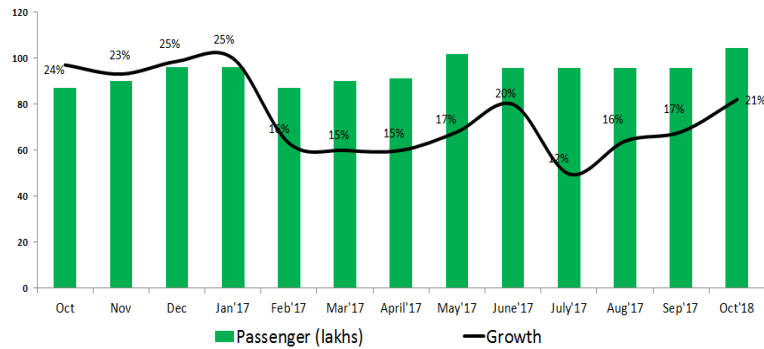


Airline Traffic Data Update for the month of October, 2017

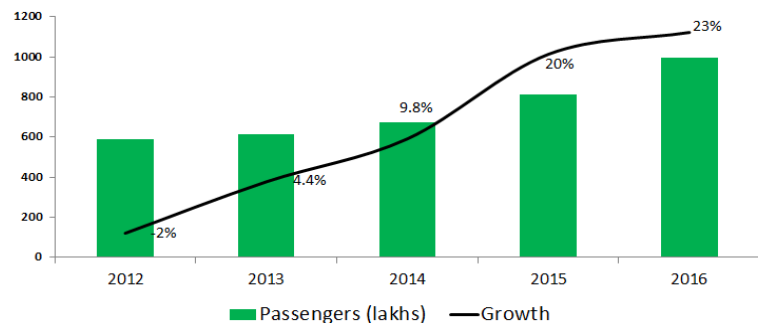
Date: November 21, 2017

Passenger Traffic Growth (YoY)



Source: DGCA website

Domestic air passenger traffic has doubled over the past five years



Source: DGCA website

India's domestic air traffic zooms up 20.51% in October: DGCA

- According to the data released by the Directorate General of Civil Aviation (DGCA), the domestic airlines carried 104.51 lakh passengers in October 2017, against 86.72 lakh passengers during the corresponding period of previous year thereby registering a growth of 20.51% YoY.
- During October 2017, Indigo continued to dominate the market with 39.50% share, 130 bps up from its previous month's market share of 38.20%.
- Low-cost carrier SpiceJet had the highest passenger load factor (PLF) of 93.70% during the month. It clocked over 90% passenger load factor for the 32nd month in a row. SpiceJet was followed by GoAir (87.60%), Indigo (87.30%), Vistara (80.20%) and Jet Airways (80.50%).
- The passenger load factor in the month of October 2017 has shown slightly increasing trend compared to previous month primarily due to the onset of tourist season.

Research Analyst: Aditya Jaiswal (Aviation & Hospitality)

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Domestic PLF has shown slightly increasing trend due to the onset of tourist season

Jet Airways announces cost cutting measures

Jet Airways (India) Ltd plans to cut costs (excluding fuel) by up to 15 per cent, increase ancillary revenue by Rs 250 crore and increase capacity at a CAGR of 10 per cent over three years.

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The Indian aviation industry is in a sweet spot led by strong domestic demand, along with accommodative government policy and a benign fuel outlook.

SpiceJet plans to buy over 100 amphibian planes

Low cost carrier SpiceJet has guided for a fleet upgrade, it plans to purchase more than 100 amphibian planes to boost its regional operations. The deal is estimated to cost USD 400 million.

Such smaller fixed-wing aircrafts have the ability to land in confined space. Such aircrafts are more suitable to connect the country's remote cities.

Airline wise passenger load factor of major players (%)

Airlines	Sep-17	Oct-17
SpiceJet	94.20	93.70
GoAir	88.50	87.60
Indigo	85.20	87.30
Vistara	84.10	80.20
Jet Airways	80.20	80.50
Air Asia	81.60	83.00

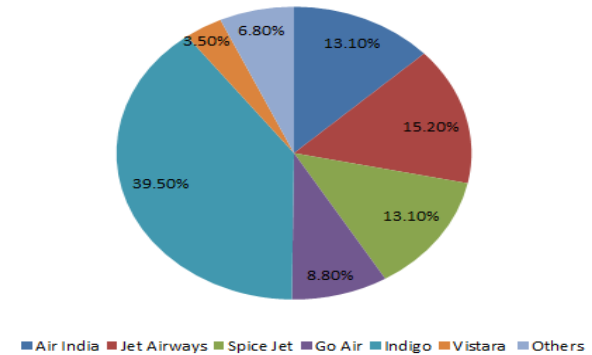
Market share analysis; Indigo maintains its dominance in the Indian sky

India's domestic airline market is dominated by IndiGo, Jet Airways, Air India and SpiceJet. These four players control more than 80% of the country's civil aviation market. Rising per capita incomes, increasing connectivity between states and steep discounts have helped the low cost carriers to gain market shares as compared to the other carriers.

During October 2017, Indigo continued to dominate the market with 39.50% share, 130 bps up from its previous month's market share of 38.20%.

SpiceJet's market share, at 13.10%, declined marginally (70 bps) from the previous month. Jet Airways' market share declined marginally and stood at 15.20%. Air India's market share inched down by 40 basis points to 13.10%, whereas GoAir's market share inched-up 40 bps to 8.80%, it seems to have stabilized in the 7-8.90% range.

Market share position as on October, 2017



Source: DGCA website

Market Share (Oct'16 - Oct'17)													
Companies	Oct	Nov	Dec	Jan'17	Feb'17	Mar'17	April'17	May'17	June'17	July'17	Aug'17	Sep'17	Oct'17
Air India	13.00%	12.90%	14.00%	14.10%	13.50%	13.00%	12.90%	13.00%	13.10%	13.50%	13.20%	13.50%	13.10%
Jet Airways	14.70%	14.90%	15.30%	15.50%	15.80%	15.40%	15.20%	15.20%	15.20%	15.80%	15.90%	15.40%	15.20%
Spice Jet	12.90%	12.80%	12.70%	12.80%	13.10%	13.10%	12.90%	12.60%	13.30%	14.20%	14.00%	13.80%	13.10%
Go Air	7.90%	8.00%	8.20%	8.20%	8.70%	8.90%	8.10%	8.50%	8.40%	7.80%	8.00%	8.40%	8.80%
Indigo	42.60%	42.10%	40.30%	39.80%	39.50%	39.90%	41.40%	41.20%	40.00%	38.70%	38.00%	38.20%	39.50%
Vistara	2.70%	2.90%	3.20%	3.20%	3.10%	3.20%	3.20%	3.30%	3.60%	3.60%	3.70%	3.80%	3.50%

Source: DGCA website

Indian Aviation Industry - its time to start soaring again!

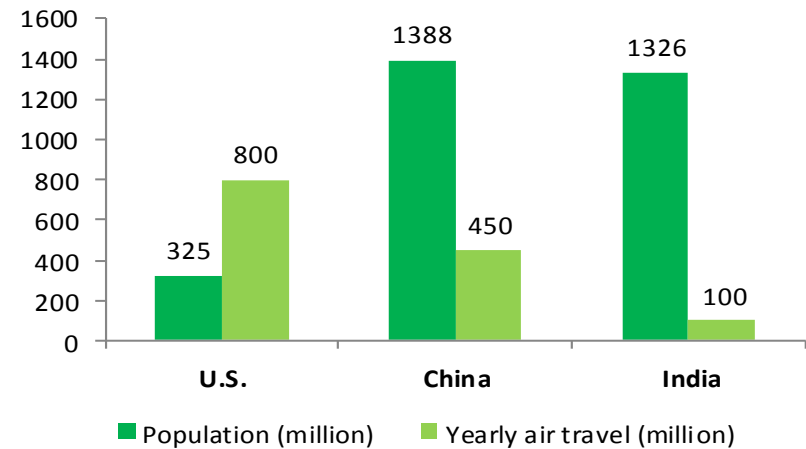
The Indian civil aviation industry has heralded a new era of expansion, largely driven by factors such as the new & liberal civil aviation policy, benign input costs and aggressive expansion by the low-cost carriers such as SpiceJet and Indigo.

The outlook for the Indian aviation industry remains positive primarily due to the huge untapped potential, considering the fact that U.S. with a population of merely 326 million generated a passenger traffic of over 820 million in 2016! Another remarkable fact is the demography; a quarter of the Indian population belongs to the age group of 0-15 years.

The OPEC-led group is firm on its plan to reduce a global crude glut that has been slow to balance out due to weak demand and rising production in the United States. However, OPEC's pledge to tighten the market is being severely undermined by oil drillers in the U.S.

As per the World bank, crude is expected remain between USD40-60 range for the next two years. Till Brent remains under pressure, aviation companies should continue to do well.

Only a tiny fraction of Indians take to flying every year



Source: Bloomberg

Aviation terminologies:

1. **Passenger Load Factor (PLF):** Measures the capacity utilization of public transport services like airlines and passenger railways.
2. **Air Turbine Fuel (ATF):** Aviation fuel is a specialized type of petroleum-based fuel used to power aircraft.
3. **Available Seat Kilometer (ASK):** The basic measure of capacity, one seat (empty or filled) flying one kilometer is an ASK.
4. **Revenue Passenger Kilometer (RPK):** The Basic measure of revenue. A paying passenger flying one kilometer creates an RPK.

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

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