



# INDIAN AVIATION INDUSTRY

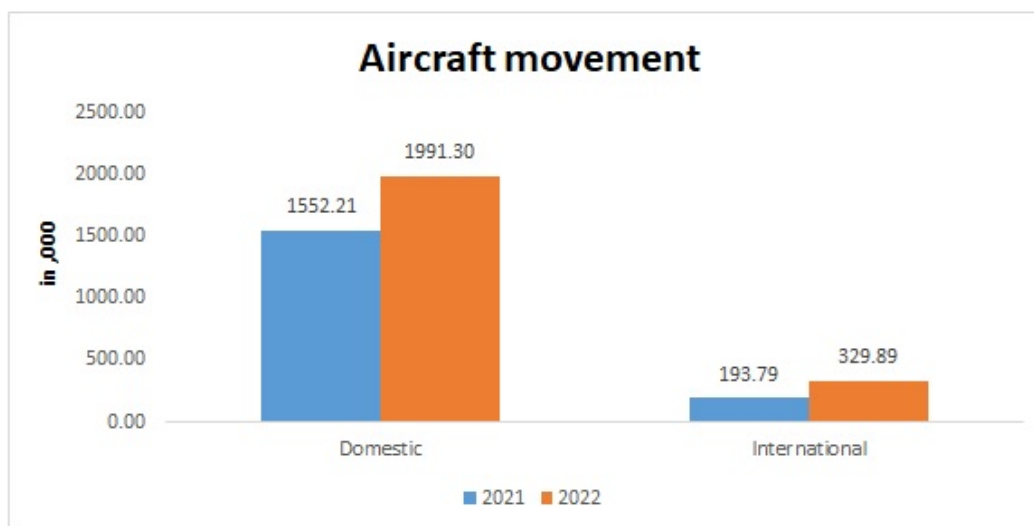
JULY- 2023



Indian aviation industry has undergone through significant transformation over the past decade. Initially, the air travel was luxury and accessible to affluent few. Now a day, people frequently use the air route for travel or corporate purpose. India has become the third-largest domestic market in the world, behind only the United States and China. Indian aviation also contributed 5% of the Gross Domestic Product (GDP), creating a total of around 4 million jobs. In the 1990s, the Indian government opened up the aviation industry to private players, which led to the entry of several new airlines. Currently, there are several major players in the Indian aviation industry, including IndiGo, SpiceJet and Vistara. The entry of low-cost carriers like IndiGo and SpiceJet has made air travel more affordable for a larger portion of the population. This has led to an increase in passenger traffic, particularly on domestic routes.

The aviation sector offers global connection, which is crucial for advancing international trade and business. Further, it greatly influences how a nation's economy is shaped by linking it to other nations and continents. It also plays a crucial role in promoting tourism by offering a robust transportation network. The aviation industry not only transports passengers from place to place but also greatly contributes to the transportation of all types of cargo around the world.

In 2021-22, even as the nation faced a widespread second and third wave of Covid-19, the air passenger traffic has seen an impressive recovery mainly supported by the domestic sector. During the tough phase of pandemic in the Country, the Government of India extended the support by its following major initiatives like Calibrated opening up of Domestic /International sector, Fare Capping in the domestic sector during the pandemic, Lifeline UDAN, Vande Bharat Mission (VBM) and 'Transport Bubbles' or 'Air Bridges'. Air Bubble arrangements were temporary arrangements between two countries aimed at restarting commercial passenger services when regular international flights are suspended as a result of the COVID-19 pandemic. India had Air Bubble arrangements with 37 countries. These air bubbles provided direct/indirect connectivity to more than 100 countries. With the resumption of scheduled commercial passenger flights on March 27, 2022, the air bubble arrangements have come to an end.



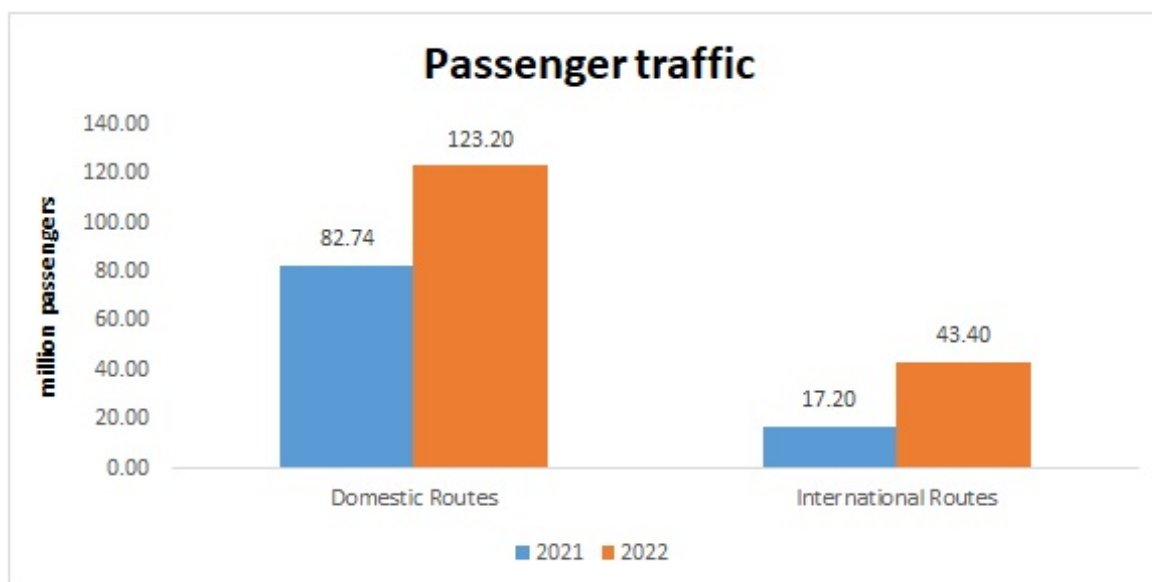
The aircraft movement at airports showed positive signs. Indian domestic airports reported 1991.30 thousand aircraft movement in 2022 (January-December) as compared to 1552.21 thousand aircraft movement in 2021, a growth of 28.29%. On the international front, Indian airports reported 329.89 thousand aircraft movement in 2022 over 193.79 thousand aircraft movement in 2021, registered a growth of 70.23%.

## PASSENGER TRAFFIC :

With the accelerated pace of vaccine roll-out and easing of travel restrictions globally (including resumption of International travel effective from March 27, 2022), Indian aviation sector has started to rebound. The passenger count reached an impressive milestone of 63.60 million during January-May 2023, reflecting a significant annual growth rate of 36.10%, compared to the corresponding period in the preceding year of Jan-May 2022, during which the passenger count was 46.73 million, suggests a rising demand for air transportation, underscoring the favourable direction of the aviation industry. This consistent growth is a testament to the collective efforts of airlines, airports, and the Ministry of Civil Aviation in fostering a safe, efficient, and customer-centric aviation ecosystem.

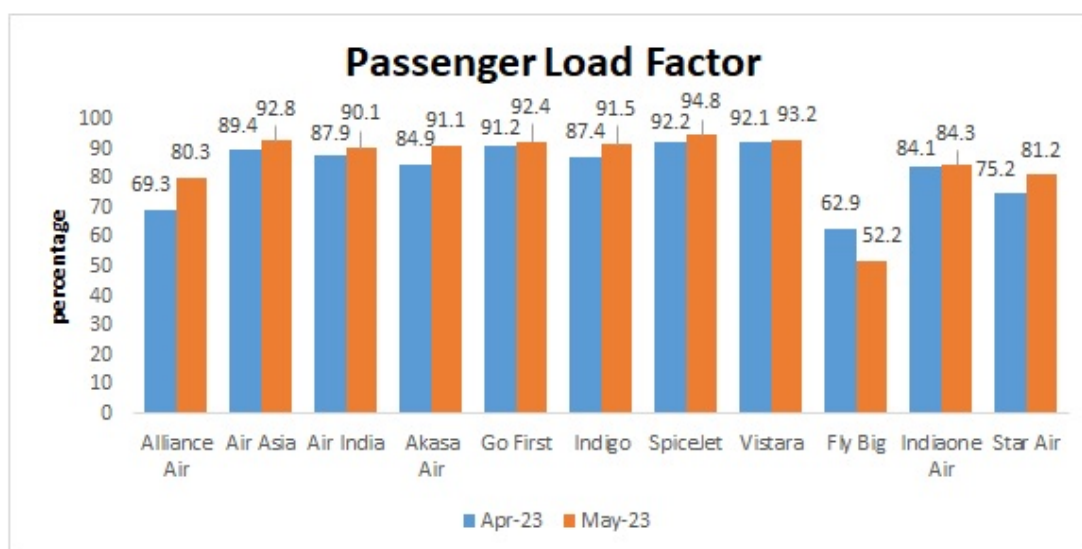
**Domestic Routes:** During the year 2022 (January-December), Scheduled domestic airlines operated a total number of 9.43 lakh scheduled flights carrying a total of 123.2 million scheduled passengers as against 7.31 lakh scheduled flights carrying total of 82.74 million scheduled passengers during the previous year 2021 (January-December). The number of domestic passengers carried by scheduled domestic Indian Carriers has witnessed a growth of 48.9% in the year 2022 as compared to the previous year 2021 (up to December 31).

**International Routes:** During the period January to December 2022 a total of 43.4 million passengers were carried on international routes by Scheduled Indian/foreign carriers as against 17.2 million in the corresponding period in 2021, thereby witnessing a growth of 152.7 %. Out of the 43.4 million passengers, 20.9 million passengers were carried by Scheduled Indian carriers while 22.5 million passengers were carried by scheduled foreign carriers during the period January to December 2022.



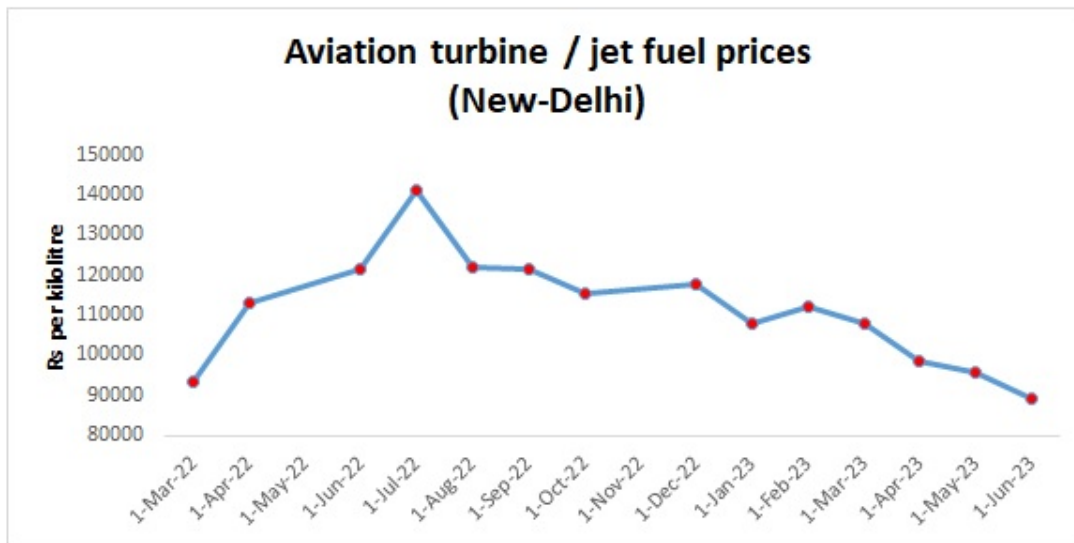
## PASSENGER LOAD FACTOR (PLF):

The passenger load factor measures the percentage of available seating capacity that has been filled with passengers. A high load factor indicates that an airline has sold most of its available seats. The passenger load factors of various scheduled domestic airlines in May 2023. Go First, Indigo and SpiceJet have showed robust performance in the month of May with PLF of 92.4%, 91.5% and 94.8% respectively, over 91.2%, 87.4% and 92.2% in the month of April 2023. All other airlines showed growth over previous month, but Fly big registered fall in PLF at 52.2% in May as compared to 62.9% PLF in April.



## POSITIVES FOR THE INDUSTRY:

Fall in ATF prices: a major chunk of operating cost in aviation is air turbine fuel (ATF). It usually comprises half the cost but can go steeply up depending on several factors. There has been a phenomenal fall in ATF prices, nearly 30-40% in last year following a softening of international oil prices. ATF prices (New-Delhi) have come down to \$816.64 per kilolitre as on June 01, 2023, a nearly 31% fall from \$ 1181.86 per kilolitre as on June 01, 2022. Also, it was a 40.52% decline from \$1373 per kilolitre as on July 01, 2022, a pick point of the year. International oil prices are sensitive to a host of global factors and can often play spoilsport for an airline which is otherwise doing well. But, cooling down inflation and interest rate hike pause globally helping oil prices to stabilize. The rate reduction in ATF prices is likely to benefit the airlines as fuel costs account for about 40% of the operating costs. With the price reduction, even airline ticket prices might see some cooling off.



## INCREASED FOREIGN TOURIST INFLOWS :

For Foreign Tourist Arrivals (FTA), air travel is the most chosen mode of transportation. During the year 2020, FTAs in India registered a negative growth of 74.9% over 2020 due to the restrictions related to Covid-19 pandemic. Tourism Industry has shown good signs of revival after Covid-19 pandemic. India received 6.19 million FTAs during 2022 as compared to 1.52 million during the same period of 2021. With the increase in the tourism industry, air travel growth has also increased over the years. Ministry of Tourism under its Schemes of Swadesh Darshan, PRASHAD and Assistance to Central Agencies, provides central financial assistance to State Governments/ Union Territories/Central Agencies for development of tourism related infrastructure and facilities in the country to provide an enriching tourism experience to visitors in a planned and phased manner. FTAs during the period January- April, 2023 were 31,33,751 as compared to 11,77,680 in January-April, 2022, registering a growth of 166.1%.



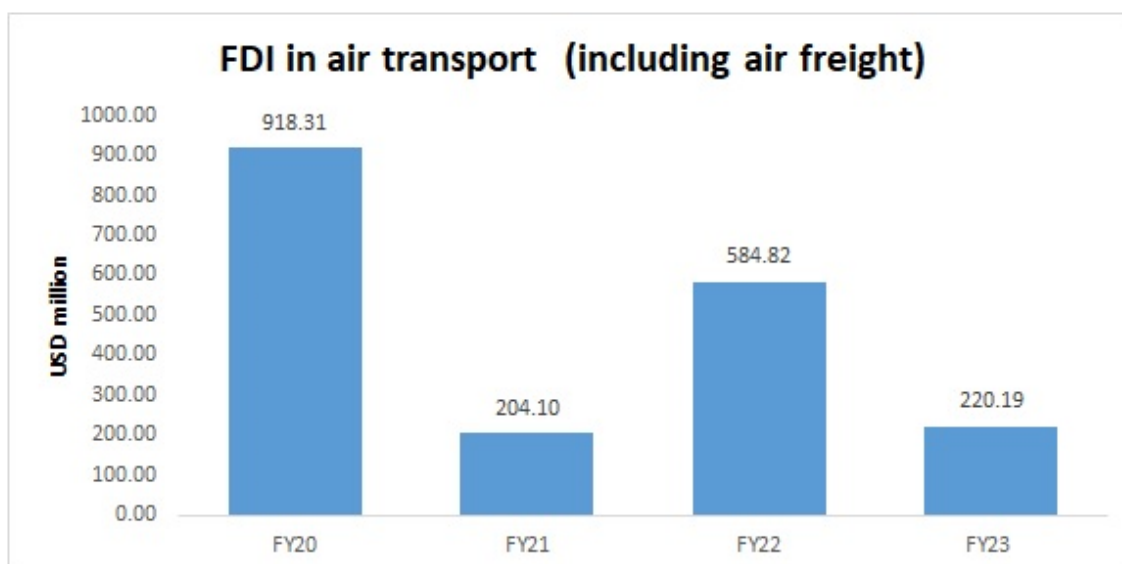
## DEVELOPMENT OF MODERN AIRPORTS WITH NEW TECHNOLOGIES :

Modern airports come up with developed infrastructure in terms of speed, capacity, sustainability goals, etc, and hence contribute more to the aviation industry. One of the examples is the newly opened greenfield international airport at Mopa in the state of Goa. It has been developed with an investment of \$348 million. This airport has been developed with several sustainable infrastructure plans, including a solar power plant, green buildings, LED lights on the runway, rainwater harvesting, and a modern sewage treatment plant with recycling facilities.

## NEGATIVES FOR THE INDUSTRY :

- **Wobbling foreign direct investment (FDI):**

In the past four years (FY20–FY23) there was volatility in the FDI inflows due to many reasons like Covid-19 restrictions, global growth concerns, inflation and recession worries etc., which impacted the inflows in the air transport sector. Total FDI in air transport (including air freight) stood at \$220.19 million in fiscal year 2022–23 (FY23). Before that, inflows were \$584.82 million in FY22, \$204.10 million in FY21 and \$918.31 million in FY20. The inflow of FDI contributes to the better development of the infrastructure of the aviation industry. Up to 100% FDI in civil aviation in India is permitted in Non-scheduled air transport services under the automatic route, up to 100% FDI is permitted in helicopter services and seaplanes under the automatic route, up to 100% FDI is permitted in MRO for maintenance and repair organizations; flying training institutes; and technical training institutes under the automatic route and up to 100% FDI in the aviation sector is permitted in Ground Handling Services subject to sectoral regulations & security clearance under the automatic route.



## • High Lease coast:

Nearly 80% of India's commercial fleet is leased, and airlines pay annual lease rents of about Rs 10,000 crore, making up almost 15% of their revenues. This adds high costs to operations as the leases are in US dollars, and the Indian rupee's depreciation raises costs further. The government's plan to establish leasing companies in India may help reduce costs. International Financial Services Centres Authority (IFSCA) issued 'Framework for Aircraft Leases' on May 18, 2022, to enable the aircraft leasing business in IFSCs in India. As of October 31, 2022, eighteen entities have registered for undertaking aircraft leasing business. Total of 11 aircrafts have been leased by aircraft leasing entities registered from Gujarat International Finance Tec-City GIFT IFSC as of 30 September, 2022. Recently, SEZ rules have permitted the movement of aircraft by IFSC-based lessor through any customs port, airport or landing station.

## • High Training cost of Crew:

Training airline crew is expensive and there is a shortage of pilots due to a lack of Flight Training Organizations. With growing industry, India will need over 10,000 additional pilots by 2030. However, the country has at least 5,000 unemployed Commercial Pilot Licence holders, most of them left behind in an industry with a low rate of absorbing freshers.

## GO FIRST CRISIS :

The aviation industry grappled with fresh turmoil with prosperous private airline suddenly grounded owing to various problems. In a surprise move, the Go First budget airline's owners -- the Wadia Group -- filed voluntary insolvency resolution proceedings before the National Company Law Tribunal (NCLT). Go First, significantly, is the third airline to go bankrupt in the past decade after Vijay Mallya's Kingfisher and Naresh Goyal-founded Jet Airways. Go First was plagued by a peculiar problem -- the purported failure of the jet engine manufacturer, Pratt & Whitney, USA, to supply engines/spares for its aircraft that grounded nearly 40% of the fleet for several months before it was compelled to totally suspend operations from the first week of May 2023. While the DGCA slapped a show-cause notice on the carrier for its abrupt actions that created havoc with thousands of flyers.

According to Go First the application under the IBC came after the 'ever-increasing number of failing engines supplied by PW' which led to the grounding of around 25 of its 61-strong Airbus A-320neo aircraft, or almost 40% of its fleet by April 30, 2023. The groundings due to faulty PW engines increased from 7% of its fleet in December 2019 to 31% in December 2020 and 50% in December 2022, and blamed PW for giving assurances but failing to meet them. In view of this, the beleaguered carrier suffered a whopping loss of nearly Rs 10,800 crore and even demanded Rs 8000 crore as compensation from the PW which could help Go First to meet its financial commitments/obligations. Besides, Go First had also coughed up Rs 5,657 crore to its lessors in the past couple of years comprising Rs 1,600 crore as lease rent for the non-operational grounded aircraft.

Aviation regulator Directorate General of Civil Aviation (DGCA) on May 24, 2023 granted a month's time to cash-strapped Go First airline to submit its restructuring or revival plan for sustainable revival of operations. It has also asked the low-cost carrier to submit the status of the availability of the operational aircraft fleet, post holders required, pilots and other personnel, maintenance arrangements, funding, working capital, arrangements with lessors and vendors, etc., before starting its operations. Go First suspended its operations on May 3, after it filed for bankruptcy citing that it has plunged into a financial crisis after it had to ground about half of its fleet due to 'faulty' Pratt & Whitney engines. Depending on its response to its financial and manpower resources, the aviation regulator will decide whether to allow the low-cost carrier to operate again.

## RECENT DEVELOPMENTS AND GOVERNMENT INITIATIVES :

### • Govt accords 'In-Principle' approval for setting up of 21 Greenfield Airports

The government has accorded 'In-Principle' approval for setting up of 21 Greenfield Airports namely, Mopa in Goa, Navi Mumbai, Shirdi and Sindhudurg in Maharashtra, Kalaburagi, Vijayapura, Hassan and Shivamogga in Karnataka, Dabra (Gwalior) in Madhya Pradesh, Kushinagar and Noida (Jewar) in Uttar Pradesh, Dholera and Hirasar in Gujarat, Karaikal in Puducherry, Dagadarthi, Bhogapuram and Oravakal (Kurnool) in Andhra Pradesh, Durgapur in West Bengal, Pakyong in Sikkim, Kannur in Kerala and Donyi Polo, Itanagar in Arunachal Pradesh across the country. Out of these, 9 Greenfield airports viz. Durgapur, Shirdi, Kannur, Pakyong, Kalaburagi, Orvakal (Kurnool), Sindhudurg, Kushinagar and Donyi Polo, Itanagar have been operationalized.

## GOVT LAUNCHES 5TH ROUND UDAN :

The government has launched the 5th round of the Regional Connectivity Scheme (RCS) - Ude Desh Ka Aam Nagrik (UDAN) to further enhance the connectivity to remote and regional areas of the country and achieve last mile connectivity.

Key Features of UDAN 5.0 are as follows:

- This round of UDAN focuses on Category-2 (20-80 seats) and Category-3 (>80 seats).
- The earlier stage length cap of 600 km is waived off and there is no restriction on the distance between the origin and destination of the flight.
- Viability gap funding (VGF) to be provided will be capped at 600 km stage length for both Priority and Non-Priority areas which was earlier capped at 500 km.
- No predetermined routes would be offered. Only Network and Individual Route Proposal proposed by airlines will be considered.
- The airlines would be required to submit an action/business plan after 2 months from the issuance of LoA wherein they submit their aircraft acquisition plan/availability of aircraft, crew, slots, etc. at the time of the Technical Proposal.
- The same route will not be awarded to a single airline more than once, whether in different networks or in the same network.
- Exclusivity will be withdrawn if the average quarterly PLF is higher than 75% for four continuous quarters, to prevent exploitation of the monopoly on a route.

- 25% of the Performance Guarantee to be encashed for each month of delay up to 4 months, to further incentivize quick operationalization.
- Airlines would be required to commence operations within 4 months of the award of the route. Earlier this deadline was 6 months.
- A list of airports that are ready for operation or would soon be ready for operations has been included in the scheme to facilitate quicker operationalization of routes under the Scheme.
- Novation process for routes from one operator to another is simplified and incentivized.

## **DFS MODIFIES ECLGS TO GIVE CIVIL AVIATION SECTOR NECESSARY COLLATERAL-FREE LIQUIDTY :**

Recognising that an efficient and strong civil aviation sector is vital for the economic development of the country, the government has modified the Emergency Credit Line Guarantee Scheme (ECLGS) to enhance the maximum loan amount eligibility for airlines under ECLGS 3.0 to 100% of their fund based or non-fund-based loan outstanding as on the reference dates or Rs 1,500 crore, whichever is lower; and of the above, Rs 500 crore shall be considered, based on equity contribution by the owners. All other criteria terms and conditions parameters prescribed under the operational guidelines of the ECLGS on August 30, 2022 shall be applicable as it is. The modifications introduced are aimed to give necessary collateral-free liquidity at reasonable interest rates to tide over their present cash flow problems. Keeping in view the high proportion of non-fund based credit in the overall credit of the civil aviation sector, the eligible borrowers were permitted to avail up to 50% of their highest total fund and non-fund based credit outstanding, subject to a maximum of Rs 400 crore per borrower.

## **GOVT EASES RULES; ALLOWS INDIAN CARRIERS TO WET LEASE WIDE -BODY PLANES FOR UP TO 1 YEAR :**

The government has allowed Indian airlines to take wide-body planes on wet lease for up to one year as it pursues efforts to make the country a key international hub for air traffic. Presently, wet leasing of wide-body planes was allowed only for up to six months. Such relaxation shall be available to all Indian carriers on their specific request and the ministry will consider the same based on international destinations that the airline intends to operate. Under the wet lease arrangement, planes are leased along with operating crew and engineers. Indian airlines that seek to operate planes on wet lease to the United States and Europe will be given permission to continue with that arrangement for up to one year. With more wide-body aircraft being operated by Indian carriers, they will be able to ferry more passengers and ultimately that will help the country become a key international hub for air traffic in the coming years.

## OUTLOOK:

Indian aviation industry which was on setback due to covid-19 restrictions and global uncertainties, is all set to take off and fly high with robust passenger traffic, sequential decline in aviation turbine fuel (ATF) prices from the peak of July 2022 and the anticipation of relatively stable foreign exchange rates. The outlook of the Indian aviation industry is bright for coming time as international travel and cargo movement likely to aid the industry as well as load factor shows improvement. Further, the government's continued efforts to boost air connectivity and infrastructure development are likely to drive the growth for the industry. The government's concerted efforts to promote regional tourism will also support the industry. Additionally, technological advancements, such as the use of artificial intelligence and automation, are expected to bring greater efficiency and cost savings to the industry.

Meanwhile, IndiGo and Air India have together placed orders for a total of 970 planes in less than five months this year, a reflection of the two airlines' ambitious expansion plans and the growth potential of the Indian aviation market. The orders for planes from Indian carriers are set to rise further as Akasa Air is likely to place a three-digit aircraft order by the end of this year. In June 2023, IndiGo announced placing a firm order for 500 narrow-body planes with Airbus. In February 2023, Tata Group-owned Air India placed a firm order for 470 planes with Airbus and Boeing.



# A LITTLE ABOUT OURSELVES



## Why We Started?

After speaking with hundreds of investors, we discovered that while most investors recognise the importance of investing in equities, many lack the time, knowledge, or necessary resources to evaluate stocks or construct a long-term equity portfolio. As a result, people risk their savings on a companies based only on the recommendations of relatives, friends, brokers, or any business channel, and end up losing their hard-earned money.

And after such instances, we realised the need for professional advice and decided to start the first equity research and investment advisory firm in Hubballi-Dharwad to assist individual investors across India with the sole purpose of offering unbiased, high-quality, fundamental, and affordable equity investment advice to create serious wealth over long-term.

## Who We Are?

We are the first equity research and investment advisory firm based in North Karnataka and have 12 + years of experience in equity research and advising High Net worth Individuals (HNI's), Ultra High Net worth Individuals (UHNI's) and NRI's across India and the globe.

## What We Do?

We help individual investors in generating inflation-adjusted, risk-adjusted, and tax-efficient returns and create sustainable wealth over the long term by recommending a high-quality direct equity (shares) portfolio.

## What We Don't Do?

- Momentum trading
- Debt investments
- Derivatives (Futures & Options)
- Technical analysis
- Timing the market
- Over-diversifying
- Hedging
- Nonsense

## What We Expect From Investors?

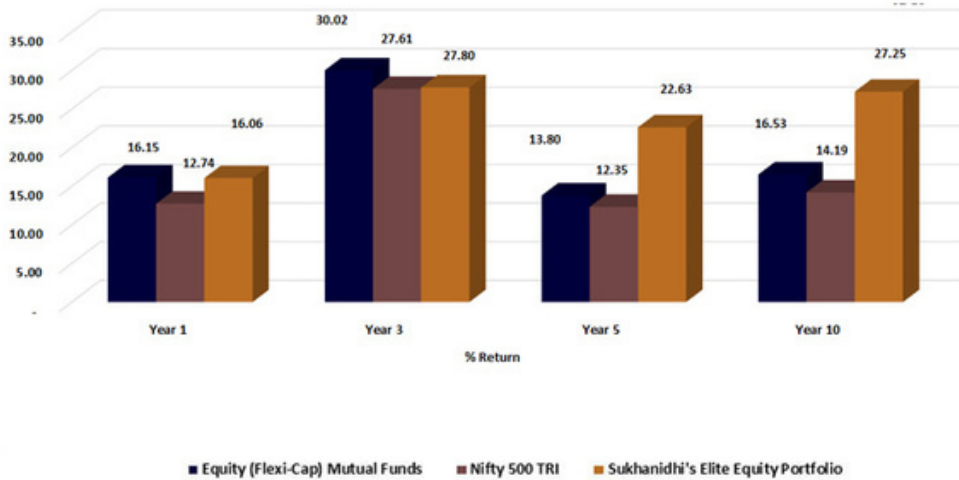
- A minimum commitment period of 5 years or more.

## Why Sukhanidhi?

At Sukhanidhi, You Are Assured Of

- Excellence in our advisory services
- Objectivity and unbiased advice
- Credibility: we are SEBI-registered investment advisors
- Low cost: only fixed fees – no performance fees.
- Peace of mind: we uphold your trust with safeguarding your investments and offering our services at reasonable fees

## Comparative performance analysis of **Flexi-Cap Mutual funds** vs **Nifty 500 TRI** vs **Sukhanidhi's Portfolio**



## Maximize Returns & Reduce Your Expenses with Elite Equity Portfolio

### Here is why our portfolio is better than equity mutual fund and index fund

Description	Flexi-cap MF		Nifty 500 (Index Fund)	Sukhanidhi's Portfolio
	Regular	Direct	Direct	Elite Equity
Lumpsum Investment (Rs)	50,00,000	50,00,000	50,00,000	50,00,000
Fees/Charges (in % Pa)	1.75%	1.00%	0.40%	1.00%
Fees/Charges (in Rs Pa)	87,500	50,000	20,000	50,000
5-Years CAGR Returns (in %)	13.80%	15.07%	12.35%	22.63%
Value of Investment at the end of 5th Year (in Rs)	95,43,088	1,00,87,431	89,48,980	1,38,66,078
Difference in Corpus	-43,22,990	-37,78,647	-49,17,098	-
Total Expenses / fees in last 5 years	-4,37,500	-2,50,000	-1,00,000	-2,50,000
Net Gains/Loss at the end of 5th year	-47,60,490	-40,28,647	-50,17,098	1,36,16,078

NOTE: All returns are in CAGR and the investment time horizon considered as 5 years (July 2018 to June 2023) comparison between sukhanidhi's portfolio vs mutual funds vs index funds. Sukhanidhi's portfolio is built on quality investing strategy. To know more about

\*Note: Our elite equity portfolio has generated a 23.44% CAGR (excluding dividend and bonus) in the last decade (10 years) as on July 2018 to June 2023. However, to be conservative, we are expecting around 15% CAGR(excluding dividend and bonus). There is no guarantee of returns and it is subject to prevailing market conditions.

# What Our Client Say?



**Dr.Naveen H.C.**  
Prosthodontist Implantologist  
Hubballi

Investing in equities has never been my cup of tea due to lack of knowledge and time constraint. It has been 4 years now that I have been associated with Mr. Vinayak Savanur. Since then, with his help, I have begun Investing in on equity shares portfolio for the next 20 years to take care of my after retirement expenses.

When I met him for the first time, he listened to each and every query of mine patiently and took me through the entire process they follow, from stock selection to portfolio construction in detail. Only then I found that Mr. Vinayak's way of approaching the stock market is very simple, safe, sensible. and I got convinced.

I would definitely recommend Sukhanidhi investment Advisors to anyone. Especially middle-aged practicing doctors like me. To utilize Mr. Vinayak Savanur's knowledge and expertise to plan their retirement well in advance and build a fool proof long-term equity portfolio.



**Sanjot Shah**  
Director  
Manickbag Automobiles Private Limited,  
Hubballi

I have got experience from Sukhanidhi investments. The suggestions given by them are good and I am satisfied



**CA Narasimhan Elangovan**  
Partner  
KEN & Co., Chartered Accountants,  
Bengaluru

Professional and well researched approach. Recommended for those who want to build wealth over long term! Great job Vinayak and team.



**Satish Shenoy**  
General Manager  
Samsung India Electronics pvt ltd,  
Mumbai.

A Good Methodology to filter best stocks to invest and easy to approach makes sukhanidhi team class apart; Thanks for your good service. Keep it up!!



**Mamata Kulkarni**  
Texas, USA

Folks, its high time you get in touch with Sukhanidhi to fatten your wallets. Mr. Vinayak Savanur, a very knowledgeable financial advisor, patiently understands your concerns and accordingly guides you in reaching your financial goals. It has been a great pleasure to work with Mr. Savanur. The passion and dedication to his expertise was clear to see. We saw great results and we would strongly encourage others to work with Sukhanidhi! holding the investment for long periods, which is actually the prerequisite to get long term Compound returns from Equity investments. After coming in contact with SUKHANIDHI, after studying their methods in detail, I have now invested in their SUKHANIDHI ELITE EQUITY PORTFOLIO with a long term horizon of 5 to 15 yrs, with 3 different goals in sight, with the intention to withdraw the money as each life goal approaches during the future 15 yrs of my life.



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Note: Our elite equity portfolio has generated a 27.25% CAGR (excluding dividend and bonus) in the last decade (10 years) as on 02nd June 2023. However, to be conservative, we are expecting around 15% CAGR(excluding dividend and bonus). There is no guarantee of returns and it is subject to prevailing market conditions.





# CONTACT INFORMATION



[info@sukhanidhi.in](mailto:info@sukhanidhi.in)



<https://sukhanidhi.in/industry-anaylsis/>



+91 8310770674



Toll Free: 1800 889 0255

## EQUITY HELPLINE!

Have Questions  
About Investing in  
Stocks(Shares)?

**Call Us**

**1800 889 0255**



**VINAYAK SAVANUR**  
FOUNDER & CIO

<https://sukhanidhi.in/>