EBITDA margin	%	NR	NR	NA	NA
Cash flow from Operations	INR Million	29.52	NA	NA	NA
Net debt	INR Million	NR	NR	NA	NA
Cash conversion cycle	Days	NR	NR	NA	NA
Inventory days	Days	NR	NR	NA	NA
Payable days	Days	NR	NR	NA	NA
ROE	%	NR	NR	NA	NA
RoCE	%	NR	NR	NA	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

Table 60: RBA Hospitality (standalone)

RBA Hospitality	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NR	NA
Operating EBITDA margin	%	NR	NR	NR	NA
EBITDA	INR Million	NR	NR	NR	NA
EBITDA margin	%	NR	NR	NR	NA
Cash flow from Operations	INR Million	NR	NR	NR	NA
Net debt	INR Million	NR	NR	NR	NA
Cash conversion cycle	Days	NR	NR	NR	NA
Inventory days	Days	NR	NR	NR	NA
Payable days	Days	NR	NR	NR	NA
ROE	%	32.11%	65.17%	55.46%	NA
RoCE	%	32.40%	43.12%	37.80%	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

Table 61: Bird Catering and Lounges (standalone)

Bird Catering and Lounges	UoM	FY22	FY23	FY24	Q1FY25
Operating EBITDA	INR Million	NR	NR	NA	NA
Operating EBITDA margin	%	NR	NR	NA	NA
EBITDA	INR Million	(16.56)	NR	NA	NA
EBITDA margin	%	NR	NR	NA	NA
Cash flow from Operations	INR Million	(23.22)	(23.91)	NA	NA
Net debt	INR Million	NR	NR	NA	NA
Cash conversion cycle	Days	NR	NR	NA	NA
Inventory days	Days	NR	NR	NA	NA
Payable days	Days	NR	NR	NA	NA
ROE	%	NR	NR	NA	NA
RoCE	%	(2.45%)	9.24%	NA	NA

Note:

NR: Not reported by the company considered.

NA: Not Available.

Source: Company filings

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