

# INDIAN AVIATION SECTOR



**ZVEST**

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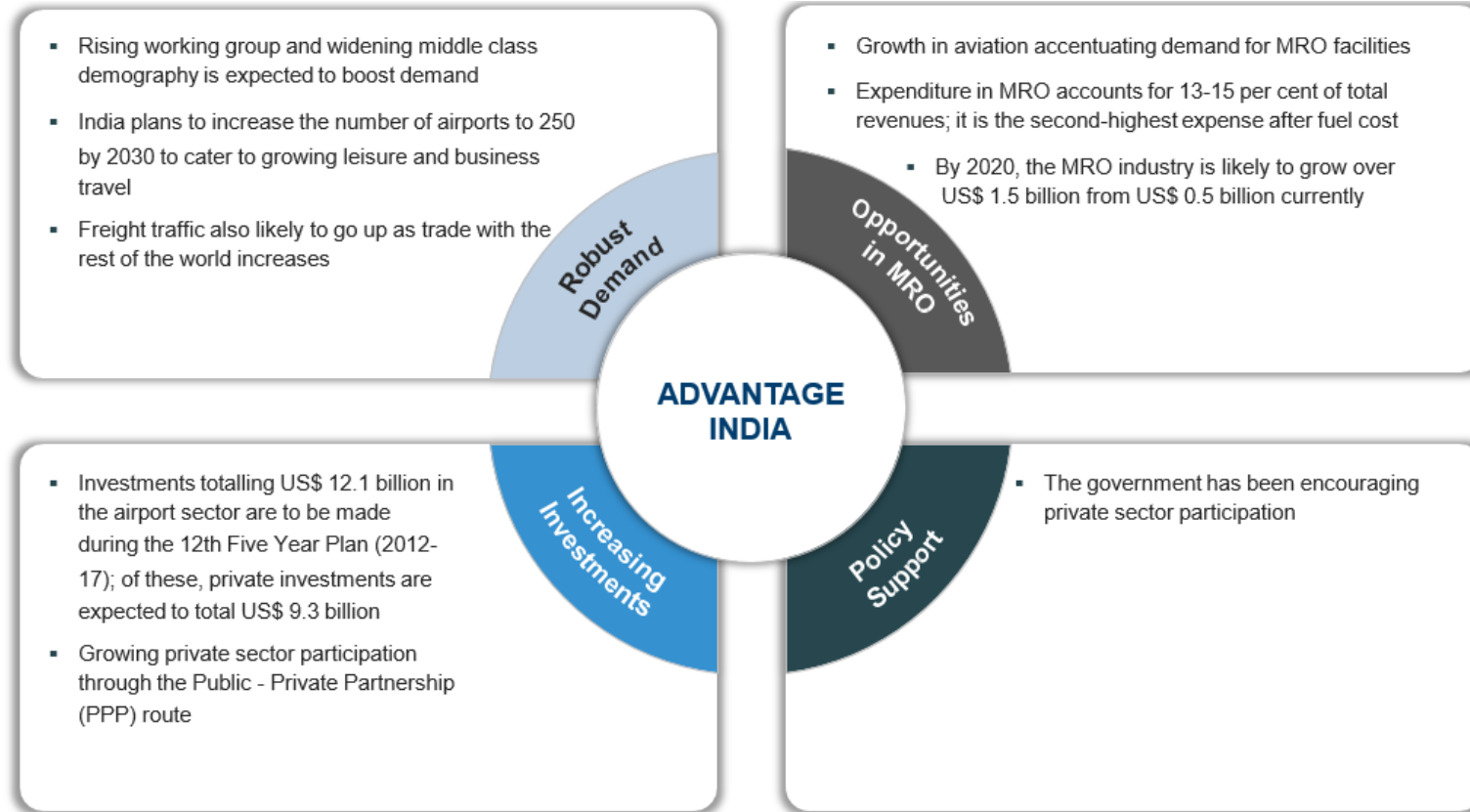
# MARKET SIZE

- Third largest domestic aviation industry in terms of passengers. Domestic air passenger traffic 100 mn in 2016( US - 719 mn and China - 436 mn)
- Air cargo estimated to grow at 9% over the next few years
- Fastest growing domestic travel market for 22<sup>nd</sup> month in a row, recording a 26.6% y-o-y growth as of Jan, 2017. International was a modest 7.7%
- Domestic air traffic expected to grow at 25% and cross 130 mn in 2017-18 (CAPA)
- CAPA estimates India's airlines reported a combined profit of USD 122mn in FY 2016
- Huge tide of first time air passengers in the last two decades because of LCC
- Multiplier effect on nation's economy in terms of Investments, Tourism and Employment

# KEY DRIVERS

- Low Cost Carriers
- Modern Airports
- Foreign Direct Investment in Domestic Airlines (USD 1.01 bn between April, 2000 and March, 2017)
- Advanced Information Technology intervention
- Growing emphasis on regional connectivity
- Civil Aviation Ministry has received an increased allocation of 22% at USD 775.14 mn in Union Budget 2017-18

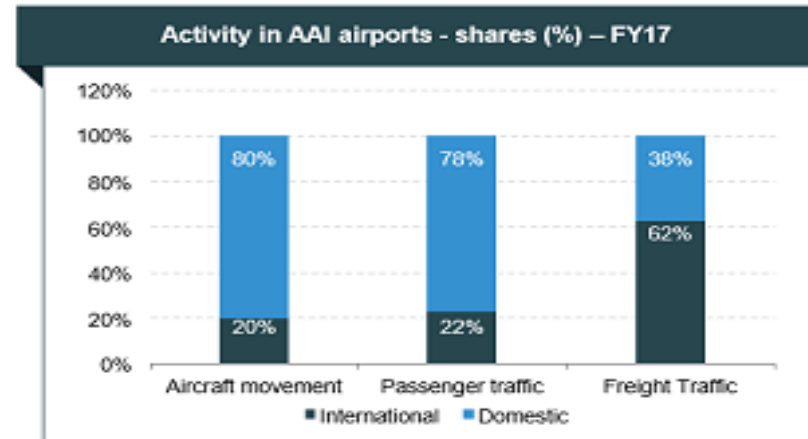
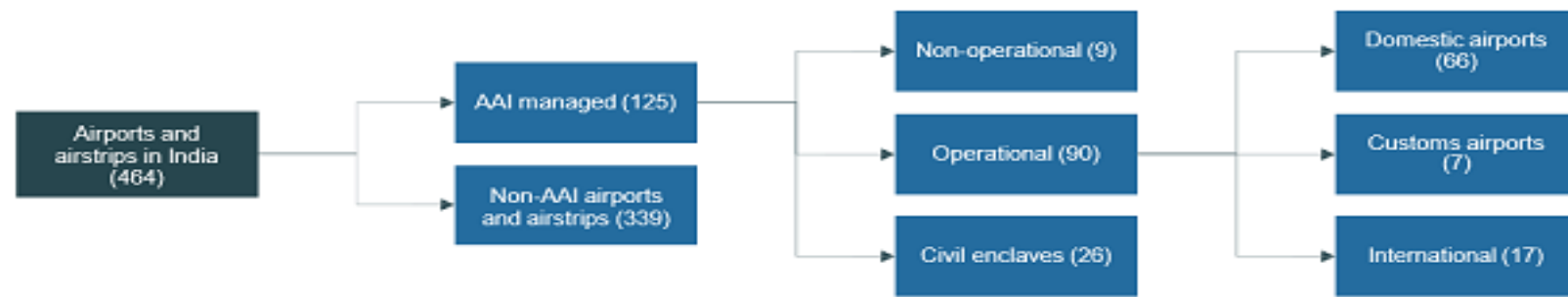
# INDIA ADVANTAGE



*Notes: FDI – Foreign Direct Investment, MRO – Maintenance, Repair and Overhaul; FY – Indian Financial Year (April – March)*

*Source: Ministry of Civil Aviation, MRO India*

# AIRPORT LANDSCAPE AND ACTIVITY



- Airports Authority of India (AAI) was –
- Established in 1994 under the Airports Authority Act
- Responsible for developing, financing, operating and maintaining all government airports
- The Aircraft Act (1934) governs remaining airports

Note: AAI – Airports Authority of India, JV – Joint Venture, FY – Indian Financial Year (April – March)  
Source: Airports Authority of India

# MAJOR AIRLINES

Airline	Promoters/Owners
Indigo	A publicly listed company whose principal shareholder is InterGlobe Enterprises.
Jet Airways	A publicly listed company substantially owned by Naresh Goyal until Etihad Airways recently acquired a 24% ownership interest.
Air India	Owned by the Gol.
SpiceJet	Substantially owned by Ajay Singh.
GoAir	A wholly owned subsidiary of the Wadia Group, which has interests in textiles, real estate and other industries.
Vistara	A joint venture of the Tata Group (51%) and Singapore Airlines (49%).
AirAsia India	A joint venture of the Tata Group (41%) and AirAsia Berhad (49%).

# MARKET SHARE

	<b>SpiceJet</b> Market share: 13.2% Passenger load traffic: 91.4%
	<b>GoAir</b> Market share: 8.9% Passenger load traffic: 84.8%
	<b>Jet Airways</b> Market share: 15.4% Passenger load traffic: 79.8%
	<b>Jetlite</b> Market share: 2.5% Passenger load traffic: 79.2%
	<b>Air India</b> Market share: 13% Passenger load traffic: 74.6%
	<b>Indigo</b> Market share: 39.9% Passenger load traffic: 81.6%

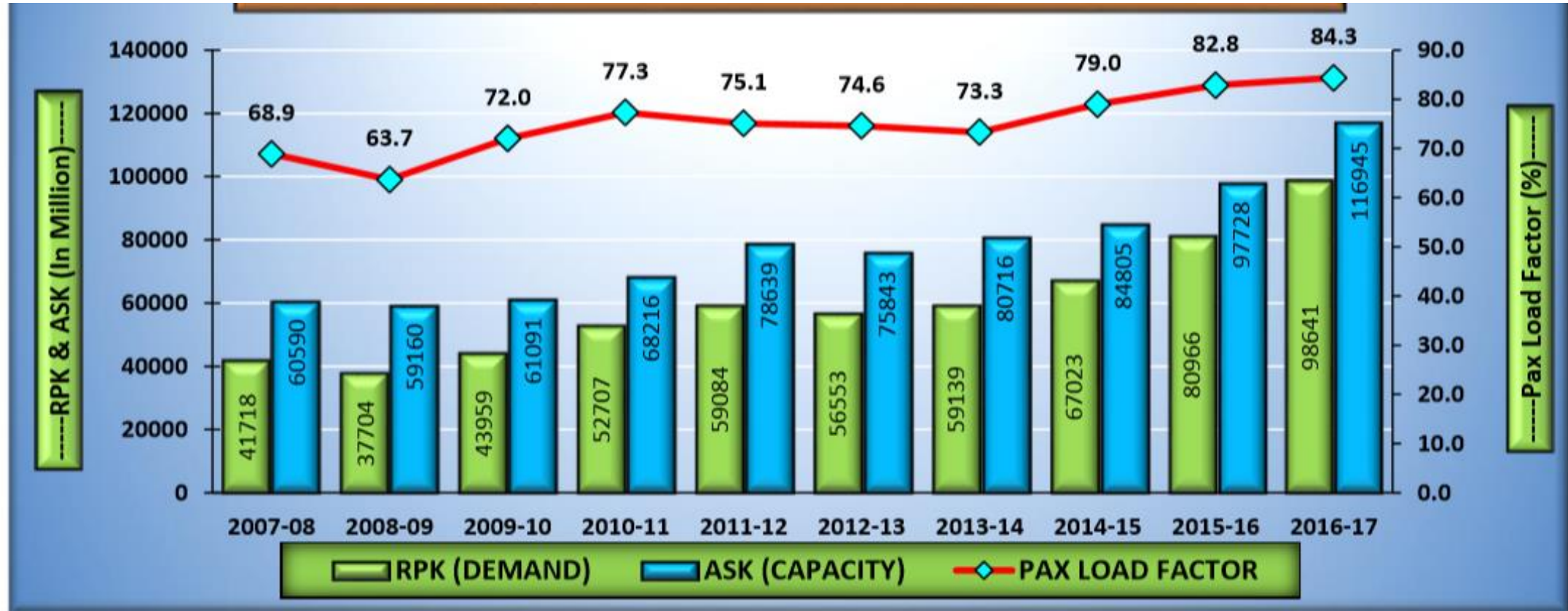
Source: Note: Market Share as on March'17 and Load Data for the month of March'17 as published by Directorate General of Civil Aviation

# AVIATION TERMINOLOGIES

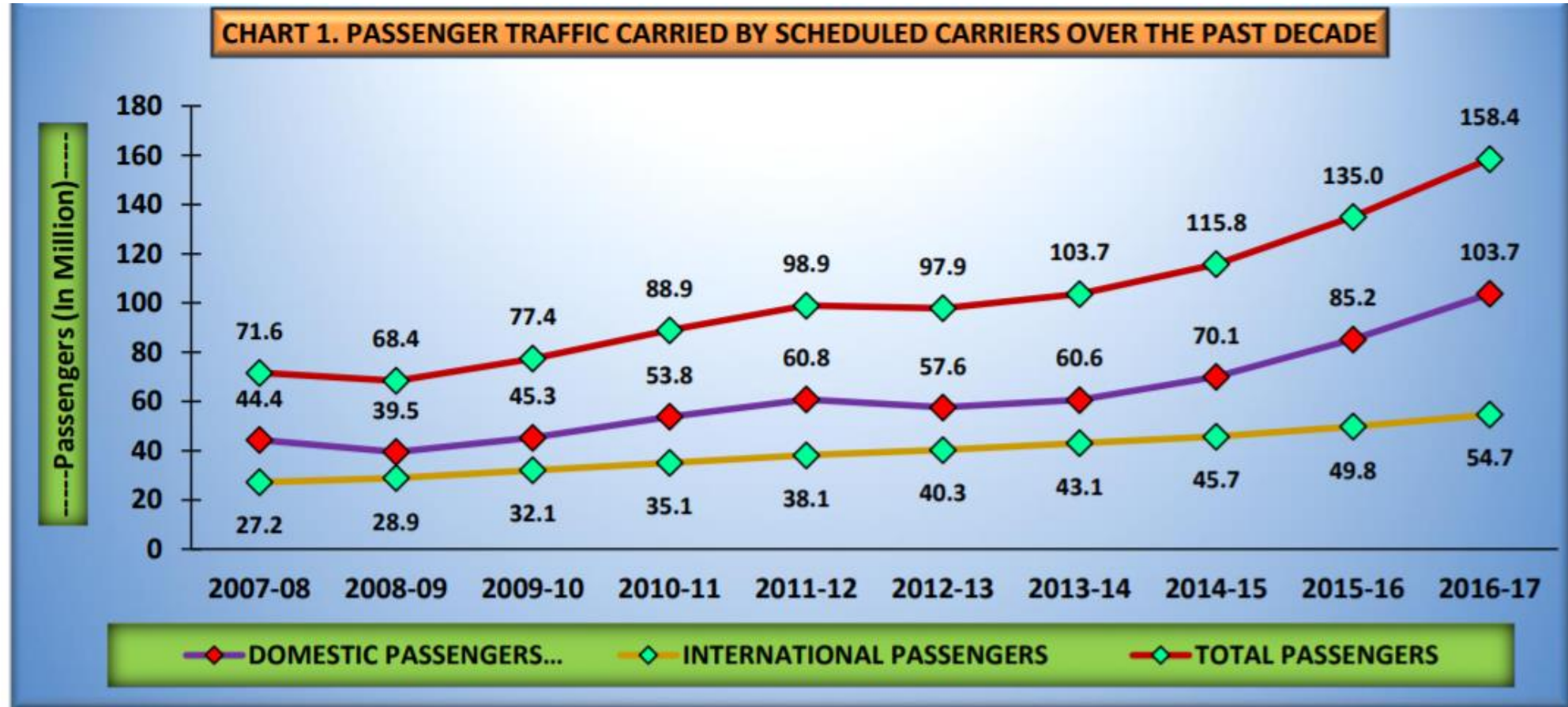
- Passenger Load Factor (PLF) - Measures the capacity utilization of public transport services like airlines, passenger railways and intercity bus services. This assesses how efficiently a transport provider fills seats and generates revenue
- Aviation Turbine Fuel (ATF) - Aviation Fuel is a specialized type of petroleum based fuel used to power aircraft
- Available Seat Kilometre (ASK) - The basic measure of capacity, one seat (empty or filled) flying one kilometre is as an ASK. It equals the number of seats multiplied by the number of kms flown
- Revenue Passenger Kilometre (RPK) - Measure of sales volume of passenger traffic. RPK is measured when revenue passenger is carried one kilometre



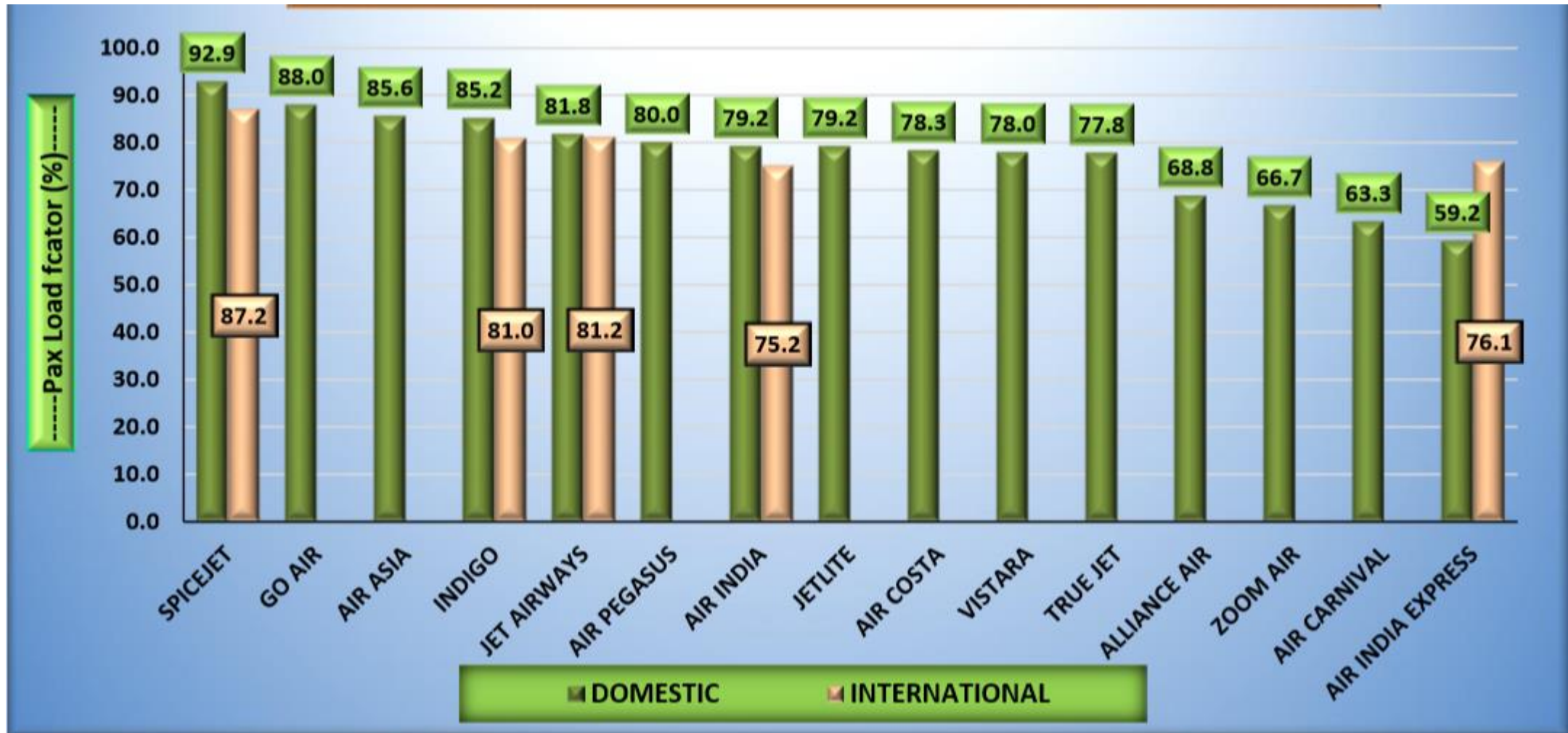
# CAPACITY VS DEMAND IN THE DOMESTIC MARKET



# SYNOPSIS OF PASSENGER TRAFFIC



# PASSENGER LOAD FACTOR, 2016-17

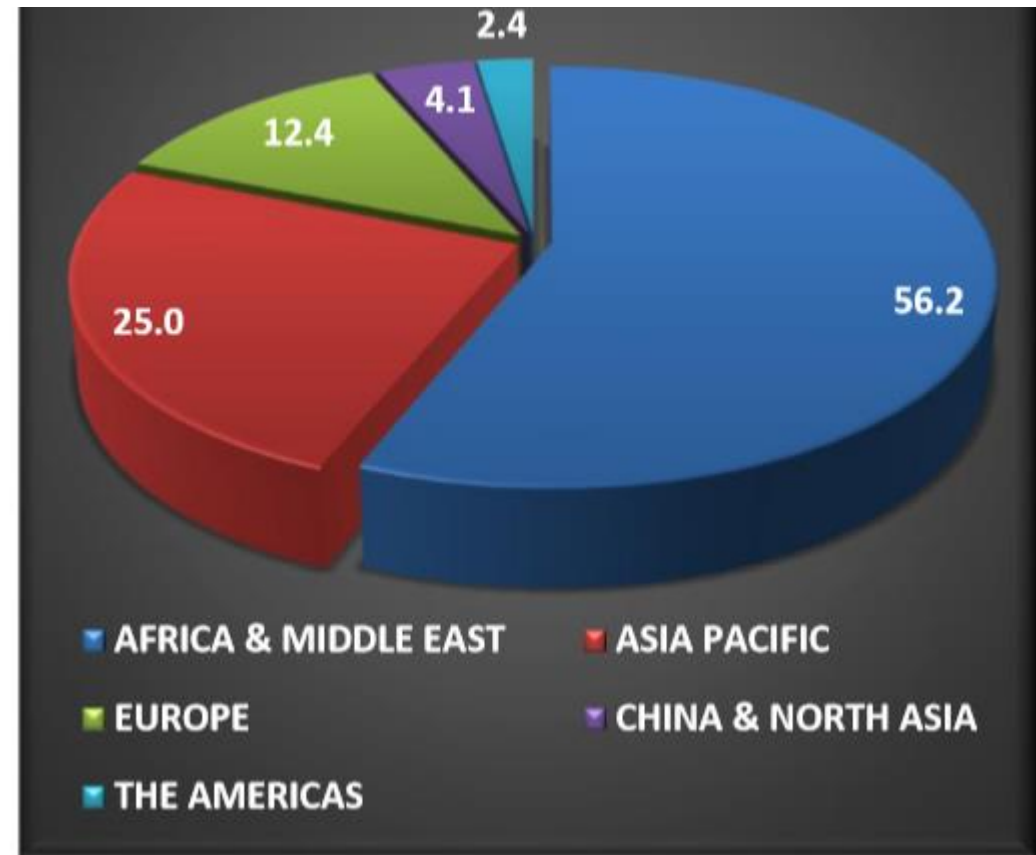
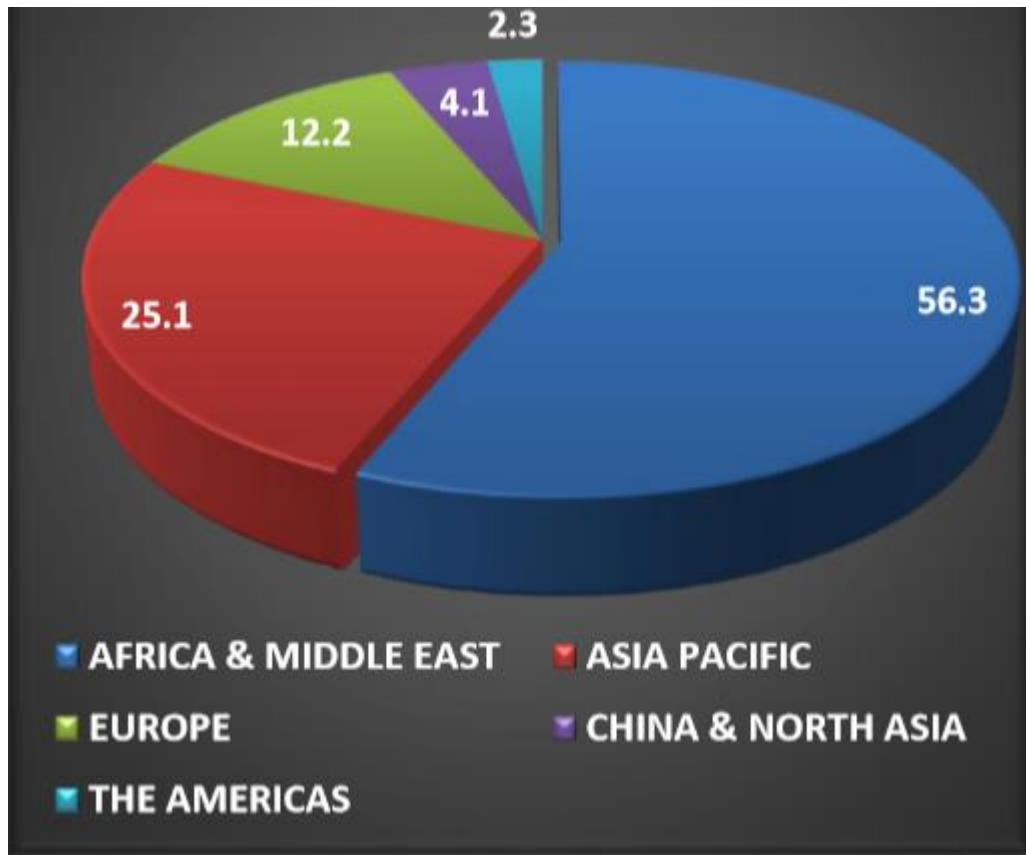


# MARKET SHARE OF INTERNATIONAL PASSENGERS CARRIED BY FOREIGN AND SCHEDULED INDIAN CARRIERS

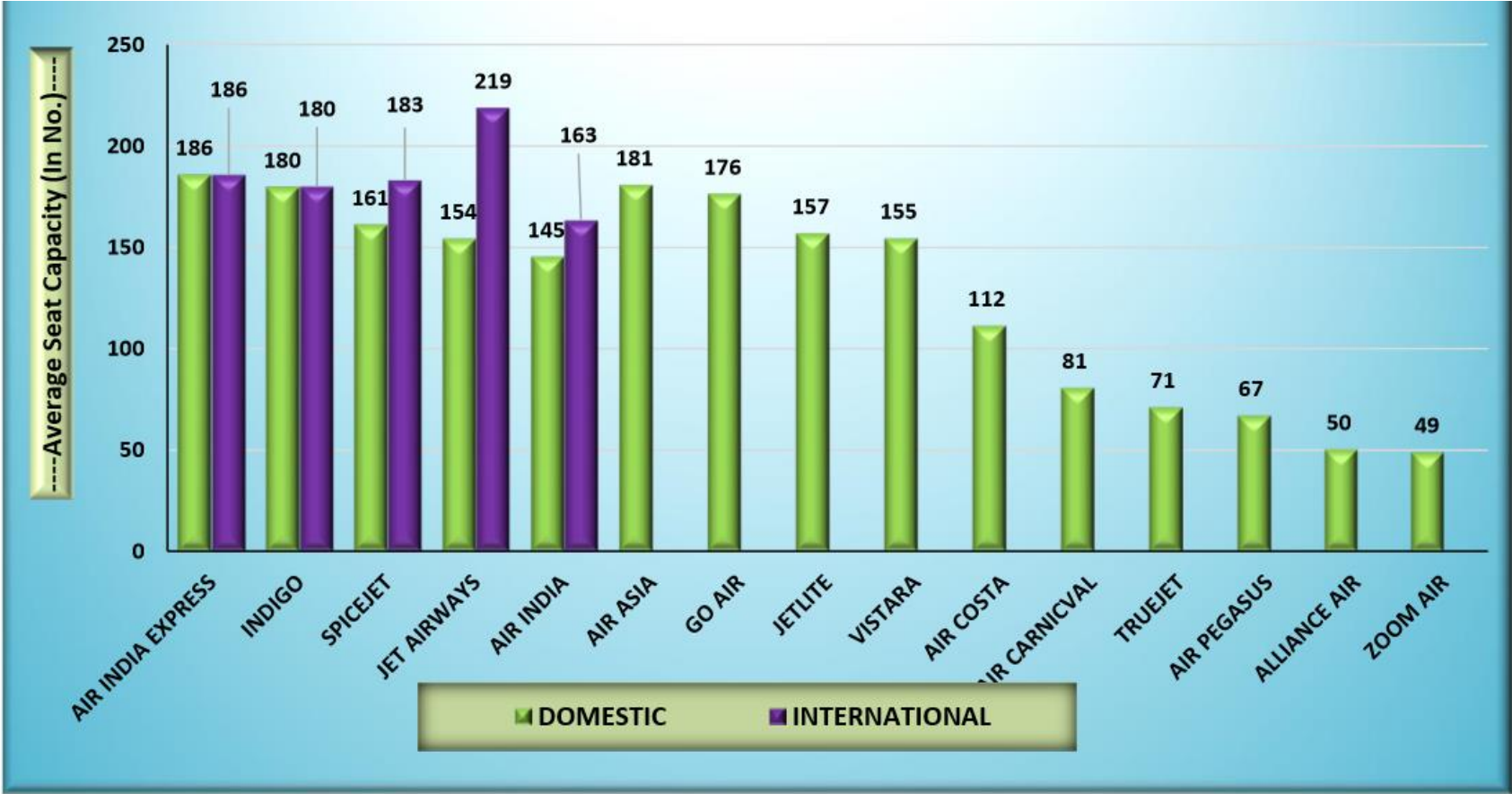
YEAR	FOREIGN CARRIERS	INDIAN CARRIERS
2004-05	71.1	28.9
2009-10	65.5	34.5
2010-11	63.8	36.2
2011-12	64.1	35.9
2012-13	66.2	33.8
2013-14	61.7	38.3
2014-15	63.0	37.0
2015-16	63.4	36.6
2016-17	62.3	37.7



# INBOUND VS. OUTBOUND INTERNATIONAL PASSENGER TRAFFIC, 2016-17

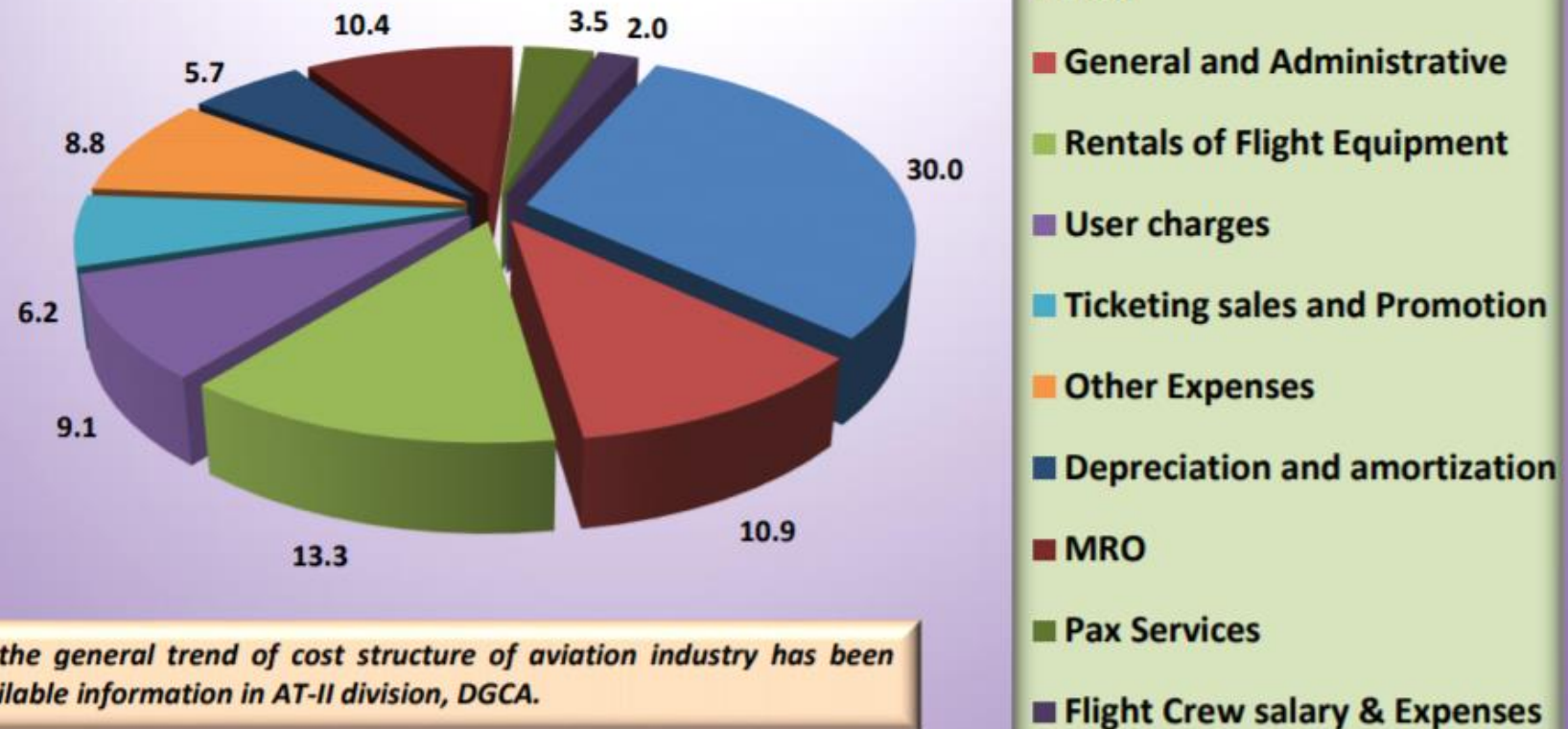


# AVERAGE SEAT CAPACITY



*Average Seat Capacity = Total ASK / Total Aircraft KM*

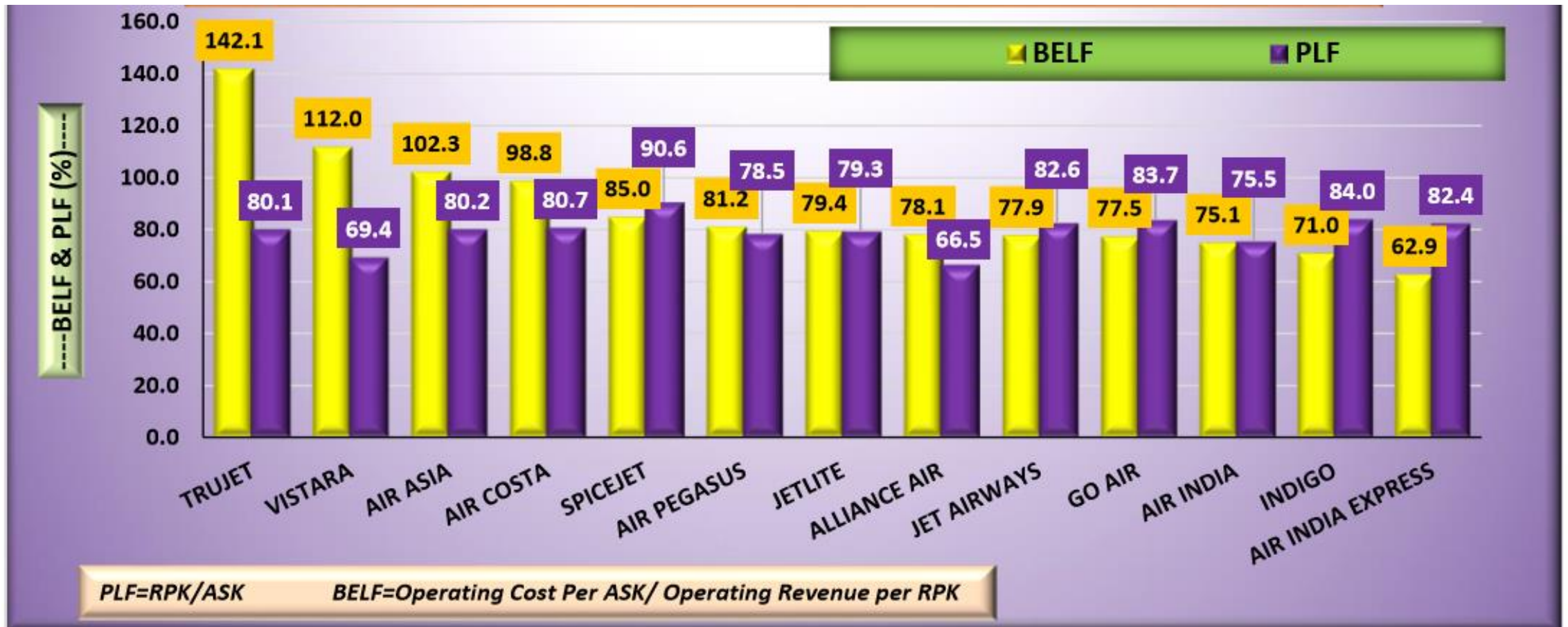
# APPROXIMATE COST STRUCTURE IN INDIA (2015-16)



*The chart depicting the general trend of cost structure of aviation industry has been worked out from available information in AT-II division, DGCA.*

# OPERATING ECONOMICS

- If PLF is lower than BELF, airline runs a loss





# MONTH WISE MARKET SHARE

Market Share (June'16 - June'17)													
Companies	June	July	Aug	Sep	Oct	Nov	Dec	Jan'17	Feb'17	Mar'17	April'17	May'17	June'17
Air India	15.50%	14.80%	14.60%	14.70%	13.00%	12.90%	14.00%	14.10%	13.50%	13.00%	12.90%	13.00%	13.10%
Jet Airways	16.30%	16.30%	16.40%	16.20%	14.70%	14.90%	15.30%	15.50%	15.80%	15.40%	15.20%	15.20%	15.20%
Spice Jet	12.70%	11.70%	12.60%	12.50%	12.90%	12.80%	12.70%	12.80%	13.10%	13.10%	12.90%	12.60%	13.30%
Go Air	8.30%	8.40%	8.00%	8.30%	7.90%	8.00%	8.20%	8.20%	8.70%	8.90%	8.10%	8.50%	8.40%
Indigo	37.90%	39.80%	39.90%	40.00%	42.60%	42.10%	40.30%	39.80%	39.50%	39.90%	41.40%	41.20%	40.00%
Vistara	2.80%	2.60%	2.40%	2.50%	2.70%	2.90%	3.20%	3.20%	3.10%	3.20%	3.20%	3.30%	3.60%

Source: DGCA website

# KEY REFORMS

- GoI has unveiled the Civil Aviation Policy; aims to move to a more liberal administrative and regulatory regime.
- Fundamental objectives include affordability, connectivity and ease of doing business
- Hopes to stimulate 300mn and 500mn air ticket sales per year by 2022 and 2027 respectively
- 100% FDI Investment will allow access to new sources of capital which will boost both expansion and consolidation
- Liberalized Open Skies (for all countries beyond 5000 kms radius from New Delhi) and Code Share Agreements. Initially Open Skies Arrangement was only with US
- Keen to develop India as the MRO hub ( Maintenance, Repair and Overhaul) in Asia. MRO Business of Indian Carriers is valued at USD 1bn. 90% was outsourced initially
- Foreign Aircraft bought to India can stay in India for a period of 6 months as long as they do not operate commercial flights in the period
- Development and modernization of Indian Airports and upgradation of quality of services
- 5/20 rule abolished provided the airline deploys 20 flights or 20 pc of its capacity for domestic operations

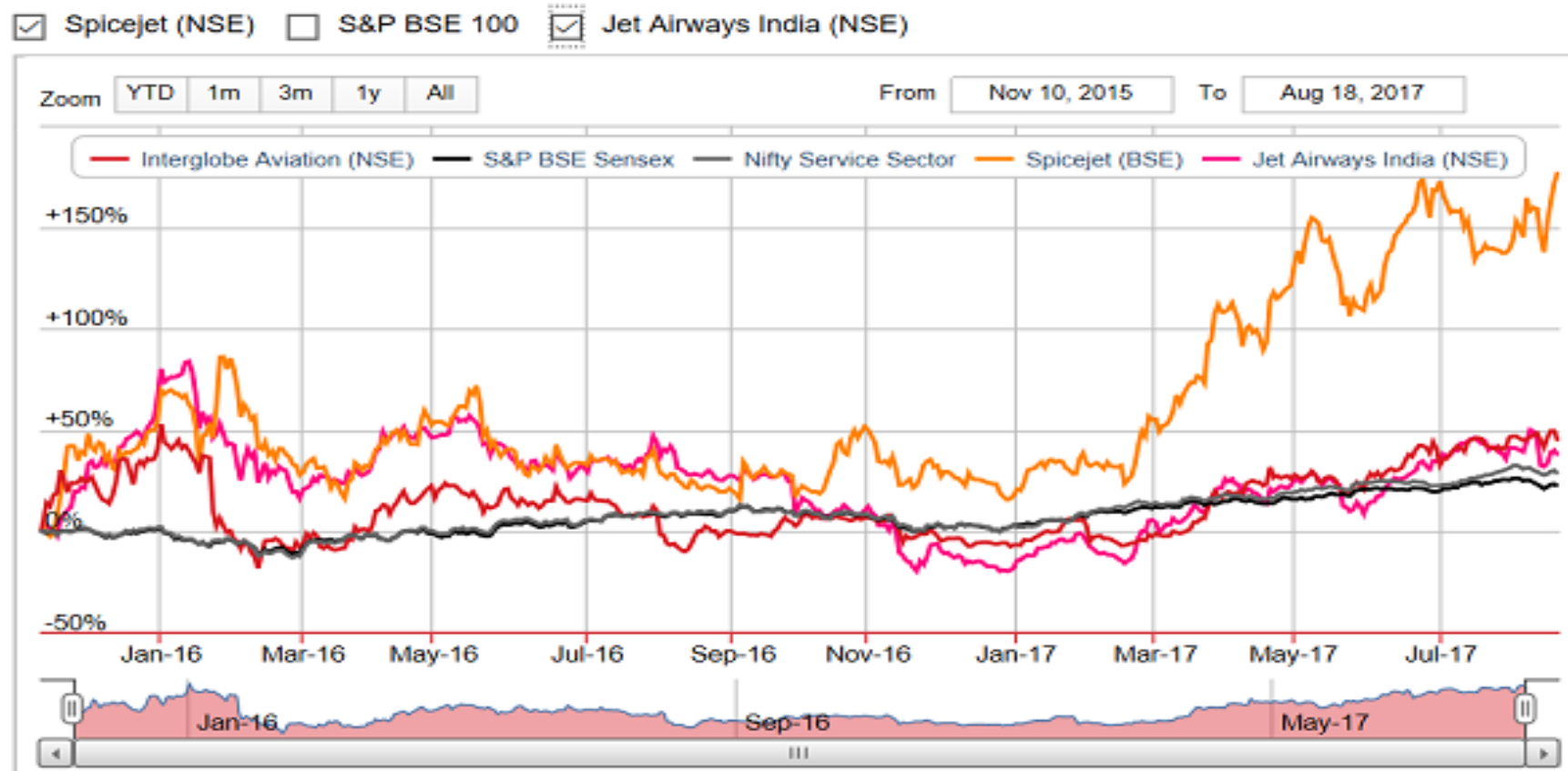
# Focus Stocks



# INDIGO – FACTS AND FIGURES

- Started in 2006 – became largest player in 2012
- Largest passenger Airline in India – Mkt share around 40%
- Fleet of 136 aircrafts – only 18 owned by the company
- Covers 46 destinations – 39 domestic and 9 international
- 9 consecutive years of profitable operations
- Operates more than 900 flights per day (Jet 650 and Spicejet 343)
- Shifting from “Sale and Leaseback” model to “Outright Buy”
- A contender for Air India

# STOCK PERFORMANCE



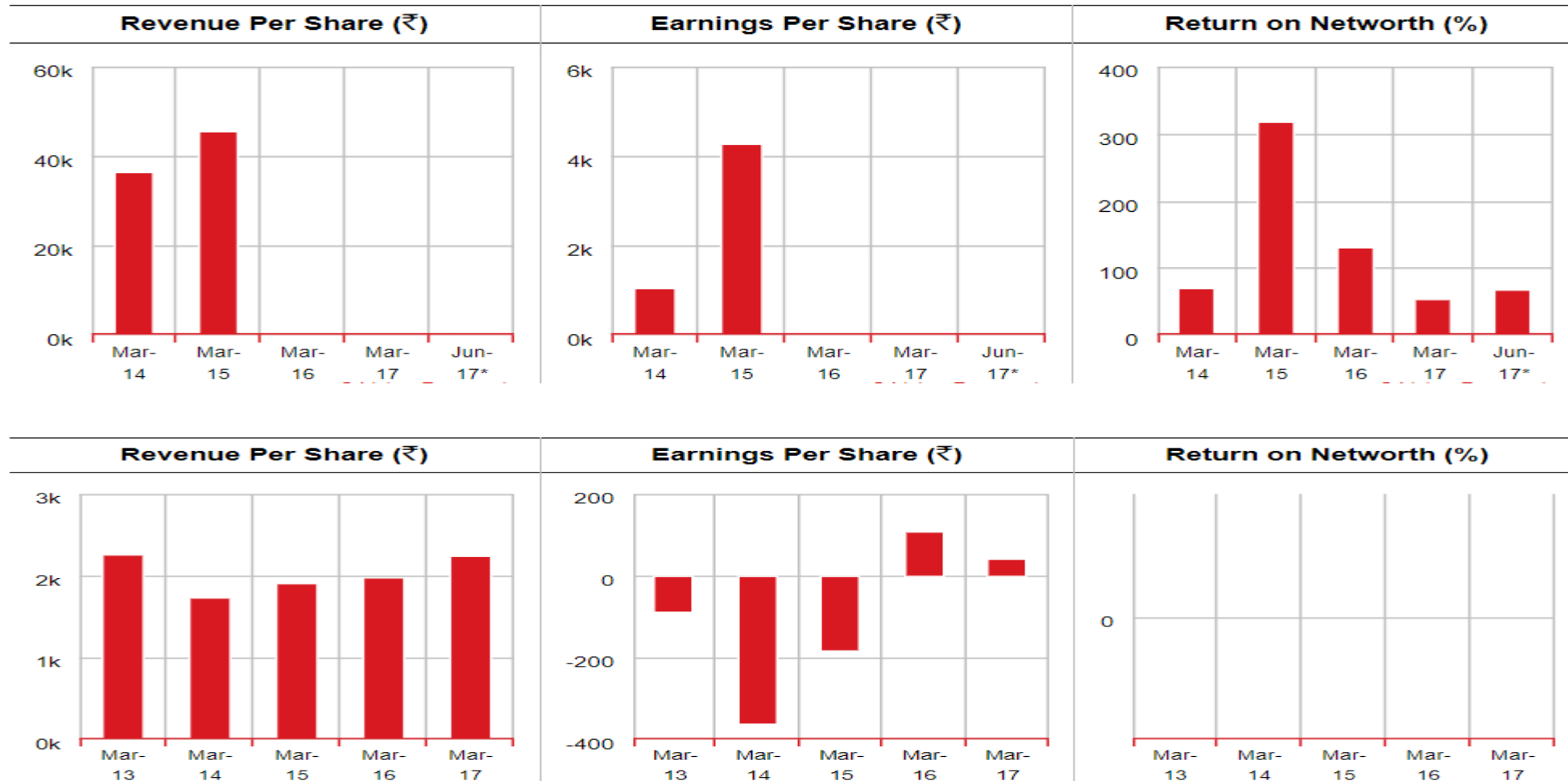
# PEER COMPARISON

## Peer Comparison

	Market Cap (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Net Margin (%)	RoE (%)	Price to Book	Price to Earnings
Interglobe Aviation	45,944.79	19,754.56	1,878.56	9.13	44.55	10.12	24.46
Jet Airways India	6,588.08	21,245.84	390.43	1.73	0.00	-1.34	15.03
Spicejet	8,056.61	6,538.05	456.93	6.87	0.00	-13.31	17.63

# INDIGO VS JET

## Key Ratios



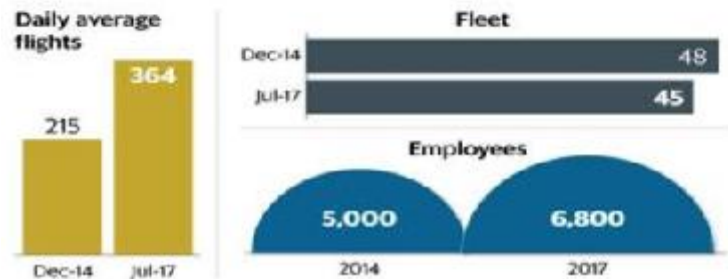
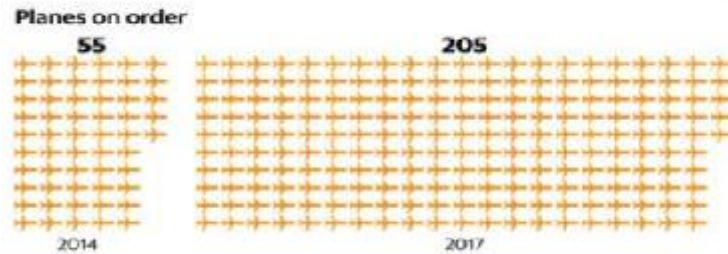
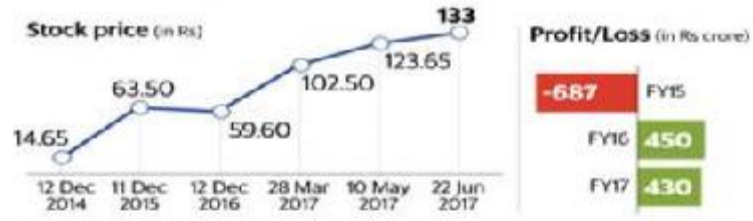
# SPICEJET – FACTS AND FIGURES

- Commenced operations in 2005
- Third largest airline in India – Market share 14.2%
- Owns a fleet of 45 aircrafts
- Flies to 35 Indian and 6 International destinations
- One of the remarkable turn around stories
- Ten times return on stock in 2.5 years
- World's best aviation stock this year – return 135%
- Ajay Singh bought 58% of the company from Marans for Rupees 2



# TAKING OFF

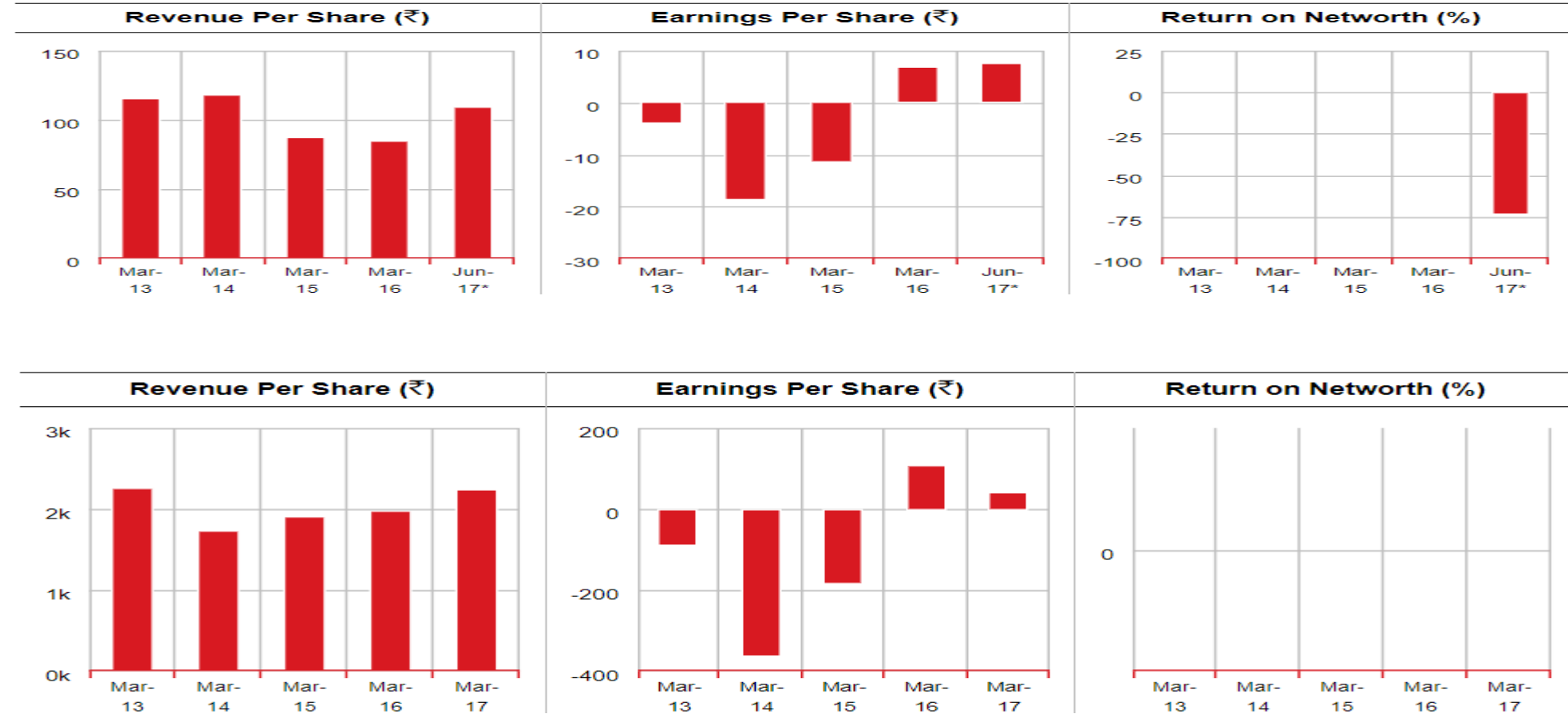
How SpiceJet's key financials have changed over the past three years.



\*Unit to measure airline cost. Lower the CASK more efficient the airline

# SPICEJET VS JET

## Key Ratios



# SHAREHOLDING – KEYMAN “AJAY SINGH”

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## Shareholders more than 1 percent

Name	Category	Jun-17	Mar-17	Dec-16	Sep-16	Jun-16
Ajay Singh	Promoter and Promoter Group	59.13	59.13	59.13	59.13	59.13
NATIONAL WESTMINSTER BANK PLC AS TRUSTEE OF THE JUPITER INDIA FUND	Public shareholder	1.55	1.46	-	-	-
ICICI PRUDENTIAL MIP 25	Public shareholder	1.22	1.2	-	-	-
BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED A/C BIRLA SUN LIFE ADVANTAGE FUND	Public shareholder	1.11	-	-	-	-
RELIANCE CAPITAL TRUSTEE COMPANY LIMITED A/C RELIANCE GROWTH FUND	Public shareholder	1.03	1.03	-	-	-

*Figures given above are % of equity capital*

THANK YOU