

## STATS WINDOW

The Pacific Business Review International has taken an initiative to start a section which will provide a snapshot of major Global & Indian economic indicators and industry review alternatively.

A snapshot of the section in upcoming issues is hereunder:

Mar 2015	Economy at a Glance (Global & Indian)
April 2015	Education industry: Global Scenario
May 2015	Economy at a Glance (Global & Indian)
June 2015	Telecom Sector: Global Scenario
July 2015	Economy at a Glance (Global & Indian)
Aug. 2015	Hospitality Sector: Global Scenario

### Indian Aviation Industry

The Indian civil aviation industry is on a high growth trajectory, albeit with minor hiccups. India has a vision of becoming the third largest aviation market by 2020 and is expected to be the largest by 2030.

Despite facing a reduced growth rate in the past few years, the Civil Aviation Industry in India has ushered in a new era of expansion driven by factors such as Low Cost Carriers (LCC), modern airports, Foreign Direct Investments (FDI) in domestic airlines, cutting edge Information Technology (IT) interventions and a growing emphasis on regional connectivity. Simply going by the market size, the Indian civil aviation industry is amongst the top 10 in the world with a size of around USD 16 billion.

Rapidly expanding air transport network and opening up of the airport infrastructure to private sector participation have fuelled the growth of the air traffic in the country. India is likely to be the fastest growing aviation market in the world in the next 20 years. Indian airport system is poised to handle 336 million domestic and 85 million international passengers by 2020, from the current level of 121 million domestic and 41 million international passengers, making India the third largest aviation market. According to International Air Transport Association's (IATA) Airline Industry Forecast 2012-2016, India's domestic air travel market would be among the top five globally, experiencing the second highest growth rate at CAGR of 13.1%.

The second phase of growth in Indian aviation is expected to come from Tier-II and Tier-III cities. The non-metro airports presently account for only about 30% of the total air traffic, which is expected to rise to 45% in the next few years, representing vast untapped future market potential. With smaller cities set to lead the air traffic growth in the country,

the government is planning to build nearly 200 low-cost airports in the next 20 years to meet the demand for air travel.

As per the 12th Five Year Plan (2012-2017), improving air connectivity in tier-2 and tier-3 cities in India is one of the key priorities of the government. This expansion will not only add a much needed boost to the industry, but also increase the viability of new trends like low cost airports and airlines in the country.

Furthermore, Government is planning to construct 15 additional airports in the country under the Greenfield Airport Policy, by identifying the most suitable low cost viable model for development of small airports. These airports are expected to improve connectivity with underserved and unserved regions of India. Moreover, Airports Authority of India plans to invest INR 1500 crore in the development of non metro airports during the 12th plan.

In pursuit of stimulating the air connectivity, India is planning to invest over US\$ 120 billion in the development of airport infrastructure (construction of new airports, expansion and modernization of existing airports) & development of low cost airports to keep the tariff at its minimal at smaller airports; improvement in connecting infrastructure (road, metro, sea, link etc.); development of world class Air Navigation Services (ANS) infrastructure; enhancing the present operations of helicopters to improve connectivity of remote/smaller places with bigger cities; modernizing security & surveillance at airports; and skill augmentation through a vibrant, world class aviation education & training mechanism.

### Future market opportunities

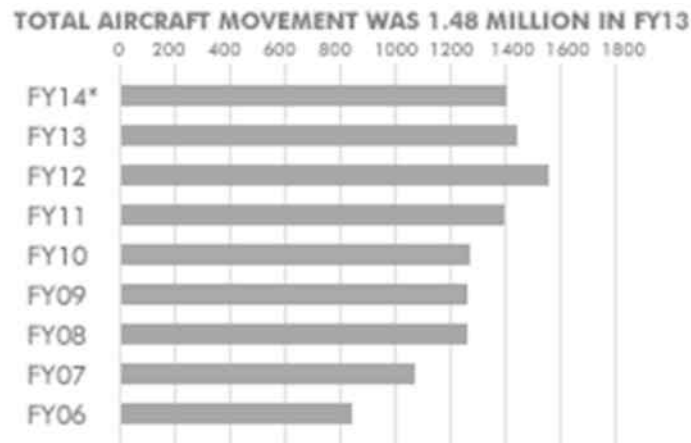
- Indian airports require an investment of over US\$ 12 billion in the next five years
- Additional 30 airports required to handle the growing passenger and cargo traffic in next five years
- Airlines are expected to add around 370 aircrafts (worth US\$ 27.5 billion) to their fleet by the year 2017
- Investment to the tune of US \$4 Billion required for General Aviation aircrafts in next 5 years
- Air Navigation Services (ANS) requires investment worth US\$ 7 billion in the next five years
- US\$ 5 billion required for developing ground

handling, cargo, and logistic facilities at major airports

- FDI up to 49% allowed in domestic airlines by the foreign carriers
- Foreign equity up to 100% allowed in airport development
- Domestic and international passenger traffic are expected to grow at annual average rate of 12% and 8% in next five years
- Annual average rate growth of domestic and international cargo are estimated to be 12% and 10% during next five years
- MRO industry to triple in size from INR 2250 crore in 2010 to INR 7000 crore by 2020.

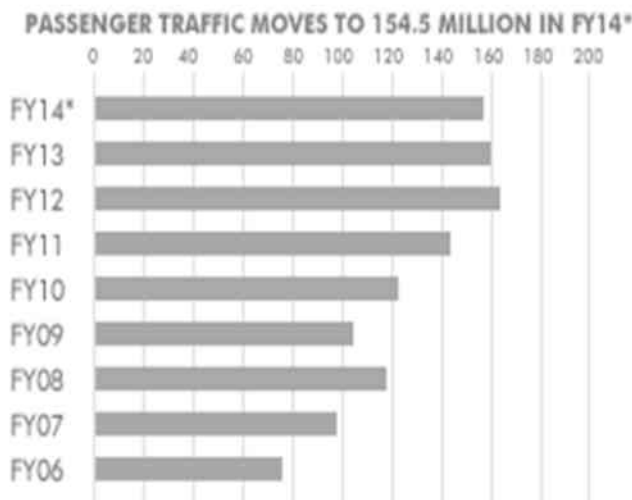
### Aircraft movement in India

Total aircraft movement recorded a CAGR of 8.4 per cent



### Passenger traffic in India

Total passenger traffic stood at a 154.5 million in FY14.

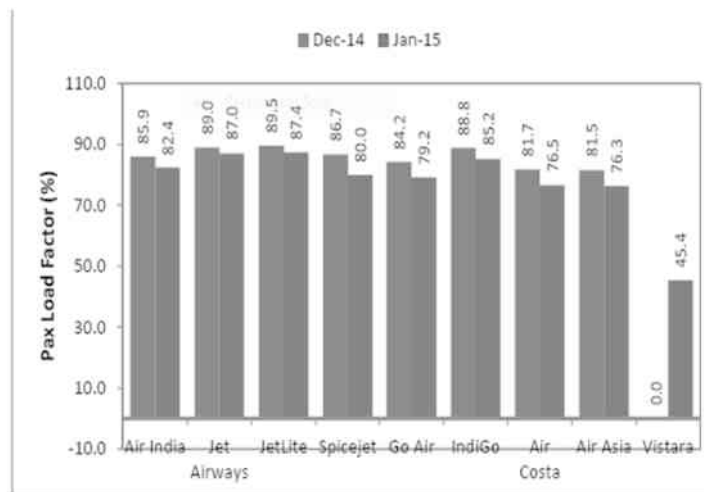
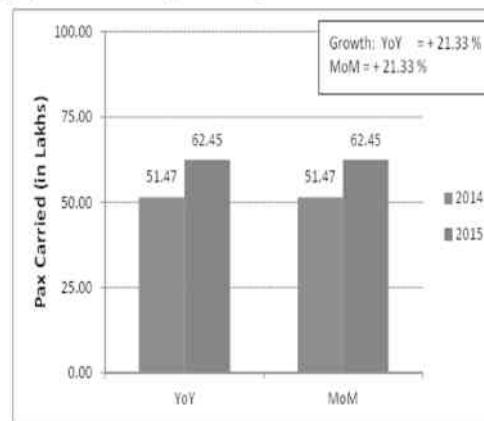


### Passenger Growth

Passengers carried by domestic airlines during Jan 2015 were **62.45 lakhs** as against **51.47 lakhs** during the corresponding period of previous year thereby registering a **growth of 21.33%**

### Passenger Load Factor

The passenger load factors of various scheduled domestic airlines in Jan 2015



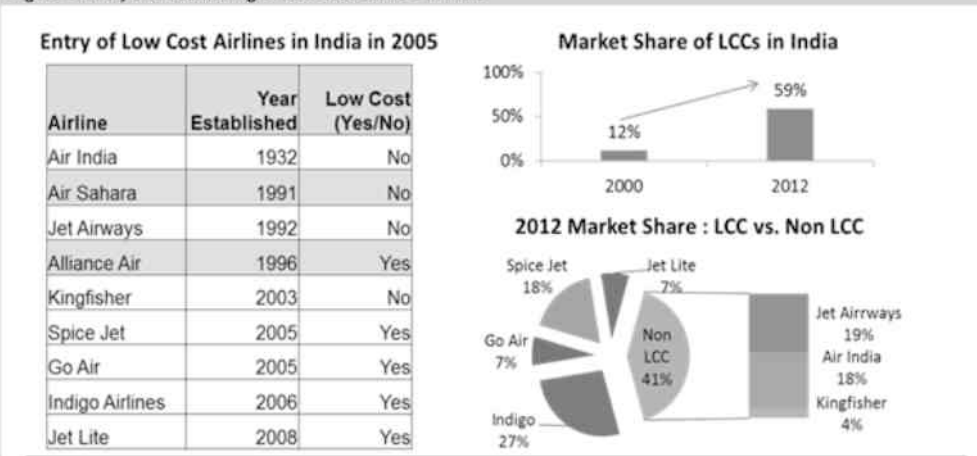
The passenger load factor in the month of Jan 2015 has shown decreasing trend compared to previous month due to the end of tourist season.

### Strengthening of Domestic Airlines and Low Cost Carriers (“LCC”)

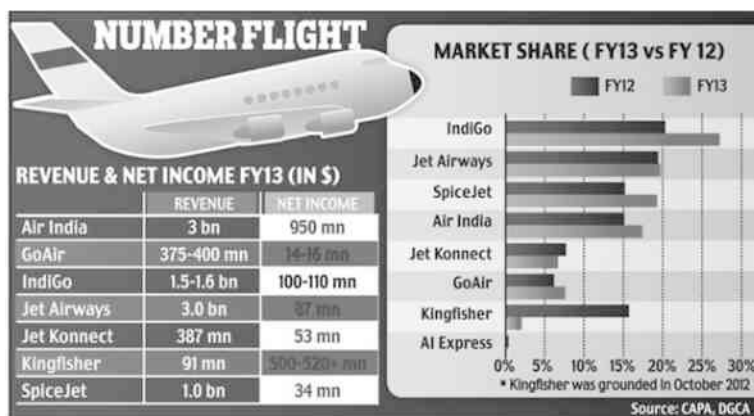
Under India's Foreign Direct Investment laws, foreign ownership of airlines is restricted to 49%. As a result, since the liberalization of the sector, a number of domestic firms – established corporate houses but often start-ups – have launched airline businesses. Like in other parts of the world, running airlines profitably in India is a challenge and not all ventures have survived. However, over two decades of

competition has resulted in some clear leaders that have operating standards and business strength comparable to international peers. Indian airlines clearly see the coming explosion in demand. In aggregate, Indian airline companies have placed significant orders for aircraft to be delivered to increase the total fleet size to 1,030 in 2020, against 397 aircraft in operation today. Of the major airlines operating in India, 59% market share belongs to low-cost carriers. Like in other countries, the emergence of LCCs in 2005 spurred an adoption of air travel driven by lower prices.

Figure 4: Entry and Positioning of Low Cost Carriers in India



### Market share of airlines in India

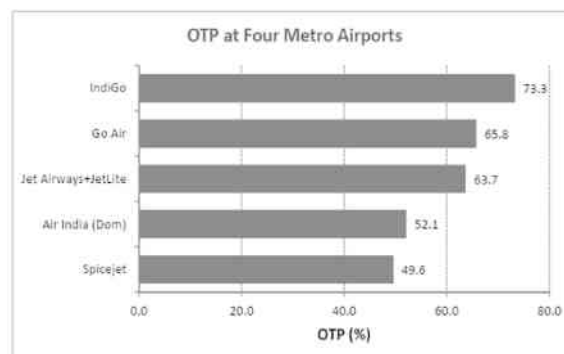


**International traffic growth, which increased 8.3% last year, is expected to strengthen to around 10% in FY2015**

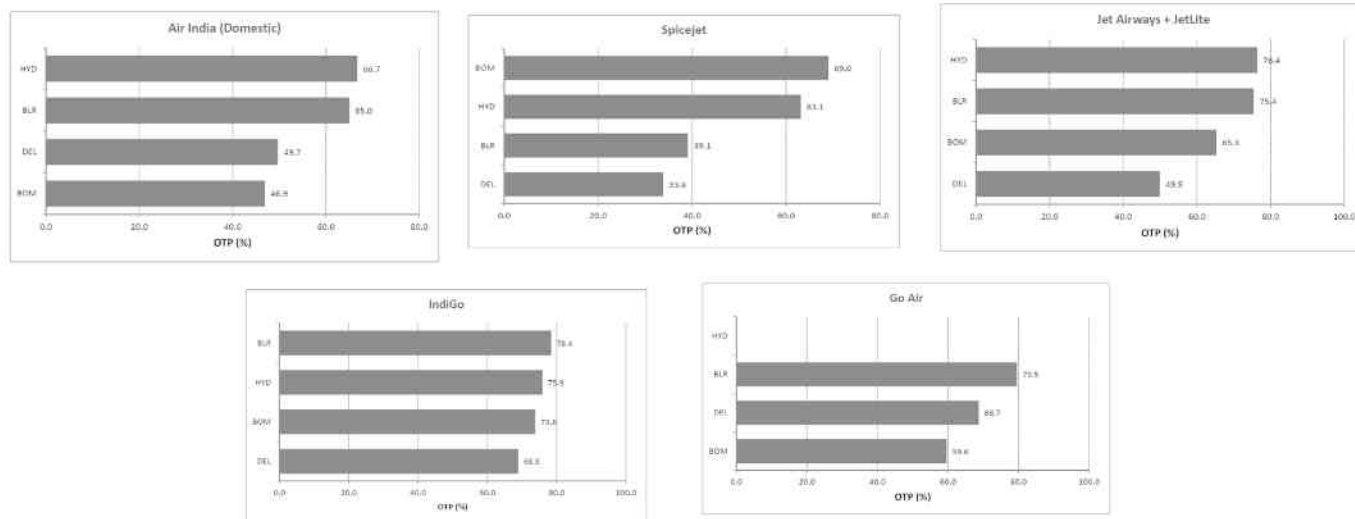
International traffic growth, which increased 8.3% last year, is expected to strengthen to around 10% in FY2015. Abolition of the five year/20 aircraft rule, which would permit [Air Asia](#) India, [Go Air](#) and [Tata-SIA](#) to launch international services, could deliver some further upside to

this projection, although the greater impact will be felt in FY2016 as they ramp up services.

**On-Time Performance (Scheduled Domestic Airlines)**  
On-Time Performance (OTP) of scheduled domestic airlines has been computed for four metro airports viz. Bangalore, Delhi, Hyderabad and Mumbai. Airline-wise OTP at four metro airports for the month of Jan 2015 is as follows:



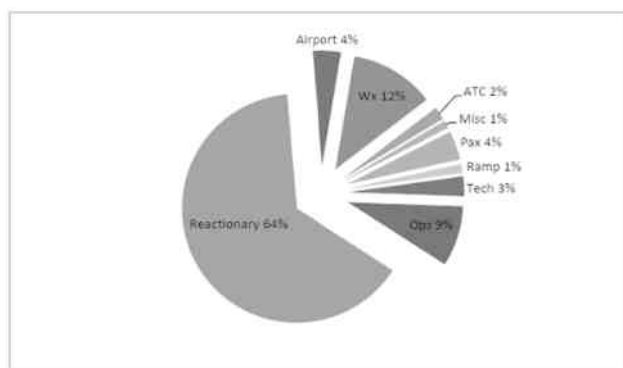
Airport-wise On-Time Performance of scheduled domestic airlines is as follows



Reasons for delay have been analysed, which are presented below. It has been found that majority of delays have been

attributed to 'Reactionary'.

#### Reasons of Delay



#### On-Time Performance (Foreign Airlines)

There are more than 70 foreign carriers operating to/from India. At the time of compilation of this report, OTP data of

45 carriers was received. The overall On-Time Performance (OTP) of these 45 carriers for the month of Jan 2015 has been 76.1% in departures and 77.6% in arrivals.



**Domestic Passengers**

airlines in January 2015 as compared to January 2014 (year 2015)

Total domestic passengers carried by scheduled domestic

**January 2015**

Month & Year	Air India (Domestic)	Private Carriers	Total Domestic	Percentage Share	
				Private Carriers	Air India
Jan	11.65	50.80	62.45	81.3	18.7

**January 2014**

Data of 2014	Air India (Domestic)	Private Carriers	Total Domestic	Percentage Share	
				Private Carriers	Air India
1 <sup>st</sup> Qtr	10.19	41.28	51.47	80.2	19.8

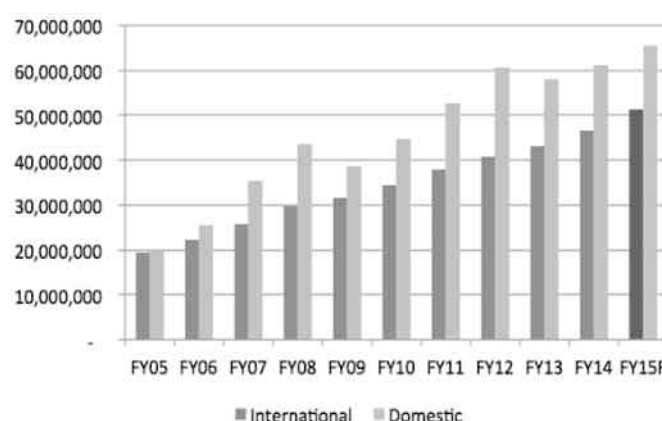
**Growth (%)=+14.33 +23.05 +21.33**

14.33 % in Air India (Domestic), 23.05 % in Private Carriers And 21.33% in total domestic passengers is seen

On comparing the data of total passengers in the month of January 2015 with the data of January 2014 a growth of

**Market Share of Schedules Domestic Airlines (January 2015)**

Month & Year	Passengers Carried (in Lakhs)										Market Share (%)								
	Air India	Private Air Carriers								Total									
		Jet Airways	Jet Lite	Spice Jet	Go Air	IndiGo	Air Costa	Air Asia	Vistara		Air India	Jet Airways	Jet Lite	Spice Jet	Go Air	IndiGo	Air Costa	Air Asia	Vistara
Jan	11.65	12.25	2.78	5.87	5.53	22.76	0.65	0.81	0.15	62.45	18.7	19.6	4.5	9.4	8.9	36.4	1.0	1.3	0.2

**Indian Domestic & International Airline Passengers: FY2005 to FY2015 (forecast)**

Source: CAPA India, Airports Authority of India

**Forecasted growth of Indian Aviation Industry**

The Indian aviation sector is poised for significant growth, driven by increasing affordability of air travel, a multi-fold increase in air connectivity and the strengthening of viable

domestic airlines, especially low-cost carriers. The nature of regulatory oversight and policy-making by the government poses an opportunity as well as risk; and will determine the speed at which the industry matures.

Figure 1: Forecasted Growth in Indian Aviation 2000-2020

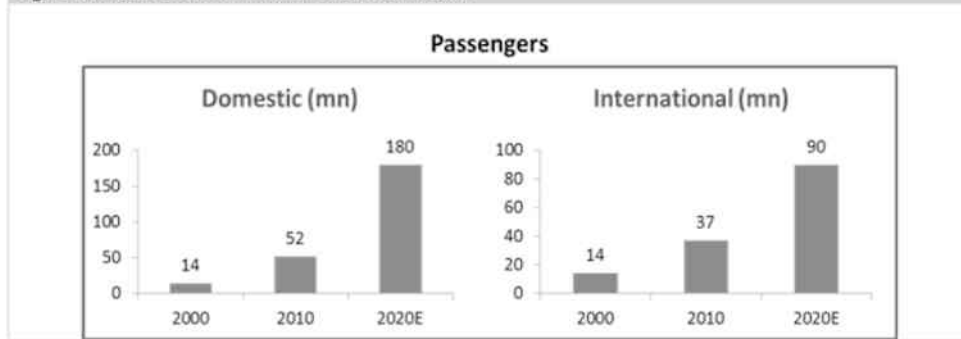


Figure 2: Forecasted Growth in Indian Aviation 2000-2020

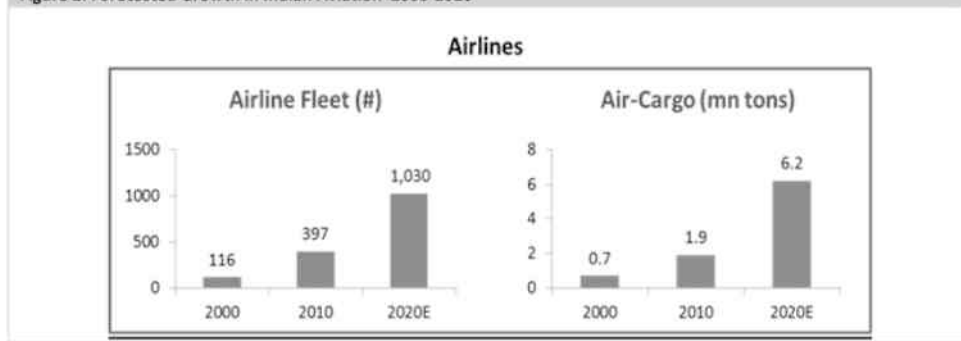
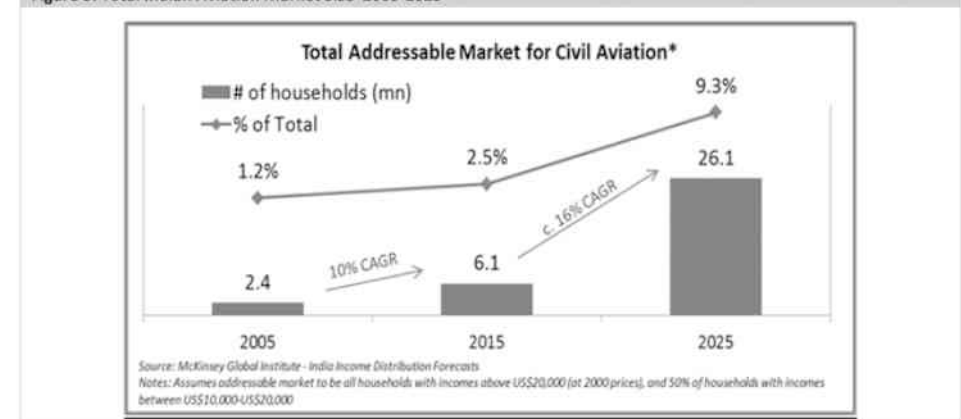


Figure 3: Total Indian Aviation Market Size 2005-2025



There is a large untapped potential for growth in the Indian aviation industry due to the fact that access to aviation is still a dream for nearly 99.5 percent of its large population, nearly 40 percent of which is the upwardly mobile middle class. It is critical for the industry stakeholders to engage and collaborate with the policy makers to come up with efficient and rational decisions that will shape the future of Indian civil aviation industry. With the right policies and a relentless focus on quality, cost and passenger interest, India would be well placed to achieve its vision of becoming the third largest aviation market by 2020 and the largest by

2030.

Overall, in order to become a top aviation market, all round improvements are required – in airports, air navigation, cargo, MRO, general aviation and human resource development. India would need to broaden the base of domestic flyers. No-frills airports in Tier 2/3 cities need to be developed and the proposed EASF needs to be activated to address financing challenges. Government policies, procedures and regulatory framework need to be futuristic, pro-active and aligned to stakeholder expectations.