

A STUDY ON AVIATION INDUSTRY IN INDIA

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ABSTRACT:

The aviation industry in India is presently an expeditious growing industry in India visually perceived according to the report in the last three years. So, India is well-known as the third-largest domestic aviation market in the world and is foreseen to be the third-largest air passenger market by the end of 2024. To work toward the requirements of the flyers, Government of India is working toward incrementing the number of airports. In 2019, India is reported to have 103 operational airports, with a considerable increase in the aeroplanes too. The Indian government has plans to invest more to develop the aviation industry with various strategies. Although tremendous achievements are seen recently, still more gaps in development have to be filled. With the increased demand in air travel, India's aviation industry by 2038 might need 2,380 new commercial airliners. In this paper, the aviation industry in India with special emphasis on the privatization process is discussed and analyzed.

KEYWORDS: Aviation industry, Airports, Air travel, Developmental strategy in aviation

INTRODUCTION:

The civil aviation industry in India has emerged as one of the fastest growing industries in the country during the last three years and can be broadly classified into scheduled air transport service which includes domestic and international airlines, non-scheduled air transport service which consists of charter operators and air taxi operators, air cargo service, which includes air transportation of cargo and mail. Domestic traffic contributes around 69% of the total airline traffic in South Asia and India's airport capacity is expected to handle 1 billion trips annually by 2023. The Indian aviation industry has recovered fully from the covid-19 pandemic shock as indicated by the air traffic movement which stood at 236.71 million in the FY23 (April-December 2022) compared to 131.61 million in the same period last year.

Indigo is the largest airline company in India with the highest market share. India has become the third-largest domestic aviation market in the world and is expected to overtake the UK to become the third-largest air passenger* market by 2024.

GOVERNMENT INITIATIVES

Some major initiatives undertaken by the Government are:

- In the Union Budget 2023-24:
 - Rs. 3,224.67 crores (US\$ 440.36 million) has been allocated to the Ministry of Civil Aviation.
 - Government to revive 50 aircraft landing sites comprising airports, heliports, water aerodromes, and advanced landing grounds to improve regional air connectivity.
 - In the budget 2022-23, the RCS (Regional Connectivity Scheme) UDAN scheme which aims to stimulate regional air connectivity has been allocated Rs. 601 crores (US\$ 77.52 million).
 - For better execution of the PM-Gati Shakti vision, Mr. Jyotiraditya M. Scindia, Minister of Civil Aviation asks for synergy between the Central and State Governments to build 16 new airports in Madhya Pradesh, Chhattisgarh, Uttar Pradesh, Rajasthan, and Maharashtra.
- NABH (NextGen Airports for Bharat) - Nirman is a government initiative to expand airport capacity more than five times to handle billions of trips a year, in the next 10-15 years.
- AAI Startup Policy: Delivering a framework & mechanism for the interaction of AAI with internal and external stakeholders that catalyze innovation at airports and leveraging technology for addressing challenges and enhancing the delivery of services to passengers.
- Under four rounds of bidding of RCS-UDAN, as of November 2022, 459 routes have commenced, operationalizing 70 airports including 2 water aerodromes & 9 heliports.
- Union Minister for Civil Aviation Mr. Jyotiraditya Scindia launches Digi Yatra for three airports in the country
- Civil enclave to be built in Jammu at a cost of Rs. 861 crores
- In October 2022, Prime Minister Mr. Narendra Modi laid the foundation stone of the C-295 Aircraft Manufacturing Facility in Vadodara, Gujarat.
- The Ministry of Civil Aviation (MoCA) announced that airlines can operate domestic flights without any capacity restriction, effective from October 18, 2021.
- In October 2021, the Union Minister of Civil Aviation, Mr. Jyotiraditya M. Scindia, virtually flagged off the first direct flight along the Shillong–Dibrugarh route, under the RCS-UDAN (Regional Connectivity Scheme - Ude Desh Ka Aam Naagrik) scheme.
- Ministry of Civil Aviation launched the Krishi UDAN 2.0 scheme in October 2021. The scheme proposes assistance and incentive for the movement of agri-produce by air transportation. The Krishi UDAN 2.0 will be implemented at 53 airports across the country, largely focusing on Northeast and tribal regions, and is expected to benefit farmers, freight forwarders, and airlines.

- On October 20, 2021, Prime Minister Mr. Narendra Modi inaugurated the Kushinagar International Airport in Uttar Pradesh. The international airport is likely to facilitate the air travel requirements of international Buddhist pilgrims in India
- In August 2021, the government plans to implement a biometric boarding system using facial technology in six airports, including Bengaluru, Hyderabad, and Pune. The project is currently in the testing phase.
- The Ministry of Civil Aviation (MoCA) is hopeful that aspiring commercial pilots will soon be able to get trained in India without having to leave the country. In this regard, the government in July 2021 announced setting up eight new flying academies across the following five airports: Belagavi and Kalaburagi in Karnataka, Jalgaon in Maharashtra, Khajuraho in Madhya Pradesh, and Lilabari in Assam.
- The government is planning to start 14 more water aerodromes across the country, after the successful launch of seaplane service by Prime Minister, Mr. Narendra Modi, between the Statue of Unity near Kevadiya in Gujarat's Narmada district and Sabarmati Riverfront in Ahmedabad in October 2020

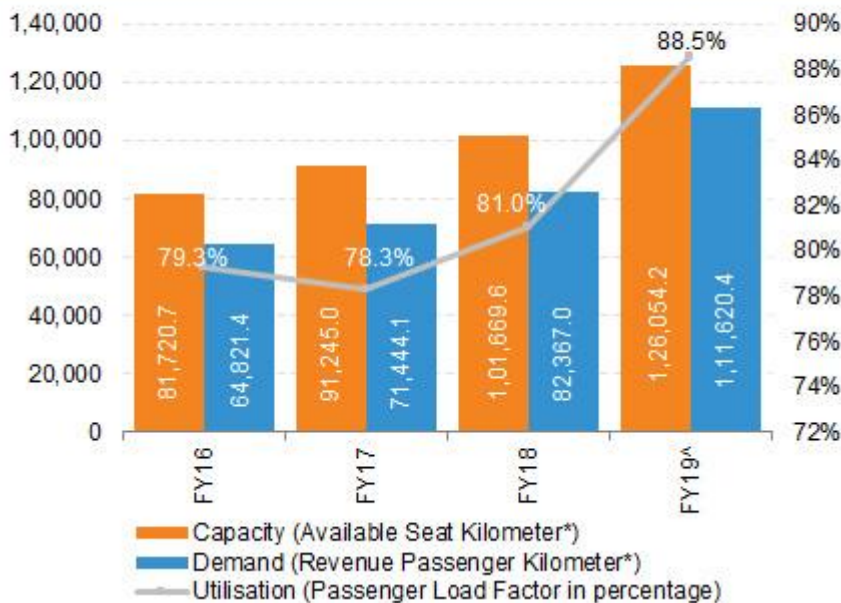
MARKET SIZE

India is expected to overtake China and the United States as the world's third-largest air passenger market in the next ten years, by 2030, according to the International Air Transport Association (IATA). Further, the rising demand in the sector has pushed the number of airplanes operating in the sector. The number of airplanes is expected to reach 1,100 planes by 2027.

In FY22, airports in India pegged the domestic passenger traffic to reach 166.8 million, a 58.5% YoY increase, and international passenger traffic to reach 22.1 million, a 118% YoY increase, as compared to FY21.

Between FY16 and FY22, freight traffic increased at a CAGR of 2.52% from 2.70 MMT to 3.14 MMT. Freight traffic stood at 2,390,320 tons in FY23 (April-December 2022). Freight traffic on airports in India has the potential to reach 17 MT by FY40. In FY22, the number of aircraft movements stood at 1,757,112, and aircraft movements reached 2,029,090 in FY23 (April-December 2022). To cater to the rising air traffic, the Government of India has been working towards increasing the number of airports. As of 2022, India had 131 operational airports. India has envisaged increasing the number of operational airports to 220 by 2025.

International Demand, Capacity and Utilisation



KEY INVESTMENTS AND DEVELOPMENTS

- According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflow in India's air transport sector (including air freight) reached US\$ 3.61 billion between April 2000-September 2022.
- The government has allowed 100% FDI under the automatic route in scheduled air transport service, regional air transport service, and domestic scheduled passenger airlines. However, FDI over 49% would require government approval.
- AAI and other Airport Developers have targeted a capital outlay of approximately Rs. 98,000 crores in the airport sector in the next five years.
- The number of PPP airports is likely to increase from five in 2014 to 24 in 2024.
- India's aviation industry is expected to witness Rs. 35,000 crores (US\$ 4.99 billion) investment in the next four years. The Indian Government is planning to invest US\$ 1.83 billion for the development of airport infrastructure along with aviation navigation services by 2026.
- India aims to have 220 new airports by 2025, said, Mr. Jyotiraditya Scindia, Minister of Civil Aviation. Cargo flights for perishable food items will also be increased to 30% with 133 new flights in the coming years.
- In 2022, Mumbai International Airport Ltd (MIAL) raised US\$ 750 million in debt in a private placement from a US-based private asset manager, Apollo Global.

- Adani Airport Holdings (AAHL) raised US\$ 250 million in May 2022 for capital expenditure and for the development of six airports that it currently manages.
- In February 2022, the Airports Authority of India (AAI) and other airport developers set a capital outlay target of Rs. 91,000 crores (US\$ 12.08 billion) for the development of the airport industry.
- AAI plans to invest Rs. 25,000 crores (US\$ 3.58 billion) in next the five years to augment facilities and infrastructure at airports.
- UK group to invest Rs. 950 crores (US\$ 135.9 million) in Turbo Aviation's new airline TruStar
- In October 2021, Tata Sons won the bid to acquire state-run Air India by offering Rs. 18,000 crores (US\$ 2.4 billion) to acquire 100% of shares.
- In October 2021, Akasa Air, a start-up airline, received a 'No Objection' certificate from the Ministry of Civil Aviation to launch operations. The start-up commenced its operations in mid-2022.
- In September 2021, JetSetGo, a private aviation company, plans to make its flight operations carbon neutral by 2024 through a carbon management programme.
- In August 2021, Indira Gandhi International Airport was declared the best airport in India and Central Asia at Skytrax World Airport Awards.
- In June 2021, SpiceJet announced its ambitious target to fly 100 million domestic passengers on Sustainable Aviation Fuel (SAF) blend by 2030 under the aegis of the World Economic Forum (WEF).
- In March 2021, the government announced a plan to set up two water aerodromes in Assam and four water aerodromes in Andaman & Nicobar Islands this year to boost tourism and connectivity.
- In March 2021, the government submitted a proposal to develop a water aerodrome project at the Ujjani Dam, under the Ministry of Civil Aviation's UDAN-RCS (regional connectivity scheme).
- On March 25, 2021, Union Minister of Civil Aviation Hardeep Singh Puri inaugurated the Kurnool Airport, Orvakal, Andhra Pradesh, in a virtual ceremony. The flight operations at Kurnool airport will commence on March 28, 2021, under the Regional Connectivity Scheme – Ude Desh Ka Aam Nagrik (RCS-UDAN). UDAN flights carried 34,38,955 passengers till 7th November 2021.

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ROAD AHEAD

India's aviation industry is largely untapped with huge growth opportunities, considering that air transport is still expensive for the majority of the country's population, of which nearly 40% is the upwardly mobile middle class. The government has been instrumental in developing policies to give a boost to the aviation sector. For this, UDAN-RCS scheme has been launched by the government which aims to increase air connectivity by providing affordable, economically viable, and profitable travel on regional routes.

The industry stakeholders should engage and collaborate with policymakers to implement efficient and rational decisions that would boost India's civil aviation industry. With the right policies and relentless focus on quality, cost, and passenger interest, India would be well placed to achieve its vision of becoming the third-largest aviation market by 2020. The expenditure of Indian travelers is expected to grow up to Rs. 9.5 lakh crore (US\$ 136 billion) by 2021. Due to the rise in demand for air travel, India will need 2,380 new commercial airplanes by 2038. According to a report titled 'Travel market in India', published by RedCore - a RedSeer unit focusing on early-stage companies - the travel market in India, worth ~US\$ 75 billion in FY20, is projected to cross US\$ 125 billion by FY27.



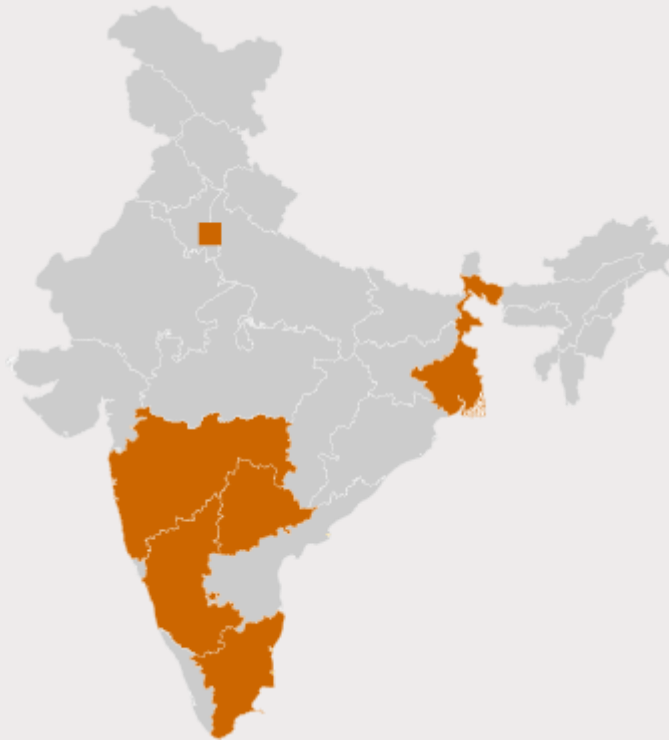
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Note:Conversion rate used in November 2022, Rs. 1 = US\$ 0.012

Note:*-International and Domestic, ^ - As per International Air Transport Association (IATA) forecasts

Aviation India / Major Airports

- **Delhi**
- **Mumbai**
- **Chennai**
- **Bengaluru**
- **Kolkata**
- **Hyderabad**



Industry Contacts

- **Airports Authority of India (AAI)**
- **Directorate General of Civil Aviation (DGCA)**

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