

Overview of Airline Industry

Wing Commander

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Global Aviation Industry : Overview (2018)

- 1. 4b pax, 64 m t cargo, 22k routes, 65 m jobs**
- 2. Collective revenue \$812 b, net profit \$30 b, ROIC 8%
Contribution to GDP \$2.7 t**
- 3. Net profit/pax = \$6.85, (varied between 14.66 and loss of 1.65%)
High volume, low margin industry**
- 4. Since 2010, carbon footprint per pax reduced by 2.8%**
- 5. Handled 5 b bags, mishandling rate 5.69/1000 bags**
- 6. Cost of air transport reduced to half of that 20 y ago**
- 7. Cargo carried =1/3 of global trade by value, but <1% by volume**
- 8. Since 2015, profit> cost of capital**
- 9. ASK increased by 6.9%, RPK by 7.4%, PLF to 81.9%**

Airline Industry in India

- 1. One of the fastest growing industries in the country during the last 3 y**
- 2. Third largest domestic civil aviation market in the world**
- 3. Ninth largest Civil Aviation market in the world**
- 4. Expected to overtake UK to become third largest air pax market by 2024**

Market Size

1. **Pax 199.60 m in first half of FY20 (Apr-Oct 2019)**
Domestic 160.16 m , Intl 39.43 m
1. **Cargo at 0.8 m t Domestic and 1.2 m t Intl**
2. **ATM 1.24 m Domestic and 0.25 m Intl**
3. **Mar 2019, India has 103 op airports. To increase to 190-200 by FY40**
4. **Jul 2018, 620 ac, 1100 by 2027**
5. **Supports 8m jobs**

Investment

1. **\$1904.37 m as per Dept of Ind Policy & Promotion (DIPP)**
3. **Expected Rs 35K Cr (\$5b) in next 4 y**
4. **Govt to invest \$ 1.83 b for development of airport infra/ANS infrastructure along with air navigation services by 2026.**

100% FDI in Civil Aviation in India under Automatic Route Permitted in

- 1. Non-scheduled air transport services**
- 2. Helicopter services and seaplanes**
- 3. MRO**
- 4. Flying training institutes**
- 5. Technical training institutes**
- 6. Ground Handling Services subject to sectoral regulations/security clearance**

Key Investments

1. Dec 2019, France-based Safran Group committed US\$ 150 m for MRO
2. Nov 2019, the Competition Commission of India (CCI) approves the acquisition of shareholdings in Mumbai International Airport Limited (MIAL) by Adani Properties Private Limited (APPL)
3. UK group to invest Rs 950 cr (US\$ 135.9 m) in Turbo Aviation's new airline TruStar
4. AAI to invest Rs 15 K Cr (US\$ 2.32 b) in 2018-19 for expanding terminals/constructing 15 new ones
5. Jun 2018, Open sky agreement with Australia allowing airlines on either side to offer unlimited seats to six Indian metro cities and various Australian cities
6. AAI to develop Guwahati as an inter-regional hub and Agartala, Imphal and Dibrugarh as intra-regional hubs
7. Indian aircraft MRO service providers are exempted from customs/ countervailing duties

Government Initiatives

- 1. In Union Budget 2019-20, govt announced to promote aircraft financing and leasing activities**
- 2. In Feb 2019, new greenfield airport in Hirasar, Gujarat, sanctioned Rs 1,405 cr**
- 3. Jan 2019, working on blueprint to promote domestic manufacturing of ac and ac financing**
- 4. In Jan 2019, Global Aviation Summit in Mumbai with 1,200 delegates from 83 countries**
- 5. In Jan 2019, National Air Cargo Policy Outline 2019 envisaging Indian air cargo and logistics the most efficient, seamless and cost and time effective globally by the end of the next decade**

- 6. In Nov 2018, approved a proposal to manage six AAI airports under PPP at Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru. AAI received 32 technical bids from ten companies**
- 7. In Feb 2018, Navi Mumbai airport to be ops by 2021**
- 8. The Govt to develop Greenfield airports in Nizamabad, Nellore, Kurnool, Ramagundam, Tadepalligudem and Kothagudem under PPP model**
- 9. Regional Connectivity Scheme (RCS) launched.
UDAN!**

Achievements

1. Under UDAN, 34,74,000 pax flew on 335 routes covering 33 airports
(20 unserved, 3 underserved, 10 water aerodromes)
2. 55 AAI airports were declared as Single Use Plastic-Free Terminals
3. > 100 op airports
4. Airports at Jharusguda, Odisha and Pakyong, Sikkim became ops
5. Kannur International Airport became ops making Kerala only state with four international airports

Road Ahead

- 1. Potential for air transportation is huge, untapped**
- 2. 40% is the upwardly mobile middle class**
- 3. Right policies, focus on quality, cost and pax needs help realise the potential**
- 4. The expenditure of Indian travellers is expected to grow up to Rs 9.5 L Cr by 2021**
- 5. Due to rise in air travel demand, India will need 2,380 ac by 2038**