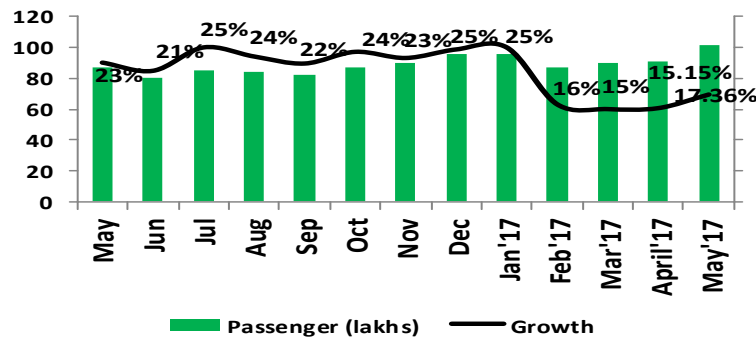


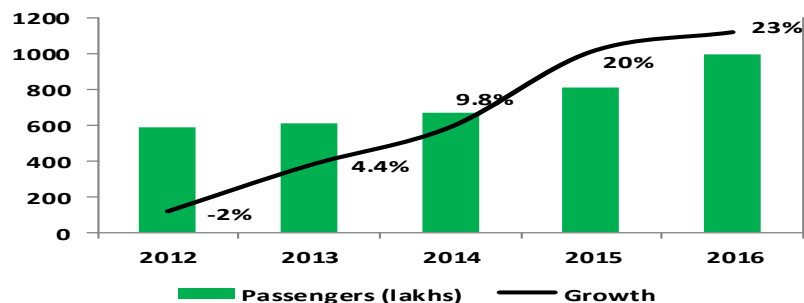
Airline Traffic Data Update for the month of May, 2017

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 17.36% in May: DGCA

- According to the data released by the Directorate General of Civil Aviation (DGCA), the domestic airlines carried 101.74 lakh passengers in May 2017, against 86.69 lakh passengers during the corresponding period of previous year thereby registering a growth of 17.36% YoY.
- In terms of market share, Indigo continues to dominate the market with 41.20% share, 20 basis points down from its previous month's market share of 41.90%.
- Low-cost carrier SpiceJet had the highest passenger load factor (PLF) of 94.30% during the month. It clocked over 90% passenger load factor for the 26th month in a row. SpiceJet was followed by Goa Air (93%), Indigo (91.10), Air Asia (89.40%), Vistara (86.80%).
- The passenger load factor in the month of May 2017 has shown increasing trend compared to previous month primarily due to the tourist season.

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Date: May 22, 2017

Domestic PLF soared due to the tourist season

DGCA slashes airport charges; relief for domestic air passengers

Domestic air passengers will have to pay less at the airports, particularly the non-major ones, from the next month as the aviation regulator has brought down certain charges to the level of last December. The Directorate General of Civil Aviation (DGCA) had hiked the air navigational charges at all domestic airports besides increasing passenger service fee, user development fee as well as landing, parking and housing fee at all non-major airports from December 16, 2016.

SpiceJet to buy stretched version of Boeing 737 Max aircraft to fly on congested routes

SpiceJet announced that it has signed an agreement to buy a stretched version of Boeing's 737 Max aircraft. The move is primarily aimed at increasing its capacity to fly more passengers and help overcome slot constraints at some local airports. The airline said it has signed a memorandum of understanding for 40 737 Max aircraft which are valued at approximately \$4.74 billion at current list prices. These include 20 new orders for the 737 Max 10 and conversion of 20 of the low-cost carrier's 737 Max 8 aero planes of its current order to 737 Max 10s. Indian carriers are ordering hundreds of planes, including smaller turboprop models, as an emerging middle class flies for the first time.

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India continues to be the fastest-growing country in the world in terms of passengers. The most remarkable aspect about the domestic aviation sector is the widening gap between passenger growth and capacity growth. This bodes favorable supply demand dynamics for the industry.

Airline wise passenger load factor of major players (%)

Airline	April-17	May-17
SpiceJet	93.40	94.30
Air Asia	90.10	89.40
Indigo	86.90	91.10
GoAir	84.70	93.00
Vistara	83.60	86.80
Jet Airways	82.80	85.30
Air India	78.70	80.90



Tweet peek: "Aviation figures for May registers a new record with over 1 crore passengers flying domestically in a single month" ~ Jayant Sinha, Minister of State, Civil Aviation

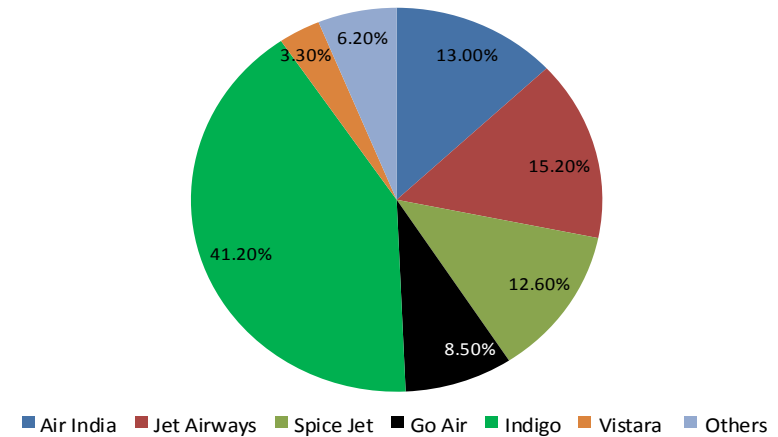
Market share analysis; Indigo maintains its dominance in the Indian sky

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.

In May 2017, Indigo continued to dominate the market with 41.20% share, 20 bps down from its previous month's market share of 41.40%.

SpiceJet's market share, at 12.60%, declined marginally from the previous month. Jet Airways' market share remained unchanged at 15.20%. Air India's market share inched-up by 10 basis points to 13.00%, whereas GoAir's market share inched-up by 40 bps to 8.50%, it seems to have stabilized in the 8-9% range.

Market share position as on May, 2017



Source: DGCA website

Market Share (May'16 - May'17)													
Companies	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan'17	Feb'17	Mar'17	April'17	May'17
Air India	15.60%	15.50%	14.80%	14.60%	14.70%	13.00%	12.90%	14.00%	14.10%	13.50%	13.00%	12.90%	13.00%
Jet Airways	16.10%	16.30%	16.30%	16.40%	16.20%	14.70%	14.90%	15.30%	15.50%	15.80%	15.40%	15.20%	15.20%
Spice Jet	12.60%	12.70%	11.70%	12.60%	12.50%	12.90%	12.80%	12.70%	12.80%	13.10%	13.10%	12.90%	12.60%
Go Air	8.10%	8.30%	8.40%	8.00%	8.30%	7.90%	8.00%	8.20%	8.20%	8.70%	8.90%	8.10%	8.50%
Indigo	38.50%	37.90%	39.80%	39.90%	40.00%	42.60%	42.10%	40.30%	39.80%	39.50%	39.90%	41.40%	41.20%
Vistara	2.50%	2.80%	2.60%	2.40%	2.50%	2.70%	2.90%	3.20%	3.20%	3.10%	3.20%	3.20%	3.30%

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.

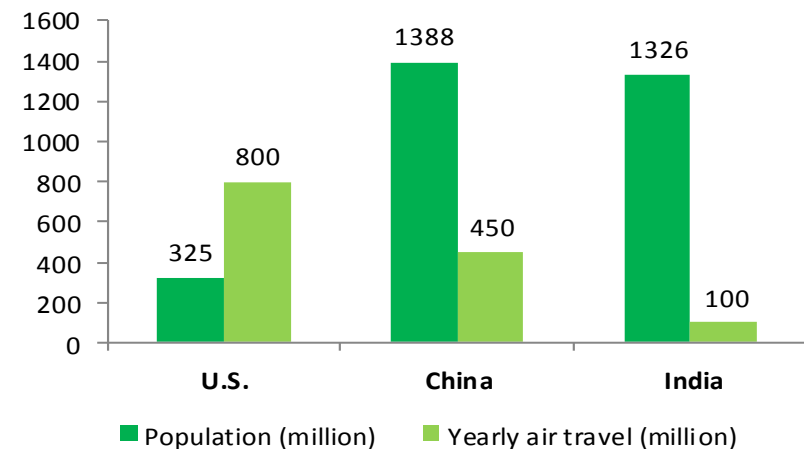
The outlook for the Indian aviation industry remains positive primarily due to the huge untapped potential, considering the fact that U.S. with a population of merely 326 million generated a passenger traffic of over 820 million in 2016! Another remarkable fact is the demography; a quarter of the Indian 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. The OPEC panel is considering even deeper supply cuts to boost prices. However, OPEC's pledge to tighten the market is being severely undermined by oil drillers in the U.S.

Increasing numbers of drilling rigs in America, as well as rising output in Libya, are putting OPEC'S effort in jeopardy. U.S. drillers added rigs for a 22nd straight week, the longest uninterrupted stretch of growth in three decades.

As per the World bank, crude is expected remain between USD40-60 range for the next 20-22 months. 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 reve-



Tweet peek: "UDAN Scheme is a first-of-its-kind scheme globally to stimulate regional connectivity through a market-based mechanism" ~ Narendra Modi.

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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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