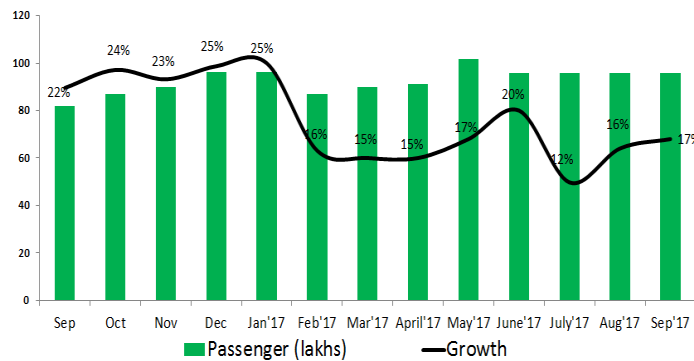


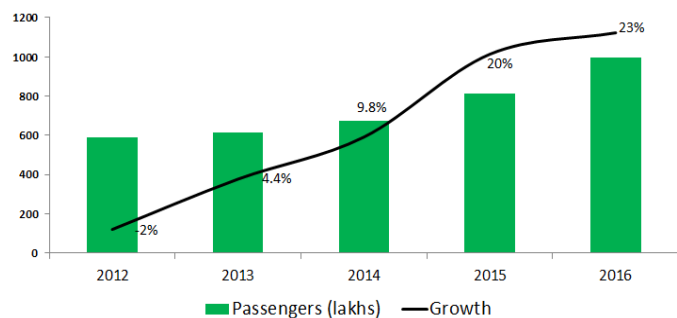
# Airline Traffic Data Update for the month of September, 2017

**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 16.91% in September: DGCA

- According to the data released by the Directorate General of Civil Aviation (DGCA), the domestic airlines carried 95.83 lakh passengers in September 2017, against 82.30 lakh passengers during the corresponding period of previous year thereby registering a growth of 16.91% YoY.
- During September 2017, Indigo continued to dominate the market with 38.20% share, 20 bps up from its previous month's market share of 38.00%.
- Low-cost carrier SpiceJet had the highest passenger load factor (PLF) of 94.20% during the month. It clocked over 90% passenger load factor for the 31<sup>st</sup> month in a row. SpiceJet was followed by GoAir (88.50%), Indigo (85.20%), Vistara (84.10%) and Air Asia (81.60%).
- The passenger load factor in the month of September 2017 has shown declining trend compared to previous month primarily due to the end of tourist season.

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Date: October 26, 2017

## Domestic PLF has shown declining trend due to the end of festive season

### Regional connectivity scheme soars on the back of robust demand in tier III and tier IV cities

SpiceJet, Alliance Air and Trujet the three operators that started operations under the scheme have reported strong load factors. SpiceJet's occupancy on regional routes on has been more than 90%. The Company has reported that it has broken even on these routes.

### 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.

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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.

**Airline wise passenger load factor of major players (%)**

Airlines	Aug-17	Sep-17
SpiceJet	94.50	94.20
GoAir	85.40	88.50
Indigo	83.60	85.20
Vistara	83.40	84.10
Jet Airways	80.70	80.20
Air Asia	85.80	81.60

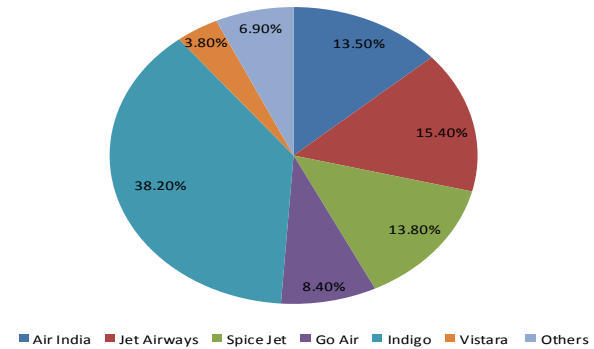
## Market share analysis; Indigo maintains its dominance in the Indian sky

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 September 2017, IndiGo continued to dominate the market with 38.20% share, 20 bps up from its previous month's market share of 38.00%.

SpiceJet's market share, at 13.80%, declined marginally from the previous month. Jet Airways' market share declined marginally and stood at 15.40%. Air India's market share inched up by 30 basis points to 13.50%, whereas GoAir's market share inched-up 40 bps to 8.40%, it seems to have stabilized in the 7-8.90% range.

Market share position as on September, 2017



Source: DGCA website

Market Share (August'16 - August'17)

Companies	Sep	Oct	Nov	Dec	Jan'17	Feb'17	Mar'17	April'17	May'17	June'17	July'17	Aug'17	Sep'17
Air India	14.70%	13.00%	12.90%	14.00%	14.10%	13.50%	13.00%	12.90%	13.00%	13.10%	13.50%	13.20%	13.50%
Jet Airways	16.20%	14.70%	14.90%	15.30%	15.50%	15.80%	15.40%	15.20%	15.20%	15.20%	15.80%	15.90%	15.40%
Spice Jet	12.50%	12.90%	12.80%	12.70%	12.80%	13.10%	13.10%	12.90%	12.60%	13.30%	14.20%	14.00%	13.80%
Go Air	8.30%	7.90%	8.00%	8.20%	8.20%	8.70%	8.90%	8.10%	8.50%	8.40%	7.80%	8.00%	8.40%
Indigo	40.00%	42.60%	42.10%	40.30%	39.80%	39.50%	39.90%	41.40%	41.20%	40.00%	38.70%	38.00%	38.20%
Vistara	2.50%	2.70%	2.90%	3.20%	3.20%	3.10%	3.20%	3.20%	3.30%	3.60%	3.60%	3.70%	3.80%

Source: DGCA website

## Indian Aviation Industry - its time to start soaring again!

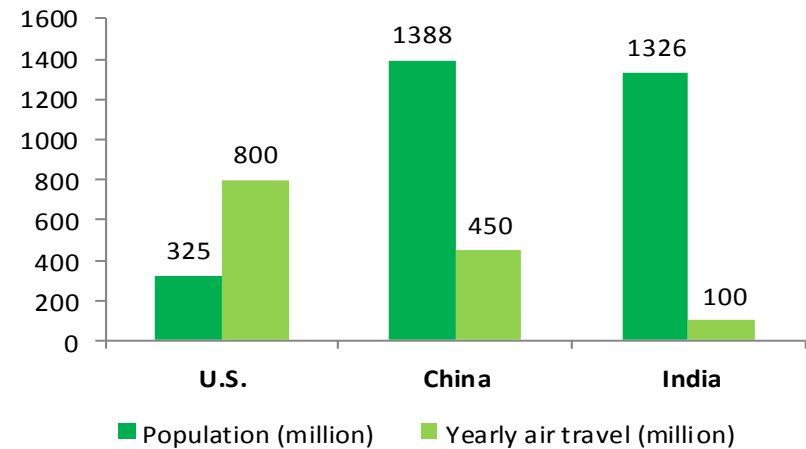
The Indian civil aviation industry has heralded a new era of expansion, largely driven by factors such as the new & liberal civil aviation policy, benign input costs and aggressive expansion by the low-cost carriers such as SpiceJet and Indigo.

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.



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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